

**Linklaters**  
年利達律師事務所

F024

Linklaters  
10th Floor, Alexandra House  
Chater Road  
Hong Kong  
香港遮打道歷山大廈10樓  
Telephone 電話 (+852) 2842 4888  
Facsimile 傳真 (+852) 2810 8133/2810 1695



Corporate Communications Department  
Hong Kong Exchanges and Clearing Limited  
12<sup>th</sup> Floor, One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

By Fax (2524 0149) and By Hand

23 October 2009

Our Ref 我所文號

Dear Sirs

**Consultation Paper on Acceptance of Mainland Accounting and Auditing Standards  
and Mainland Audit Firms for Mainland Incorporated Companies Listed In Hong Kong**

We refer to the above Consultation Paper issued by Hong Kong Exchanges and Clearing Limited in August 2009 and enclose our response for your consideration.

Please do not hesitate to contact Celia Lam of our office (Tel no.: ) if you have any questions on our comments.

Yours faithfully

Linklaters  
Encl.

RECEIVED 23 OCT 2009

A list of the names of the principals, solicitors and registered foreign lawyers of Linklaters in Hong Kong is open to inspection at its registered office at 10th Floor, Alexandra House, Chater Road, Hong Kong.

Linklaters is a law firm regulated by the Solicitors Regulation Authority. It is affiliated with Linklaters LLP, a limited liability partnership registered in England and Wales with registered number OC328345. The term partner in relation to Linklaters LLP is used to refer to a member of the LLP or an employee or consultant of Linklaters LLP or any of its affiliated firms or entities with equivalent standing and qualifications. A list of the names of the members of Linklaters LLP and of the non-members who are designated as partners and their professional qualifications is open to inspection at its registered office, One Silk Street, London EC2Y 8HQ, England or on [www.linklaters.com](http://www.linklaters.com) and such persons are either solicitors, registered foreign lawyers or European lawyers.

Please refer to [www.linklaters.com/regulation](http://www.linklaters.com/regulation) for important information on our regulatory position.  
A11318510/0.0/23 Oct 2009

## Part A General Information of the Respondent

All fields are mandatory, except the fields with an asterisk (\*) if you are an individual respondent.

Name / Company Name*	:	<input type="text" value="Linksters"/>
Contact Person:*	:	<input type="text" value="Celia Bam"/>
Title*	:	<input type="text"/>
Phone Number	:	<input type="text"/>
E-mail Address	:	<input type="text"/>

If you **do not wish** to disclose the above information to the public, please check the box here:

I do not wish to disclose the information above.

## Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please make your comments by replying to questions below against proposed changes discussed in the Consultation Paper at the hyperlink: [http://www.hkex.com.hk/consul/paper/cp200908\\_e.pdf](http://www.hkex.com.hk/consul/paper/cp200908_e.pdf).

Where there is insufficient space provided for your comments, please attach additional pages.

### *Consultation Questions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong*

1. Do you agree with the proposed framework?

Yes.

No.

Please state the reasons for your views.

We support the Stock Exchange's proposal to accept financial statements prepared under Mainland accounting and auditing standards and audited by Mainland auditors for Mainland incorporated companies listed in Hong Kong. We agree that this is a move in the right direction given the convergence of China Accounting Standards for Business Enterprises and International Financial Reporting Standards.

2. If the proposed framework is adopted, do you agree that the effective commencement date for the new rules should be **1 January 2010** and should apply to annual accounting periods beginning on or after **1 January 2010**?

Yes.

No.

Please state the reasons for your views.

3. What are your views on the likely effect of the proposed new Rules to implement the framework (see **Appendix 6** to the Consultation Paper)? Please provide qualitative and quantitative data. Please state the reasons for your views.

We agree that the proposed framework would reduce compliance costs of Mainland incorporated companies listed in Hong Kong.

The number of audit firms providing services to companies listed in Hong Kong will also increase with the proposed framework. In addition to expertise on accounting and auditing standards, it is important that the Mainland audit firms approved under the framework have sound knowledge on the requirements applicable to financial statements (for IPOs, annual reports and circulars etc) under the Listing Rules and the Companies Ordinance. In monitoring the quality of work, the Stock Exchange may wish to enhance post-vetting of financial statements prepared by Mainland audit firms especially during the initial stage of the framework. We would also suggest that knowledge and on-going training on the Listing Rules and the Companies Ordinance be added as a qualification requirement under the proposed framework.

4. Do you have any other comments or suggestions or alternative approaches?

Yes.

No.

Please state the reasons for your views.

We understand that some market participants are concerned about the lack of powers of Hong Kong regulatory authorities to monitor, investigate and impose disciplinary sanctions on Mainland auditors under the proposed framework. While we noted that the Stock Exchange has made (i) convergence of accounting and auditing standards; and (ii) overall equivalence of quality assurance and practice review systems in Hong Kong and the Mainland as pre-conditions for the new rules, the success of the proposed framework would depend very much on how pre-condition (ii) is satisfied and monitored on an on-going basis. It is important for the Stock Exchange to take an active role in liaising with the Mainland regulatory authorities and update the market from time to time on details of the admission criteria and the cooperation arrangements. We believe that the more objective the admission criteria and the more transparent the

cooperation arrangements, the more confidence the market will have in the proposed framework.

- End -