



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Dear Assignment/News/Business Assignment Editor
(For Immediate Release)

Joint Declaration on Converged Mainland and Hong Kong Accounting and Auditing Standards

Agreement cuts down capital market information barriers for mainland companies

(HONG KONG, 6 December 2007) — A joint declaration signed today between mainland and Hong Kong accounting and auditing standard setters signals the convergence of the mainland's recently released accounting and auditing standards with international standards.

“The mainland can be congratulated on being the first major emerging economy to make such a substantial move toward international accounting and auditing standards,” says Mark C. Fong, the president of the Hong Kong Institute of CPAs, one of the parties to the signing. Vice Minister of the Ministry of Finance, Wang Jun, in his capacity as Secretary-General of China Accounting Standards Committee and Chairman of China Auditing Standards Board, was the other party.

“With converged standards, the mainland has removed a big information barrier for mainland companies that want to access global capital markets. This means accountants working in listed mainland companies will only need to prepare one set of numbers instead of two,” says Winnie C.W. Cheung, Chief Executive of the Hong Kong Institute of CPAs.

Most capital markets allow or use International Financial Reporting Standards set by the International Accounting Standards Board (IASB), which is based in London. Hong Kong accounting and auditing standards were fully converged with international standards effective on 1 January 2005.

The joint declaration marks the completion of a year-long comparison of mainland and Hong Kong accounting and auditing standards. The declaration says financial statements prepared with mainland standards should, after adjustments for reconciling differences where applicable, achieve substantially the same effect as those prepared under Hong Kong standards.

“This is another demonstration of the central government's commitment to support Hong Kong as the capital market and financial center of China,” says Fong.

Two important differences remain, according to Fong. “One is in the standard for related party disclosure, which affects state-owned enterprises. Through our efforts

with the Ministry of Finance, the IASB has issued a consultation paper, which is expected to resolve this issue early next year.”

The second difference in the standards, according to Fong, relates to impaired assets where the mainland takes a more prudent approach than the International standards.

The declaration says, “Both parties declare their commitment to eliminate the ... two differences and maintain convergence ... and for that purpose have established a mechanism for ongoing maintenance ...”

The second stage of the agreement has important ramification for the 27,000 members of the Hong Kong Institute of CPAs, says Fong. “Now that we’ve converged the standards, we can expand exemptions for qualifying examinations, making it easier for our members to practice in the mainland.”

The two sides also signed a memorandum of understanding about training, with each offering seminars and conferences on financial, economic, tax and legal topics.

Work will be undertaken to explore and resolve the acceptance of the financial statements of a mainland enterprise prepared under mainland accounting standards and audited by eligible auditing practices applying mainland auditing standards for the purpose of listing in Hong Kong. Fong notes, “We expect only a few firms will be ready and able to meet the criteria to be established by the regulators.”

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Editor's Note

About the Hong Kong Institute of CPAs

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to Certified Public Accountants in Hong Kong. The Institute has close to 27,000 members and more than 12,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designatory letters *CPA*.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate CPA qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of The Global Accounting Alliance - an alliance of the world’s leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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