

# HKEx plans to allow mainland-audited statements

Stock exchange chief says move is part of international accounting convergence

By Reggie Rathour and Naomi Martig

▶ Hong Kong Exchanges and Clearing Ltd. has proposed accepting as early as next January financial statements prepared under mainland accounting standards by Chinese companies listed, or coming to list, in Hong Kong.

As of this writing, a consultation paper is expected early this month.

HKEx Chief Executive Paul Chow told a news conference in August that the exchange is considering the proposal because more and more countries are “gradually converging their accounting standards with international financial reporting standards.”

Hong Kong standards have been converged with IFRS since 2005 and China did the same in 2007. “If the whole world accepts the same international accounting standard, then wherever a listed company wants to get listed, the accounting requirements will be the same,” Chow said.

The proposal has sparked concerns about quality control. Institute President Paul Winkelmann said regulators would make sure that “the quality controls and the regulations of the firms on both sides of the borders are kept up to international benchmarks.”

“All that is happening is that mainland enterprises coming to list in Hong Kong do not have to use Hong Kong Financial Reporting Standards,” he said.

Lawmaker Paul Chan, who represents the profession in the Legislative Council, told *A Plus* the move would increase competition between second-tier Hong Kong audit firms and mainland audit firms, as both are targeting mid-sized H-share companies as clients.

Chan, however, pointed out that mainland and Hong Kong authorities are also considering allowing Hong Kong firms to continue auditing Hong Kong companies seeking listings in Shanghai.

Jack Chow, an audit partner of KPMG Hong Kong, said while some Hong Kong auditors may be affected because their companies may switch back to using mainland accountants, it’s important to recognize that mainland companies listed in Hong Kong make up a big part of the bourse.

He described the proposal as a “reasonable commercial move” by the Hong Kong stock exchange.

A CPA and director of three Hong Kong-listed mainland companies, who spoke on condition of anonymity, said he is worried that this latest plan, coupled with the bourse’s earlier decision to drop the qualified accountant requirement for listed companies, would erode the competitiveness of Hong Kong accountants.



Photo: Reuters/OTHK