

2008 Update to Joint Declaration (March 2009)

Background

The China Accounting Standards Committee (CASC) and the International Accounting Standard Board (IASB) signed a joint statement on 8 November 2005 in respect of China's achievement on the substantial convergence of the new China Accounting Standards for Business Enterprises (CASBE) with International Financial Reporting Standards (IFRS) with a limited number of differences. In accordance with relevant regulations of the Ministry of Finance, CASBE are applicable to Mainland listed companies with effect from 1 January 2007.

The Hong Kong Institute of Certified Public Accountants (HKICPA) and the CASC, conducted a joint comparison of the Hong Kong Financial Reporting Standards (HKFRS) and CASBE for more than one year and signed the Joint Declaration on the Convergence of CASBE and HKFRS on 6 December 2007 (Joint Declaration)(<http://www.hkicpa.org.hk/en/standards-and-regulations/technical-resources/mainland-standards-convergence/financial-reporting-standards/>).

The Joint Declaration recognized that CASBE effective on 6 December 2007, after adjusting for the two differences in standards relating to reversal of asset impairment and related party disclosures, should achieve convergence with those HKFRS effective on the same date.

Please refer to Annex I of the Joint Declaration for the background leading to this comparison project and the process of comparing HKFRS and CASBE. As stated in Annex 1 of the Joint Declaration, the comparison exercise revealed certain differences between HKFRS and CASBE arising from the omissions of some HKFRS requirements in the CASBE effective on 6 December 2007. The CASC has taken active steps to make supplementary amendments. Prior to the signing of the Joint Declaration, the CASC issued "CASBE Interpretation 1" (www.casc.gov.cn/gnxw/200711/t20071126_615895.htm) in mid-November 2007 and would make further supplementary amendments by issuing the CASBE Explanatory Guidance.

Ongoing convergence

In order to eliminate the aforementioned two differences in standards and to maintain the ongoing convergence of CASBE and HKFRS, significant work has been carried out by the CASC and HKICPA since 2008 in accordance with the mechanism set out in Annex II to the Joint Declaration.

The CASBE Basic Standard overrides all other parts of CASBE. CASBE Specific Standards, CASBE Implementation Guidance (Guidance) and CASBE Interpretations (Interpretation) have equal legal standing. Whenever there is a conflict between a Specific Standard, a Guidance and an Interpretation, the latest pronounced document prevails.

In respect of amendments to CASBE, whenever IASB issues new IFRSs or makes significant changes to IFRSs, CASC will in accordance with the actual circumstances in Mainland and the existing prescribed procedures, issue new CASBE or issue CASBE Interpretations to take into account of the corresponding changes. With respect to minor changes, CASC will reflect the changes through the issuance of an update of the CASBE Explanatory Guidance annually.

In order to facilitate the application of CASBE, CASC will take the opportunity to restructure the CASBE system such that the CASBE Basic Standard, 38 CASBE Specific Standards, CASBE Implementation Guidance and CASBE Interpretations will be issued as one single document whereas CASBE Explanatory Guidance will be issued as separate document.

The HKICPA understands there are differences in the standard setting procedures and a time difference in the standard issuance dates between standards issued by CASC and those issued by HKICPA. For HKFRS, there is usually a time difference between the issuance date and the effective date, whereas CASBE become effective immediately on the date of issuance. Both HKICPA and CASC agree that although there is a time difference in the standard issuance dates between HKICPA and CASC, the effective dates of the HKFRS and CASBE should be the same in order to maintain the ongoing convergence of HKFRS and CASBE.

Through the above mechanism, all new or revised HKFRS issued after 6 December 2007 and applicable to annual periods beginning on or after 1 January 2008, have been included in CASBE Interpretation 2 issued in August 2008 (http://www.casc.gov.cn/gnxw/200809/t20080912_791162.htm) and the CASBE Explanatory Guidance 2008 issued in November 2008. For new or revised HKFRS that will be effective for annual periods beginning on or after 1 January 2009, the corresponding amendments to CASBE will be updated in the first half of 2009 and will be applied in the interim financial reports issued by Mainland enterprises in 2009. This will ensure that the convergence of CASBE and HKFRS is maintained on an ongoing basis.

To ensure the full implementation of the CASBE and the convergence and equivalence of financial reporting standards in Hong Kong and Mainland, the CASC issued CASBE Interpretation 2 in August 2008 to provide explanations to issues identified in the implementation of CASBE in 2007.

