

■ Press Room**Speech**

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**Remarks by HKEx Chairman Charles Lee
at HKICPA's Financial Reporting Standards Forum**

Mr Chow, Sir David, ladies and gentlemen,

It gives me great pleasure to officiate at this opening ceremony. Hong Kong Exchanges and Clearing congratulates and extends its best wishes to the Hong Kong Institute of Certified Public Accountants for organising this forum which provides an important assembly for CEOs and leaders in the accounting field to share opinions and exchange views, particularly on the theme of convergence of Financial Reporting Standards.

The programme of the Forum is of exceptional quality and interest. It features an important keynote speech by the distinguished Sir David Tweedie, who is Chairman of the International Accounting Standards Board, perhaps the most influential standard setter in the world today. Sir David is an old friend and colleague, from my work as a member of the Board of Trustees of the IASB, and I extend to him a most warm welcome to Hong Kong and this Forum.

As one of the foremost authorities in the field of accounting, Sir David is a leading advocate of the universal adoption of a single set of sound, consistent and enforceable accounting and financial reporting standards, rigorously applied throughout the world's capital markets. We look forward eagerly to hearing his expert views, as well as learning the latest developments and issues of topical interest. I am sure that today's programme and discussions will yield information of great value to all of us in the fast evolving arena of international accounting standards and reporting requirements.

Hong Kong has been a firm supporter of a universal accounting regime, and has participated fully in the work of the IASB. Hong Kong financial reporting standards issued by the Hong Kong Institute of Certified Public Accountants have been fully converged with the International Accounting Standards now known as International Financial Reporting Standards since 1 January 2005. This convergence in many instances requires a change in the accounting policy of listed companies, and has led in some cases to unexpected results. I am sure the Forum discussions today will generate many comments and views on this new development and the market's response.

Hong Kong is rapidly rising in importance as a capital raising market for international companies and corporations both in Hong Kong and in the Mainland of China, some of whose shares are also traded in other global exchanges. The year of 2004 was an active year for listings in Hong Kong, with funds raised through IPOs and post-listing issues and placements totalling 280 billion Hong Kong dollars, surpassing the London and Tokyo markets. A recent investor survey conducted by our Research Department revealed that 36 per cent of our securities market turnover is generated by international investors. Thus the global adoption of international accounting standards is of great importance to us as an international listing and equity trading centre.

The financial results of Hong Kong listed companies and the accounting language they use must be easily understood by investors and analysts around the globe, as well as those based in Hong Kong. A uniform accounting platform allows for the comparison of companies and their results in different jurisdictions and leads to greater confidence in the quality and value of our stocks.

The great challenge facing us today is the convergence of the US GAAP and IAS. I am sure Sir David

will have many important things to say to enlighten us on the serious efforts underway to bridge these two standards to achieve harmony. There is great impetus behind this endeavour, not only because there has been a change in sentiment in the US following the Enron case, but also because confusion and the unreasonable burden placed on investors to understand different reporting regimes should be eliminated. In addition, multiple reporting and the associated costs are a waste of resources. However, the difficulties of convergence cannot be underestimated. It is hoped that steady progress will be made towards a definite goal and time frame in this great project.

In addition to support for universal accounting standards, HKEx has also launched efforts to strengthen corporate governance and financial disclosure requirements. A new Code of Corporate Governance Practices took effect on 1 January 2005. Regulations on reverse takeovers have been tightened, and the definition of connected and notifiable transactions clarified. The publication of quarterly reports by Main Board companies has also been added to our recommended best practices. These are a few examples of the initiatives being taken.

At HKEx, we believe that building a quality market requires the efforts and support of all market participants. The contributions of and the oversight exercised by accountants are of special importance. HKEx and our securities market have benefited from the cooperation, support and advice of Hong Kong's accounting industry over the years, and we are keen to continue and strengthen this partnership with HKICPA. One of our recent joint initiatives is the planned Financial Reporting Council, whose function will be to oversee the independent Audit Investigation Board and the Financial Reporting Review Committee. HKICPA and HKEx have agreed with two other partners to jointly fund the establishment of this Council.

Hong Kong has a proud history of achievements in the development of its financial markets, and of being global in its outlook and orientation. I am confident that our close cooperation and association with the accounting profession and HKICPA will lead to a further strengthening of our position as a leading international financial centre.

I wish this Forum a resounding success. Thank you.