

Mabel Chan & Co.
Certified Public Accountants

Suites 2208-11, 22/F., Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Tel: (852) 2122 9736 Fax: (852) 2180 9163

10 January 2014

Mr. Raphael Ding
Chief Executive and Registrar
Hong Kong Institute of Certified Public Accountants ("HKICPA")
37/F, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Regulatory Framework for Listed Company Audits

We are writing in response to the Information Paper issued by the HKICPA concerning the Regulatory Framework for Listed Company Audits.

We support the HKICPA's aim of introducing a regulatory model that meets internationally recognized criteria and enhances the standing and reputation of Hong Kong as an international capital market. We believe, to develop the right model which is appropriate in the Hong Kong context is critical, therefore, costs of meeting these criteria and the benefit arisen from the enhancement shall be properly assessed and analyzed, the short term and long term impact of the reform on the development of Hong Kong capital market, stakeholders and the sustainability and growth of the accounting industry shall be taken into account. We also suggest that the professional liability of auditors shall be revisit together with the audit regulatory reform for fairness and sustainability of the audit profession.

We set out below our specific comments on the draft Proposed Framework ("Framework"):

Oversight

1. We agree the HKICPA's view on oversight as specified in paragraph 27 and 28 of the Information Paper.
2. The definition of PIE shall be confined to companies with shares listed in Hong Kong only.

Registration

3. We support Option B of the Framework in respect of registration that the HKICPA will continue to maintain the register of all Hong Kong audit practices and will maintain the sub-register of all Hong Kong based listed company auditors with direct authority given by law.

RECEIVED
10 JAN 2014

BY: Wan 5-38

612

Mabel Chan & Co.

Certified Public Accountants

Suites 2208-11, 22/F., Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Tel: (852) 2122 9736 Fax: (852) 2180 9163

4. We disagree the names of the individual(s) with ultimate responsibility for system of quality control to be kept in the sub-register as set out in paragraph 33 of the Information Paper. The hierarchy of firm structure varies differently from firm to firm and it may be an individual or a team of personnel within a firm who is/are responsible for the design of the system of quality control. However, the effectiveness of the system of quality control of a firm depends very much on the execution by each individual and their cooperation. As a result, the responsibility of the effectiveness shall rest with the firm instead of any individual within a firm.
5. We believe that the "fit and proper" definition shall be the same as that of general membership as set out in paragraph 36 of the Information Paper.
6. We support HKICPA's view in respect of registration of non-Hong Kong auditors as set out in the Information Paper.

Discipline and sanctions

7. We support Option B in respect of disciplinary action as set out in the Framework and that the number of members of disciplinary committee shall be expanded to 5.
8. We disagree in principle with the use of financial penalties as a punishment as the reputational damage to an auditor or a firm is in itself a sufficient deterrent. In addition, the proposed cap shall be lowered to HK\$5,000,000 or below as most firms would be threatened for continued existence if higher cap applies.
9. The Institute shall also provide clear guidance on sanctioning and penalty imposition.

Standard setting

10. We support Option B for oversight of standard setting in the Framework.

Continuing professional development (CPD)

11. We support Option B for oversight of CPD management and policy setting in the Framework.

Mabel Chan & Co.
Certified Public Accountants

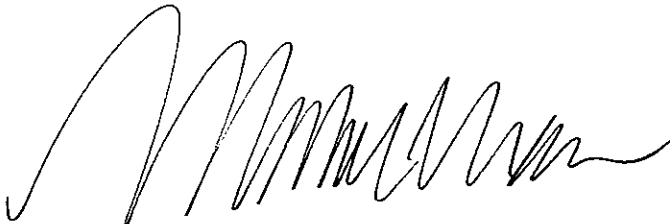
Suites 2208-11, 22/F., Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Tel: (852) 2122 9736 Fax: (852) 2180 9163

Funding

12. We support the HKICPA's view on funding arrangement as set out in paragraph 89 of the Information Paper.

Should you need further clarification, please do not hesitate to contact us. Thank you very much.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Mabel Chan', written in a cursive style.

Mabel Chan & Co.

Firm registration number 1558