In addition, CASC issued CASBE Explanatory Guidance 2008 in November 2008. The CASBE Explanatory Guidance 2008 has not only included the additional guidance that had been agreed when the Joint Declaration was signed in 2007 and the guidance for standards that became effective in 2008, it also provides important guidance that will help resolve all the issues identified during the implementation of CASBE in 2007.

In order to maintain the ongoing convergence of CASBE and IFRSs/HKFRS more effectively, the CASC, IASB and HKICPA agree to establish an ongoing convergence mechanism among the three parties, and will hold two tripartite meetings every year to ensure the ongoing convergence of the three standards and to strengthen the cooperation and information exchange among the three parties. The first tripartite meeting was held in October 2008.

2007 CASBE implementation issues

In evaluating the implementation of CASBE by Mainland listed companies, CASC spent five months in 2008 to carry out an analysis study of the 2007 Annual Reports of 1,570 companies listed on the Shanghai and Shenzhen Stock Exchange (the CASC Analysis Report) to understand the actual situation in relation to the implementation of CASBE.

According to the CASC Analysis Report, CASBE have been implemented smoothly and effectively by the listed companies in Mainland. It was noted that the differences between A-share financial statements and H-share financial statements of those listed companies that issue A-shares and H-shares simultaneously have been mostly eliminated after their implementation of CASBE. Out of the 1,570 Mainland listed companies, there are 53 companies that have H-shares simultaneously listed in Hong Kong and are required to prepare both A-share financial statements prepared under CASBE (A-share financial statements) and H-share financial statements prepared under HKFRS (H-share financial statements).

The CASC Analysis Report noted that, in accordance with the 2007 Annual Reports of the 53 listed companies in both Mainland and Hong Kong, the following were the major reasons for differences in the net profit and net assets reported by these companies:

- i) Difference arising from the asset revaluation during a company restructuring — In accordance with relevant Mainland laws and regulations, an asset revaluation is required for a company restructuring and the company shall recognize the relevant assets and liabilities using the revalued amount as the deemed cost. In some H-share financial statements, these assets and liabilities are adjusted to the original carrying amount before the restructuring, whereas in some H-share financial statements, these are reported on the basis of revalued amount. This led to a difference in net profit and net assets reported in their A-share and H-share financial statements.

- ii) Difference arising from business combination under common control — In accordance with CASBE, the business combination under common control shall be accounted for using merger accounting method. IFRSs do not have a specific requirement for common control transactions and certain H-share financial statements have adopted the purchase accounting method. Because of the inconsistency of the accounting policy adopted by these companies in their A-share and H-share financial statements, this resulted in a difference.
- iii) Difference arising from the asset depletion method — In accordance with CASBE, the depletion of oil and gas properties for certain specific companies shall be provided using the unit of production or straight-line method. In practice, some companies have provided for the depletion of oil and gas assets using the straight-line method in their A-share financial statements, while using the unit of production method in their H-share financial statements.

Apart from the above three items identified in the CASC Analysis Report, other reasons for differences in figures included:

- iv) Accounting treatment of joint ventures by investing enterprises — CASBE stipulate that an investing enterprise shall apply the equity method but not the proportionate consolidation method in its A-share financial statements, whereas HKFRS/IFRSs allow both methods. As a result, certain H-share financial statements have adopted the proportionate consolidation method. Because of the inconsistency of the accounting policy adopted by these companies in their A-share and H-share financial statements, this led to a difference.
- v) Subsequent measurement model of investment properties — Both HKFRS and CASBE stipulate that an entity shall choose either the cost model or fair value model and shall apply that policy to all of its investment properties. Where A-share financial statements have adopted cost model and H-share financial statements have adopted fair value model in subsequent measurement, this would result in a difference.

- vi) Accounting treatment of safety production fund — Safety production fund is accrued by entities engaging in mining, construction, dangerous goods production, road traffic transportation, and coal and fireworks production in accordance with Mainland laws and regulations. For H-share financial statements, such provisions do not meet the definition of a “liability” under HKFRS and can only be treated as an appropriation of retained earnings and not as expenses. Since A-share financial statements would treat such provisions as expenses, this resulted in a difference.

