Accounting Standards for Enterprises No. 38 - Initial Implementation of Accounting Standards for Enterprises

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Chapter I General Provisions

Article 1 According to the Accounting Standards for Enterprises - Basic Standards, this Standards is formulated in order to regulate the recognition and measurement of accounting elements, as well as the presentation of financial statements governed by the Initial Implementation of Accounting Standards for Enterprises, when the Accounting Standards for Enterprises is initially carried out.

Article 2 The phrase "initially implementing accounting standards for enterprises" means that the system of accounting standards for enterprises is first carried out, consisting of the basic standards, specific standards and guidelines on the application of accounting standards.

Article 3 The Accounting Standards for Enterprises No. 28 - Changes in Accounting Policies and Estimates? and Corrections of Errors shall apply to the alteration of accounting policies occurring after initially carrying out accounting standards for enterprises.

Chapter II Recognition and Measurement

Article 4 On the date of initial implementation, according to the Accounting Standards for Enterprises, an enterprise shall make classification, recognition and measurement on all assets, liabilities and the owner's equities again, as well as shall make a balance sheet for the initial period.

As making a balance sheet for the initial period, the enterprise shall make no retroactive modulation to any item except for those to which retroactive modulations shall be made according to Articles 5 through 19 of this Standards.

Article 5 A long-term equity investment on the date of initial implementation shall be respectively conducted according to the circumstances as follows:

(1) In accordance with the Accounting Standards for Enterprises No. 20 - Business Combination, if a long-term equity investment is generated from a business combination under common control, the unamortized equity investment difference shall be entirely sterilized, the retained earnings shall be modulated, and the book balance of the long-term equity investment after the sterilization of the equity investment difference shall be considered as the cost recognition on the date of initial implementation.

(2) For any other long-term equity investment calculated by equity method except that mentioned in Item (1), in case there is any equity investment difference on the credit side, it shall sterilize the credit balance, the retained earnings shall be modulated, and the book balance of the long-term equity investment after the sterilization on the credit side shall be considered as the cost recognition on the date of initial implementation. in case there is any equity investment difference on the debit side, the book value of the long-term equity investment shall be considered as the cost recognition on the date of initial implementation.

Article 6 In case any conclusive evidence indicates that an investment real estate may be measured at fair value, it may be measured at fair value on the date of initial implementation and the retained earnings shall be modulated based on the difference between its book value and its fair value.

Article 7 On the date of initial implementation, for the discard expenses which meet the conditions for the recognition of expected liabilities but have not been charged to the asset costs prior to this date, the asset costs shall be increased and the related liabilities shall be recognized. Simultaneously, the retained earnings shall be modulated based on the depreciation (depletion) drawn complementarily.

Article 8 As to a plan on terminating the labor relationship with an employee which is already existing on the date of initial implementation, in case it meets the conditions described in the Accounting Standards for Enterprises No. 9 - Wages and Salaries of Employees for the recognition of expected liabilities, the liability resulting from the compensation made for the cancellation of the labor relationship with the employee shall be recognized as well as the retained earnings shall be modulated.

Article 9 As to an investment formed in the operation of the enterprise annuities fund, it shall be measured at a fair value on the date of initial implementation and the retained earnings shall be modulated based on the difference between its book amount and the fair value.

Article 10 As to a share-based payment of which the vesting date is on or after the date of initial implementation, upon the provisions of the Accounting Standards for Enterprises No. 11 - Share-based Payment, the retained earnings shall, in accordance with the fair value of the equity instrument, or service provided by any other party or liability assumed by any other party which is calculated and determined based on the equity instrument, be modulated at the amount of cost incurred during the vesting period before the date of initial implementation, and the owner's equities or liabilities shall be increased accordingly.

Any retroactive modulation may be not made to any share-based payment made for any exercisable right before the date of initial implementation.

Article 11 On the date of initial implementation, according to the Accounting Standards for Enterprises No. 13 - Contingencies, an enterprise shall recognize those restructuring obligations meeting the conditions for the recognition of expected liabilities as liabilities, and shall modulate the retained earnings.

Article 12 On the date of initial implementation, in accordance with the provisions of the Accounting Standards for Enterprises No. 18 - Income Tax, an enterprise shall make a retroactive modulation to the effect of the temporary difference between the carrying amount of an asset or liability and its tax base on income tax, and shall modulate the retained earnings based on the affected amount.

Article 13 Other than the items as follows, any retroactive modulation may not be made to the business combinations occurring before the date of initial implementation:

(1) As to a business combination under common control as prescribed in the Accounting Standards for Enterprises No. 20 - Business Combination, the amortized value of the originally recognized business reputation shall be entirely sterilized and the retained earnings shall be modulated.

As to a business combination not under common control as described in this Standards, the amortized value of the business reputation on the date of initial implementation shall be recognized as cost, and it shall not be amortized any more.

(2) As to the business combination occurring before the date of initial implementation, in case it is stipulated in the combination contract or agreement that the combination cost should be modulated in accordance with the occurrence of future events, and the future events expected on the date of initial implementation are likely to occur and their effects on the combination cost can be measured reliably, the carrying amount of the already recognized business reputation shall be modulated based on the affected amount.

