



2010 Update to Joint Declaration (7 December 2010)

The China Ministry of Finance (MoF) and the Institute conducted a standard by standard comparison of CASBE and HKFRS in 2006 and 2007 which led to the signing of the Joint Declaration on convergence of CASBE and HKFRS in December 2007. Under the joint declaration a mechanism for ongoing elimination of reconciliation differences and maintenance of convergence was also established. For the last 3 years, both parties have been working closely to maintain convergence between the two standards based on the "outcome based" approach adopted in the Joint Declaration. This aims at identifying if any differences in the standards will result in material differences in the numbers presented in the A & H share financial statements. Furthermore, MoF, the Institute and the International Accounting Standards Board hold two tripartite meetings each year to ensure ongoing convergence between CASBE and HKFRS/IFRS. In the annual comparison of these A & H share financial statements, the Institute noted that reconciling differences have decreased significantly. There are no differences the Institute currently considers irreconcilable.

The 10 areas of differences noted in the Institute's 2008 and 2009 Convergence Updates have now been reduced to 3 which relate to reversal of asset impairment, insurance contract acquisition costs and provision for safety fund, the latter two being industry-specific and all of them are in the process of reconciliation.

All parties are aware that CASBE is not identical to HKFRS/IFRS due to different standard setting policies and procedures. In a number of areas CASBE has adopted a more simplified form of disclosure requirements when compare to HKFRS/IFRS. MoF has just completed another batch of revision to its CASBE Explanatory Guidance. This is expected to be released this month and the Institute understands that most of the identified disclosure differences as well as the effects of recently issued HKFRS/IFRS that affect Mainland companies with 2010 financial year ends have been considered for the preparation of this batch of pronouncement.

Standard convergence is not a static but an ongoing process. The Institute will continue to work with MoF on the ongoing convergence between CASBE and HKFRS.