- vii) Recognition of acquisition costs of insurance contracts — CASBE stipulate that costs incurred in the process of acquiring direct insurance or reinsurance contracts including fees and commissions shall be included in profit or loss in the period when they are incurred. There is no specific accounting treatment for these costs in the HKFRS/IFRSs and as a result most companies have adopted the generally accepted industry accounting practice, i.e. deferring the acquisition costs, in H-share financial statements. This led to inconsistency in the accounting policy adopted by these companies in their A-share and H-share financial statements and resulted in a difference.

- viii) Determination of reserves relating to insurance contracts — China Insurance Regulatory Commission (CIRC) has prescribed that all reserves relating to direct insurance and reinsurance contracts shall be computed in accordance with relevant actuarial regulations established by CIRC. Since HKFRS/IFRSs have no specific requirements in this area, computation of reserves relating to direct insurance or reinsurance contracts in many H-share financial statements would normally follow the generally accepted industry practices. This led to inconsistency in the accounting policy adopted by some companies in their A-share and H-share financial statements and resulted in a difference.

Resolutions to 2007 CASBE implementation issues

For the above differences, the HKICPA and the CASC held several rounds of discussions and studies under the ongoing convergence mechanism set out in Annex II to the Joint Declaration. The CASBE Interpretation 2 issued in August 2008 specifies that listed companies that issue A-shares and H-shares simultaneously, except for the two differences in standards, i.e., reversal of impairment losses of certain long term assets and disclosure of related party transaction, shall adopt the same accounting policies and apply the same accounting estimates to recognize, measure and report the same transaction in their A-share and H-share financial statements. Different accounting treatments in A-share and H-share financial statements are not allowed.

Following the issue of the CASBE Interpretation 2, HKICPA has made various suggestions to CASC and in October 2008, both parties reached the following consensus:

- (i) Difference arising from the asset revaluation during a company restructuring — CASBE Interpretation 2 has reinforced the requirement that companies should recognize the revalued amount of the revalued assets and liabilities as deemed cost for these assets and liabilities, with the difference between this deemed cost and the carrying amount to be adjusted in equity. Since various accounting treatments are involved in the company restructuring process, both the HKICPA and CASC agree that this is an issue arising from the implementation of accounting standards and have to consult IASB before further ascertaining the feasibility of eliminating this difference.

- (ii) Difference arising from business combination under common control — For companies which have never been involved in business combination under common control, A-share and H-share financial statements shall adopt the same accounting policies. For companies that have been involved in previous business combination under common control, they should make every effort to ensure consistency of accounting policy for any new business combinations under common control. Regarding the differences already existed in previous A-share and H-share financial statements, relevant companies shall eliminate these differences gradually. For those having practical difficulties to make any changes so as to eliminate the differences, they should adopt a step by step approach to achieve consistency of accounting policy.
- (iii) Difference arising from the asset depletion method — CASC has clarified in CASBE Explanatory Guidance 2008 that the unit of production method should be encouraged for adoption in A-share financial statements as it reflects more closely the characteristics of depletion of oil and gas properties. With such clarification, the difference would be eliminated.
- (iv) Accounting treatment of joint ventures by investing enterprises — For companies which have never invested in joint ventures, A-share and H-share financial statements shall adopt the same accounting policies. For companies which have invested in joint ventures previously, they should make every effort to ensure the consistency of accounting policy for any new investments in joint ventures. Regarding the differences that already existed in previous financial statements of A-share and H-share financial statements, CASC indicates that they would ask the relevant enterprises to eliminate such differences gradually. For those having practical difficulties to make any changes so as to eliminate such differences, they should adopt a step by step approach to achieve consistency of accounting policy. In addition, the IASB will amend IAS 31 “*Interests in Joint Ventures*” to eliminate the proportionate consolidation method and this difference will no longer exist thereafter.