(3) According to the Accounting Standards for Enterprises No. 8 - Asset Impairment, an enterprise shall have an impairment test for the business reputation on the date of initial implementation, if impaired, it shall be recognized with the amount after the impairment provision is made as well as the retained earnings shall be modulated.

Article 14 On the date of initial implementation, an enterprise shall divide the financial assets (excluding the investments under the Accounting Standards for Enterprises No. 2 - Long-term Equity Investments) into financial assets, held-to-maturity investments, loans, receivables and financial assets available for sale measured at their fair value and of which the alterations charged to the profits and losses in the current period.

(1) As to those classified as financial assets measured at their fair value and of which the alterations charged to the profits and losses in the current period or available for sale, they shall be measured at their fair value on the initial date of implementation, as well as the retained earnings shall be modulated based on the difference between the carrying amount and the fair value.

(2) As to those classified as held-to-maturity investments, loans and receivables, they shall, as of the date of initial implementation, be measured at their amortized cost in the subsequent accounting periods employing the actual interest rate method.

Article 15 As to a financial liability which on the date of first implementation is designated to be measured at its fair value and of which the alterations are charged to the profits and losses in the current period, it shall be measured at its fair value on the date of initial implementation as well as the retained earnings shall be modulated based on its carrying amount and fair value.

Article 16 As to a derivative financial instrument (excluding hedging instruments) which has not been recognized in the balance sheet or which has been measured at its cost, it shall be measured at its fair value on the date of initial implementation and the retained earnings shall be modulated.

Article 17 As to an embedded financial instrument which shall be separated from the mixed instrument according to the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, on the date of initial implementation, it shall be separated from the mixed instrument and shall be conducted respectively, however, unless it is difficult to make a reasonable determination on the fair value of the embedded derivative financial instrument.

As to a non-derivative financial instrument with liability and equity components which is issued by an enterprise, on the date of initial implementation, the liability component shall be separated from equity component according to the Accounting Standards for Enterprises No. 37 - Presentation of Financial Instruments, unless it is difficult to make a reasonable determination on the fair value of the liability component.

Article 18 On the date of initial implementation, as to the hedges which do not meet the conditions for employing the hedge accounting methods described in the Accounting Standards for Enterprises No. 24 - Hedging, the implementation of the original hedge accounting methods shall be brought to an end and shall be conducted according to the Accounting Standards for Enterprises No. 24 - Hedging.

Article 19 On the date of initial implementation, a cession enterprise of reinsurance businesses shall recognize the related provisions which should be allocated back to the reinsurance acceptors as assets according to the Accounting Standards for Enterprises No. 26 - Reinsurance Contracts as well as modulate the carrying amount of each provision.

Chapter III Presentation

Article 20 During the period of preparation of the first annual financial statements after the date of initial implementation (referred to as the first annual financial statements hereinafter)according to the Accounting Standards for Enterprises, an enterprise shall make a balance sheet, profit statement, cash flow statement, statement on alternations of the owner's equities and the notes in the light of the Accounting Standards for Enterprises No. 30 - Presentation of Financial Statements and the Accounting Standards for Enterprises No. 31 - Cash Flow Statements.

As to the enterprise which provides consolidated financial statements to outsiders, it shall be governed by the provisions in the Accounting Standards for Enterprises No. 33 - Consolidated Financial Statements.

As to the enterprise which provides interim financial reports during the period covered by the first annual financial statements, it shall be governed by the provisions in the Accounting Standards for Enterprises No. 32 - Interim Financial Reports.

An enterprise shall throw daylight on the alternations in the amount of the items of the financial statements upon initial implementation of the Accounting Standards for Enterprises in its notes.

Article 21 The first annual financial statements shall at least consist of comparative information of the previous year presented according to the Accounting Standards for Enterprises. In case the presentation of the items of financial statements alters, the comparative figures of the previous year shall be modulated as required by the Accounting Standards for Enterprises concerning the presentation, unless it is impractical.

As to a subsidiary company which was not included into the scope of consolidation, but should have been included into therein according to the Accounting Standards for Enterprises No. 33 - Consolidated Financial Statements, the enterprise shall list it under the scope of consolidation for the comparative consolidated financial statements of the previous year.

As to a subsidiary company which was included into the scope of consolidation, but should have not been included into therein according to this Standards, the enterprise shall not list the subsidiary company under the scope of consolidation for the comparative consolidated financial statements of the previous year.

The minority shareholders' interests presented in the comparative financial statements of the previous year shall be listed under the category of the owner's equities according to these

Standards.

As to an enterprise that shall list the earnings per share, it shall calculate and list the earnings per share of the previous year in the comparative financial statements according to the Accounting Standards for Enterprises No. 34 - Earnings Per Share.

As to an enterprise that shall publish the segment information, it shall publish the segment information of the previous year in the comparative financial statements according to the Accounting Standards for Enterprises No. 35 - Segment Reports.