

Memorandum of Understanding (MoU) of the 5th Three Countries' Accounting Standard Setters' Meeting between China, Japan and Republic of Korea

(September 7, 2005 Xi'an, P.R.China)

On September 6 and 7, 2005, the 5th Three Countries' Accounting Standard Setters' Meeting between China, Japan and Republic of Korea was held in Xi'an, China. Over 40 delegates came from the three countries' accounting standard setters, including observers from HK SAR, Macao SAR and the International Accounting Standards Board (IASB). At the meeting, the delegates discussed the latest developments of accounting standard setting in the three countries, their basic stance towards international convergence of accounting standards and obstacles they encountered as well as specific measures to address some of them.

The three countries' accounting standard setters have reached the following consensus:

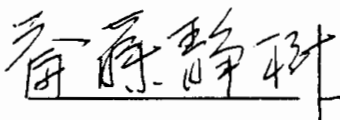
First, the three parties recognize that the international convergence of accounting standards is the irreversible trend under the economic globalization, and the three countries support the efforts by the IASB to develop a single set of high-quality and globally-acceptable accounting standards. In the meantime, the parties believe that convergence is not equal to being identical. The international convergence of accounting standards shall be a market-driven gradual process and this process shall be two-way interactions between national accounting standard setters and the IASB, giving considerations to special local environments.

Secondly, the three parties have confirmed that they shall work for the resolution of practical issues encountered in their respective accounting standard setting and international convergence efforts that should be continuously tested in their respective capital markets. That shall, on the one hand, be helpful to set the national accounting standards and on the other hand, to identify major obstacles and issues the countries encounter in the international convergence process and to communicate with the IASB to contribute to the improvements of the International Financial Reporting Standards (IFRSs).

Thirdly, the three parties have decided to set up a joint working group composed of their technical staff. The primary task of the working group is to carry out joint research on main technical issues confronted by the three countries in their standard setting and international convergence. The joint working group may meet on a non-regular basis and produce research results for the discussion at the Three Countries' Accounting Standard Setters' Meeting and as inputs to the IASB.



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