- (v) Subsequent measurement model of investment properties — For companies which have never held any investment properties, A-share and H-share financial statements shall adopt the same accounting policies. For companies which have held investment properties previously, they should make every effort to ensure the consistency of accounting policy for the subsequent measurement of any new acquisition of investment properties. Regarding the differences that already existed in previous financial statements of A-share and H-share financial statements, CASC indicates that they would ask the relevant enterprises to eliminate such differences gradually, and those having practical difficulties to make any changes so as to eliminate the differences, they should adopt a step by step approach to achieve consistency of accounting policy.
- (vi) Accounting treatment of safety production fund — CASC has stated in CASBE Explanatory Guidance 2008 that these safety production expenses shall be accounted for as “retained earnings” under equity. With such clarification, the difference would be eliminated.
- (vii) Recognition of acquisition costs of insurance contracts — For companies which have never been involved in insurance business, A-share and H-share financial statements shall adopt the same accounting policies. Regarding the differences already existed in previous A-share and H-share financial statements, CASC indicates that they would ask the relevant companies to eliminate such differences gradually, and those having practical difficulties to make any changes so as to eliminate the differences, they should adopt a step by step approach to achieve consistency of accounting policy.
- (viii) Determination of reserves relating to insurance contracts — For companies which have never been involved in insurance business, A-share and H-share financial statements shall adopt the same accounting policies. Regarding the differences already existed in previous A-share and H-share financial statements, CASC indicates that they would ask the relevant companies to eliminate such differences gradually, and those having practical difficulties to make any changes so as to eliminate the differences, they should adopt a step by step approach to achieve consistency of accounting policy.

Conclusion

In summary, following the issuance of CASBE Interpretation 2 and CASBE Explanatory Guidance 2008 and the October meeting held with CASC, the HKICPA and the CASC reaffirmed the ongoing convergence of CASBE and HKFRS/IFRSs. However, both parties agreed that there are standard and non-standard differences in CASBE and HKFRS as set out below:

(1) Standard differences

Apart from two standard differences, reversal of asset impairment and related party disclosures, there is ongoing convergence between CASBE and HKFRS. The former standard difference still exists, as of the date of this document and the HKICPA, CASC and IASB will continue to explore other alternatives to eliminate this difference. For the latter difference, according to the understanding of the HKICPA, CASC and IASB, the IASB will amend IAS 24 "*Related Party Disclosures*" in light of the relevant requirements in CASBE. When the revised IAS 24 is issued, the standard difference regarding related party disclosures will be eliminated.

(2) Option differences

HKICPA and CASC agree that any differences between CASBE and HKFRS involving an option that is at the discretion of the preparer of the financial statements should not be considered a standard difference. These differences include: difference arising from the accounting treatment of joint ventures by investing enterprises (as referred in (iv) above); and difference arising from the subsequent measurement model of investment properties (as referred in (v) above).

(3) Implementation differences

The HKICPA and CASC agree that this type of differences arises from the implementation of standards and therefore is not a standard difference. Implementation differences include: difference arising from the asset revaluation during a company restructuring (as referred in (i) above); difference arising from business combination under common control (as referred in (ii) above); difference arising from the recognition of acquisition costs of insurance contracts

(as referred in (vii) above); and difference arising from the determination of reserves relating to direct insurance and reinsurance contracts (as referred in (viii) above).

Finally, the HKICPA and CASC have agreed that going forward, when the same enterprise deals with the above option and implementation differences, the same accounting treatment must be adopted in its A-share and H-share financial statements. For differences already existed in previous A-share and H-share financial statements, the relevant enterprises should make the accounting treatment consistent and for those having practical difficulties to make any changes so as to eliminate the differences, they should adopt a step by step approach to achieve consistency of accounting policy.

Annexes:

- Annex I: Comparison of the HKFRS effective on 6 December 2007 with CASBE specific standards
- Annex II: New or Revised HKFRS effective between 1 January 2008 and 31 December 2008
- Annex III: New or Revised HKFRS effective on or after 1 January 2009

Note: If there are any differences between Chinese and English version of this document, the Chinese version shall take effect. Click here to view the Chinese version:
http://www.hkicpa.org.hk/file/media/section6_standards/technical_resources/pdf-file/mainland-standards-convergence/financial-reporting-standards/joint-declaration-updates-2009-03.pdf

Comparison List of Specific Items of HKFRSs and CASBEs Effective by 6 December 2007:

