

Joint Declaration of the China Accounting Standards Committee and the Hong Kong Institute of Certified Public Accountants on the converged China Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards

Annex II

Mechanism for ongoing elimination of reconciliation differences and maintenance of convergence

The China Accounting Standards Committee (CASC) and the Hong Kong Institute of Certified Public Accountants (Hong Kong Institute of CPAs) are committed to upholding high quality International Financial Reporting Standards (IFRSs) and agree that convergence is an ongoing process. Both sides express their intention to converge with IFRSs on an ongoing basis and to undertake continuous monitoring of convergence. Both sides also express their intention to maintain close communication and cooperation in respect of their work on convergence with IFRSs.

This Annex sets out the mechanism for ongoing elimination of reconciliation differences and maintenance of convergence as referred to in paragraph 2 of the Joint Declaration.

PART I – Due process to be followed by the Hong Kong Institute of CPAs

The Hong Kong Institute of CPAs will take the following steps in keeping the CASC fully informed of the issuance of all new or revised HKFRSs and providing input to monitor the reconciliation status:

1. Upon issuance of a new Invitation to Comment on an International Accounting Standards Board (IASB) Exposure Draft of a proposed International Financial Reporting Standards (IFRSs) or IFRIC Interpretation, the Hong Kong Institute of CPAs will provide the CASC with a copy of the Invitation to Comment.
2. Upon issuance of a submission on an IASB Exposure Draft of a proposed IFRS, the Hong Kong Institute of CPAs will provide the CASC with a copy of the Institute's submission.

3. Upon issuance of any technical referral to the IASB or IFRIC, the Hong Kong Institute of CPAs will provide the CASC with a copy of the technical referral.
4. Upon adoption of a new or revised IFRS or International Financial Reporting Interpretations Committee (IFRIC) Interpretation as a new or revised HKFRS by the Hong Kong Institute of CPAs, the Hong Kong Institute of CPAs will provide the CASC with a copy of the new or revised HKFRS. The new or revised HKFRS will for all intents and purposes be identical to the equivalent IFRS.

PART II – Due process to be followed by the CASC

The CASC will take the following steps in keeping the Hong Kong Institute of CPAs fully informed of the issuance of new or revised China Accounting Standards for Business Enterprises (ASBEs) and will take into account the requirements of IFRSs before the issuance of the new or revised China ASBEs to ensure the convergence of standards

1. In developing a new China ASBE, the CASC will take into account the requirements of IFRSs.
2. Upon issuance of a new Exposure Draft of a proposed China ASBE, the CASC will provide the Hong Kong Institute of CPAs with a copy of the Exposure Draft.
3. Upon issuance of a new or revised China ASBE, the CASC will provide the Hong Kong Institute of CPAs with a copy of the new or revised standard, interpretation pronouncement or implementation guidance.
4. Upon receipt of a new or revised HKFRSs which is adopted from a new or revised IFRS or IFRIC Interpretation from the Hong Kong Institute of CPAs, the CASC will provide feedback to the Hong Kong Institute of CPAs as to whether and when it will be adopted in the Mainland and update the list of potential reconciliation differences as required.
5. In developing a new China ASBE which is intended to converge with IFRSs, the CASC will keep track of a mapping of the new China ASBE and the corresponding IFRS and provide this mapping to the Hong Kong Institute of CPAs. The CASC and Hong Kong Institute of CPAs will discuss the impact of the new standard upon convergence.

6. Upon issuance of a submission on an IASB Exposure Draft of a proposed IFRS, the CASC will provide the Hong Kong Institute of CPAs with a copy of the CASC's submission.
7. Upon issuance of any technical referral to the IASB or IFRIC, the CASC will provide the Hong Kong Institute of CPAs with a copy of the technical referral.

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