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Group Company Secretary

Corporate Communications Department
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12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

20th October 2009

Dear Sir

Re: Consultation Paper on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong

Acceptance of Mainland Standards/Audit Firms

We support the proposed framework to accept CASBE, Mainland auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong. This will (as the paper outlined) reduce compliance costs for Mainland incorporated companies listed in Hong Kong, prompt more timely disclosure of information, and potentially encourage more Mainland companies to list in Hong Kong.

It is essential that the pre-conditions for the proposals outlined in the paper be met. Namely that there is convergence of CASBE and Mainland auditing standards with the accounting and auditing standard issued by HKICPA. This will be particularly helpful for companies with Mainland associates, whose accounts need to be consolidated on a consistent basis.

We agree with the proposed commencement date of 1 January 2010. We assume that the financial statements in respect of prior years will also be acceptable, as long as they meet the requirements set out in the framework. 2010 Financial Statements will contain the prior year's financial information, and may (for example) include a 5 year table or some other form of comparative data. A three year financial track record may also need to be demonstrated. It would be useful to clarify that the prior years' financials will be acceptable.

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Proposed Framework for Implementation

As a reciprocal arrangement for allowing acceptance of financial statements prepared under Mainland accounting standards and audited by Mainland auditors for Mainland incorporated companies listed in Hong Kong, it is proposed that the Mainland will operate a parallel scheme, as outlined in Appendix 1 of the Consultation Paper.

The proposed framework states that "Hong Kong audit firms registered with the HKICPA may apply to act as auditors of Hong Kong companies, i.e. companies incorporated or registered under the Companies Ordinance of the HKSAR, listed in the Mainland and audited financial statements prepared under the HKFRS or the IFRS. This arrangement will be applicable to Hong Kong companies whose financial statements (including those for IPOs and periodic reports) are prepared under the HKFRS or the IFRS and audited with Hong Kong or international auditing standards".

We assume from this that companies registered under Part XI of the Companies Ordinance are intended to be caught by the phrase "companies incorporated or registered under the Companies Ordinance". With the majority of Hong Kong listed companies not being incorporated in Hong Kong, we assume that the intention is to include all Part XI registered companies, but some form of clarification and confirmation would be welcome.

The framework envisages that only Hong Kong audit firms registered with HKICPA may apply to be recognised as suitable auditors by the Mainland. Given that statements prepared under IFRS will be acceptable under the framework, and that there are international companies with primary listings in Hong Kong whose accounts are audited by internationally recognised audit firms, we recommend that the framework also recognise audit firms registered with the equivalent bodies to HKICPA within the UK and the US.

We note that the MoF and the CSRC are the relevant regulatory bodies involved with this framework, but it would be helpful if HKEx could raise these points as part of the process in agreeing the final framework for implementation.

Yours faithfully