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|-------------------------|--|--|--|
| Framework | Framework for the Preparation and Presentation of Financial Statements | Effective upon issue in June 1997 | <ul style="list-style-type: none"> • CASBE Basic Standard • CASBE EG Chp.1: Basic Standard |
| HKFRS 1 | First-time Adoption of Hong Kong Financial Reporting Standards | Effective for annual periods beginning on or after 1 January 2004, unless otherwise specified | <ul style="list-style-type: none"> • CASBE 38: First-time Adoption of Accounting Standards for Business Enterprises • CASBE IG 38: First-time Adoption of Accounting Standards for Business Enterprises • CASBEs Int 1: Q&A No. 1 |
| HKFRS 2 | Share-based Payment | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 11: Share-based Payment • CASBE IG 11: Share-based Payment • CASBE EG Chp.12: Share-based Payment |
| HKFRS 3 | Business Combinations | Effective for business combinations for which the agreement date is on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 20: Business Combinations • CASBE IG 20: Business Combinations • CASBE EG Chp.21: Business Combinations • CASBEs Int 2: Q&A No. 2 |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|-------------------------|--|---|--|
| HKFRS 4 | Insurance Contracts | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 25: Direct Insurance Contracts • CASBE 26: Reinsurance Contracts • CASBE EG Chp.26: Direct Insurance Contracts • CASBE EG Chp.27: Reinsurance Contracts |
| HKFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 4: Fixed Assets • CASBE 30: Presentation of Financial Statements • CASBE IG 4: Fixed Assets • CASBE IG 30: Presentation of Financial Statements • CASBE EG Chp.5: Fixed Assets • CASBE EG Chp.31: Presentation of Financial Statements • CASBEs Int 1: Q&A No. 6 |
| HKFRS 6 | Exploration for and Evaluation of Mineral Resources | Effective for annual periods beginning on or after 1 January 2006 | <ul style="list-style-type: none"> • CASBE 27: Extraction of Oil and Natural Gas • CASBE IG 27: Extraction of Oil and Natural Gas • CASBE EG Chp.28: Extraction of Oil and Natural Gas |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|------------------|--------------------------------------|---|--|
| HKFRS 7 | Financial Instruments: Disclosures | Effective for annual periods beginning on or after 1 January 2007 | <ul style="list-style-type: none"> • CASBE 37: Financial Instruments: Presentation and Disclosures • CASBE IG 37: Financial Instruments: Presentation and Disclosures • CASBE EG Chp.38: Financial Instruments: Presentation and Disclosures |
| HKAS 1 | Presentation of Financial Statements | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE Basic Standard • CASBE 30: Presentation of Financial Statements • CASBE IG 30: Presentation of Financial Statements • CASBE EG Chp.1: Basic Standard • CASBE EG Chp.31: Presentation of Financial Statements |
| HKAS 2 | Inventories | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 1: Inventories • CASBE IG 1: Inventories • CASBE EG Chp.2: Inventories |
| HKAS 7 | Cash Flow Statements | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 31: Cash Flow Statements • CASBE IG 31: Cash Flow Statements • CASBE EG Chp.32: Cash Flow Statements |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|------------------|---|---|---|
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 28: Changes in Accounting Policies and Accounting Estimates and Corrections of Errors • CASBE IG 28: Changes in Accounting Policies and Accounting Estimates and Corrections of Errors • CASBE EG Chp.29: Changes in Accounting Policies and Accounting Estimates and Corrections of Errors |
| HKAS 10 | Events after the Balance Sheet Date | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 29: Events after the Balance Sheet Date • CASBE EG Chp.30: Events after the Balance Sheet Date |
| HKAS 11 | Construction Contracts | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 15: Construction Contracts • CASBE EG Chp.16: Construction Contracts • CASBEs Int 1: Q&A No. 3 |
| HKAS 12 | Income Taxes | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 18: Income Taxes • CASBE IG 18: Income Taxes • CASBE EG Chp.19: Income Taxes |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|------------------|-------------------------------|---|---|
| HKAS 14 | Segment Reporting | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 35: Segment Reporting • CASBE IG 35: Segment Reporting • CASBE EG Chp.36: Segment Reporting |
| HKAS 16 | Property, Plant and Equipment | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 4: Fixed Assets • CASBE 7: Exchange of Non-Monetary Assets • CASBE IG 4: Fixed Assets • CASBE IG 7: Exchange of Non-Monetary Assets • CASBE EG Chp.5: Fixed Assets • CASBE EG Chp.8: Exchange of Non-Monetary Assets |
| HKAS 17 | Leases | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 21: Leases • CASBE IG 21: Leases • CASBE EG Chp.22: Leases • CASBEs Int 1: Q&A No. 3 • CASBEs Int 2: Q&A No. 6 |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|------------------|--|---|---|
| HKAS 18 | Revenue | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 14: Revenue • CASBE IG 14: Revenue • CASBE EG Chp.15: Revenue |
| HKAS 19 | Employee Benefits | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 9: Employee Benefits • CASBE IG 9: Employee Benefits • CASBE EG Chp.10: Employee Benefits |
| HKAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 16: Government Grants • CASBE IG 16: Government Grants • CASBE EG Chp.17: Government Grants |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 19: Foreign Currency Translation • CASBE IG 19: Foreign Currency Translation • CASBE EG Chp.20: Foreign Currency Translation |
| HKAS 23 | Borrowing Costs | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 17: Borrowing Costs • CASBE IG 17: Borrowing Costs • CASBE EG Chp.18: Borrowing Costs • CASBEs Int 1: Q&A No. 3 • |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|------------------|--|---|---|
| HKAS 24 | Related Party Disclosures | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 36: Related Party Disclosures • CASBE EG Chp.37: Related Party Disclosures |
| HKAS 26 | Accounting and Reporting by Retirement Benefit Plans | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 10: Enterprise Pension Funds • CASBE IG 10: Enterprise Pension Funds • CASBE EG Chp.11: Enterprise Pension Funds |
| HKAS 27 | Consolidated and Separate Financial Statements | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 2: Long-term Equity Investments • CASBE 33: Consolidated Financial Statements • CASBE IG 2: Long-term Equity Investments • CASBE IG 33: Consolidated Financial Statements • CASBE EG Chp.3: Long-term Equity Investments • CASBE EG Chp.34: Consolidated Financial Statements • CASBEs Int 1: Q&A No. 9 |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|------------------|--|---|---|
| HKAS 28 | Investments in Associates | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 2: Long-term Equity Investments • CASBE IG 2: Long-term Equity Investments • CASBE EG Chp.3: Long-term Equity Investments • CASBEs Int 1: Q&A No. 7 & No. 8 |
| HKAS 29 | Financial Reporting in Hyperinflationary Economies | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 19: Foreign Currency Translation • CASBE IG 19: Foreign Currency Translation • CASBE EG Chp.20: Foreign Currency Translation |
| HKAS 31 | Interests in Joint Ventures | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 2: Long-term Equity Investments • CASBE IG 2: Long-term Equity Investments • CASBE EG Chp.3: Long-term Equity Investments • CASBEs Int 1: Q&A No. 7 & No. 8 • CASBEs Int 2: Q&A No. 3 |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|------------------|-------------------------------------|---|---|
| HKAS 32 | Financial Instruments: Presentation | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 37: Financial Instruments: Presentation and Disclosures • CASBE IG 37: Financial Instruments: Presentation and Disclosures • CASBE EG Chp.38: Financial Instruments: Presentation and Disclosures • CASBEs Int 1: Q&A No. 4 • CASBEs Int 2: Q&A No. 4 |
| HKAS 33 | Earnings per Share | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 34: Earnings per Share • CASBE IG 34: Earnings per Share • CASBE EG Chp.35: Earnings per Share |
| HKAS 34 | Interim Financial Reporting | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 32: Interim Financial Reporting • CASBE EG Chp.33: Interim Financial Reporting |
| HKAS 36 | Impairment of Assets | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 8: Impairment of Assets • CASBE IG 8: Impairment of Assets • CASBE EG Chp.9: Impairment of Assets |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|------------------|--|---|--|
| HKAS 37 | Provisions, Contingent Liabilities and Contingent Assets | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 13: Contingencies • CASBE IG 13: Contingencies • CASBE EG Chp.14: Contingencies |
| HKAS 38 | Intangible Assets | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 6: Intangible Assets • CASBE 7: Exchange of Non-Monetary Assets • CASBE IG 6: Intangible Assets • CASBE IG 7: Exchange of Non-Monetary Assets • CASBE EG Chp.7: Intangible Assets • CASBE EG Chp.8: Exchange of Non-Monetary Assets |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|------------------|--|---|---|
| HKAS 39 | Financial Instruments: Recognition and Measurement | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 12: Debt Restructurings • CASBE 22: Financial Instruments: Recognition and Measurement • CASBE 23: Transfer of Financial Assets • CASBE 24: Hedging • CASBE IG 12: Debt Restructurings • CASBE IG 22: Financial Instruments: Recognition and Measurement • CASBE IG 23: Transfer of Financial Assets • CASBE IG 24: Hedging • CASBE EG Chp.13: Debt Restructurings • CASBE EG Chp.23: Financial Instruments: Recognition and Measurement • CASBE EG Chp.24: Transfer of Financial Assets • CASBE EG Chp.25: Hedging • CASBEs Int 1: Q&A No. 4, No. 5 & No. 8 • CASBEs Int 2: Q&A No. 4 |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|-------------------|--|---|---|
| HKAS 40 | Investment Property | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 3: Investment Property • CASBE 7: Exchange of Non-Monetary Assets • CASBE IG 3: Investment Property • CASBE IG 7: Exchange of Non-Monetary Asset • CASBE EG Chp.4: Investment Property • CASBE EG Chp.8: Exchange of Non-Monetary Assets |
| HKAS 41 | Agriculture | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE 5: Biological Assets • CASBE IG 5: Biological Assets • CASBE EG Chp.6: Biological Assets |
| HK(IFRIC) – Int 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | Effective for annual periods beginning on or after 1 September 2004 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |
| HK(IFRIC) – Int 2 | Members' Shares in Co-operative Entities and Similar Instruments | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |
| HK(IFRIC) – Int 4 | Determining whether an Arrangement contains a Lease | Effective for annual periods beginning on or after 1 January 2006 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|--------------------|---|--|---|
| HK(IFRIC) – Int 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | Effective for annual periods beginning on or after 1 January 2006 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |
| HK(IFRIC) – Int 6 | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |
| HK(IFRIC) – Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies | Effective for annual periods beginning on or after 1 March 2006 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |
| HK(IFRIC) – Int 8 | Scope of HKFRS 2 | Effective for annual periods beginning on or after 1 May 2006 | <ul style="list-style-type: none"> • CASBE EG Chp.12: Share-based Payment |
| HK(IFRIC) – Int 9 | Reassessment of Embedded Derivatives | Effective for annual periods beginning on or after 1 June 2006 | <ul style="list-style-type: none"> • CASBE EG Chp.23: Financial Instruments: Recognition and Measurement |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment | Effective for annual periods beginning on or after 1 November 2006 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|-------------------------|---|---|--|
| HK(IFRIC) – Int 11 | HKFRS 2 – Group and Treasury Share Transactions | Effective for annual periods beginning on or after 1 March 2007 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |
| HK(SIC) – Int 10 | Government Assistance – No Specific Relation to Operating Activities | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |
| HK(SIC) – Int 12 | Consolidation – Special Purpose Entities | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE EG Chp.34: Consolidated Financial Statements |
| HK(SIC) – Int 13 | Jointly Controlled Entities – Non-Monetary Contributions by Venturers | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE EG Chp.3: Long-term Equity Investments |
| HK(SIC) – Int 15 | Operating Leases – Incentives | Effective for lease periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 3 |
| HK(SIC) – Int 21 | Income Taxes – Recovery of Revalued Non-Depreciable Assets | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |
| HK(SIC) – Int 25 | Income Taxes – Changes in the Tax Status of an Entity or its Shareholders | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |

| Number of HKFRSs | Name of HKFRSs | Effective Date | Corresponding Items of CASBEs |
|-------------------------|--|---|---|
| HK(SIC) – Int 27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE EG Chp.22: Leases |
| HK(SIC) – Int 29 | Service Concession Arrangements: Disclosures | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |
| HK(SIC) – Int 31 | Revenue – Barter Transactions Involving Advertising Services | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBE EG Chp.15: Revenue |
| HK(SIC) – Int 32 | Intangible Assets – Web Site Costs | Effective for annual periods beginning on or after 1 January 2005 | <ul style="list-style-type: none"> • CASBEs Int 1: Q&A No. 2 |



New or Revised HKFRSs Effective between 1 January 2008 and 31 December 2008:

| Number of HKFRSs | Name of HKFRSs | Issuance Date | Effective Date | Corresponding Items of CASBEs |
|-------------------------|--|----------------------|---|---|
| HK(IFRIC) -Int 12 | Service Concession Arrangements | March 2007 | Effective for annual periods beginning on or after 1 January 2008 | <ul style="list-style-type: none">• CASBE EG Chp.15: Revenue• CASBEs Int 1: Q&A No. 5 |
| HK(IFRIC) -Int 13 | Customer Loyalty Programmes | September 2007 | Effective for annual periods beginning on or after 1 July 2008 | CASBE EG Chp.15: Revenue |
| HK(IFRIC) -Int 14 | HKAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | September 2007 | Effective for annual periods beginning on or after 1 January 2008 | HK(IFRIC) -Int 14 is not applicable for domestic enterprises because Mainland's relevant laws and regulations do not establish any regulations on the set-up of defined benefit plans. |
| HK(IFRIC) -Int 16 | Hedges of a Net Investment in a Foreign Operation | August 2008 | Effective for annual periods beginning on or after 1 October 2008 | Corresponding amendment will be made in first half of 2009 |

Annex II

| Number of HKFRSs | Name of HKFRSs | Issuance Date | Effective Date | Corresponding Items of CASBEs |
|-----------------------------------|--------------------------------------|----------------------|--|---|
| Amendments to HKAS 39 and HKFRS 7 | Reclassification of Financial Assets | October 2008 | Effective for annual periods beginning on or after 1 July 2008 | Considering the actual domestic circumstances, CASC will not make corresponding adjustments as stated in Amendments to HKAS 39 and HKFRS 7. |



New or Revised HKFRSs Effective on or after 1 January 2009:

| Number of HKFRSs | Name of HKFRSs | Issuance Date | Effective Date | Corresponding Items of CASBEs |
|-------------------------|--|----------------------|---|--|
| HKFRS 1 (Revised) | First-time Adoption of HKFRS | December 2008 | Effective for annual periods beginning on or after 1 July 2009 | Further discussion will be made regarding the convergence of standards |
| HKFRS 3 (Revised) | Business Combinations | March 2008 | Effective for annual periods beginning on or after 1 July 2009 | Further discussion will be made regarding the convergence of standards |
| HKFRS 8 | Operating Segments | March 2007 | Effective for annual periods beginning on or after 1 January 2009 | Corresponding amendment will be made in first half of 2009 |
| HKAS 1 (Revised) | Presentation of Financial Statements | December 2007 | Effective for annual periods beginning on or after 1 January 2009 | Corresponding amendment will be made in first half of 2009 |
| HKAS 23 (Revised) | Borrowing Costs | June 2007 | Effective for annual periods beginning on or after 1 January 2009 | Corresponding amendment will be made in first half of 2009 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements | March 2008 | Effective for annual periods beginning on or after 1 July 2009 | Further discussion will be made regarding the convergence of standards |

Annex III

| Number of HKFRSs | Name of HKFRSs | Issuance Date | Effective Date | Corresponding Items of CASBEs |
|----------------------------------|---|---------------|---|--|
| Amendment to HKAS 39 | Eligible Hedged Items | November 2008 | Effective for annual periods beginning on or after 1 July 2009 | Further discussion will be made regarding the convergence of standards |
| Amendment to HKFRS 1 and HKAS 27 | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | October 2008 | Effective for annual periods beginning on or after 1 January 2009 | Corresponding amendment will be made in first half of 2009 |
| Amendment to HKFRS 2 | Vesting Conditions and Cancellations | March 2008 | Effective for annual periods beginning on or after 1 January 2009 | Corresponding amendment will be made in first half of 2009 |
| Amendments to HKAS 32 and HKAS 1 | Puttable Financial Instruments and Obligations Arising on Liquidation | June 2008 | Effective for annual periods beginning on or after 1 January 2009 | Corresponding amendment will be made in first half of 2009 |

Annex III

| Number of HKFRSs | Name of HKFRSs | Issuance Date | Effective Date | Corresponding Items of CASBEs |
|--------------------|--|---------------|---|--|
| HK(IFRIC) -Int 15 | Agreements for the Construction of Real Estate | August 2008 | Effective for annual periods beginning on or after 1 January 2009 | Corresponding amendment will be made in first half of 2009 |
| HK(IFRIC) -Int 17 | Distributions of Non-cash Assets to Owners | December 2008 | Effective for annual periods beginning on or after 1 July 2009 | Further discussion will be made regarding the convergence of standards |
| HK(IFRIC) – Int 18 | Transfer of Assets from customers | February 2009 | Effective for assets transferred from customers on or after 1 July 2009 | Further discussion will be made regarding the convergence of standards |
| Various | Improvements to HKFRSs | October 2008 | Effective for annual periods beginning on or after 1 January 2009, unless otherwise specified | Corresponding amendment will be made in first half of 2009 |