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December.20, 2009
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

Dear Sirs,

Comment on Proposed Amendment to IFRS 1 – Revaluation Basis as Deemed Cost (Exposure Draft (ED/2009/11) of Proposed Improvements to IFRS)

We, Zhongrui Yuehua Certified Public Accountants Co., Ltd., a public accounting firm established in the People's Republic of China, is pleased to submit our comments on the above Exposure Draft (ED). In particular, we would like to share with you our views on one of the proposed amendments in that ED - Proposed Amendment to IFRS 1 – Revaluation Basis as Deemed Cost. Among the various amendments proposed in this ED, we are particularly interested in this one because it may have significant impacts on state-owned entities of Mainland China that are being privatized or seek overseas listing, and we are, and will be, engaged by such entities to provide professional services.

Overall position on this proposed amendment

We strongly agree with the objective of this proposed amendment, which expands the scope of the exemption that permits a first-time adopter to use a revaluation performed under previous GAAP as a 'deemed cost' to include events such as a privatization or initial public offering that occur after the date of transition to IFRS but during the periods covered by the first IFRS financial statements.

We believe that this proposed amendment can satisfactorily address practical concerns being faced by certain emerging market economies such as Mainland China where revaluation of nonmonetary assets and liabilities is required by law for state-owned entities that are being privatized or seeking an initial public offering (IPO). In addition, we agree that the revalued deemed cost is more relevant to users than original cost (which may be determined several decades ago for certain items) as many assets may have little or no cost under previous GAAP owing to the fact that, typically, they were originally "state-owned assets" granted free of charge to the reporting entity, and the revalued amount better approximates current fair value of such assets.

We understand that the proposal is intended to address a situation in which the law requires that fair value be recorded in the financial statements when there is a reorganization and we support the proposal in such a context.

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Suggested changes to the ED

We would suggest certain amendments to improve the proposal and to avoid possible ambiguity, which are set out below.

1. Clarification of scope of application

Since the amendment is made in context of some emerging market economies, and it sets a precedent that certain events after the date of transition to IFRS could result in first-time adoption issues, we suggest the background and rationale of such proposed amendment be stated more clearly in the revised standard itself, or in the "basis of conclusions" section to enable better understanding and application of the amendment.

It should be noted that application of this proposed amendment to other situations may result in unpredictable results, such as recording 2 or more set of "fair value" in its first set of IFRS financial statements – one at the transition date and another at the date of IPO. To address this concern, we suggest that a limit be set on the number of such event-driven revaluation in the reporting period covered by the entity's first IFRS financial statements, i.e., the cumulative revaluation effect of such event-driven revaluations in the reporting period covered by an entity's first IFRS financial statements should be recorded in the IFRS financial statements at the date when the latest one of such revaluation is made. Doing so could avoid the frequent changes of revaluations being reflected in one set of financial statements, which may be confusing to information users.

2. Enhancement of disclosure requirements

If an entity applies this exemption to revalue an asset based on an event-driven measurement subsequent to the date of transition to IFRS, its assets will have two different measurements in the periods covered by its first IFRS financial statements (one at transition date and the other at the event-driven measurement date). BC 6 states that "…such a revaluation would already be highlighted in the first IFRS financial statements and disclosures, the proposed presentation clearly identifies the effects of any significant difference in depreciation or amortization between the periods before and after the date of measurement." , but the disclosure that BC6 suggests is not an mandatory requirement under current version of the ED. Accordingly, to provide more useful information to users of first IFRS financial statements, we suggest that following disclosure be made in the entity's first IFRS financial statements:

(1) The nature, timing (i.e. benchmark date) and scope of such event-driven revaluations, and the legal requirements that make such revaluations mandatory. Such disclosure can address the information requirements for some financial statements users that are not familiar with the legal environment of the jurisdiction in which the entity is incorporated.
(2) The date when such revaluation is recorded in the entity's first IFRS financial statements;
(3) The aggregate of those fair values of revalued items;
(4) The aggregate adjustments to the carrying amounts in such revaluation (as compared against the original carrying amount immediately before revaluation), by category, and the average

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remaining useful life of each category of non-current assets subject to such revaluation as at the date when such revaluation is recorded;

(5) A pro forma statement of comprehensive income for the year in which such revaluation is recorded, which is based on the assumption that no such revaluation had been recorded.

3. Some changes in wording to the ED

In addition, we would also like to suggest some changes in wording to the relevant paragraphs in the ED, which read as follows:

A first-time adopter may have established a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatization or initial public offering. If the measurement date is before the ~~end~~ balance sheet date of the first IFRS ~~reporting period~~ financial statements (1), the first-time adopter may use such event-driven fair value measurements as deemed cost for IFRSs at the date of that measurement. If the measurement date is after the first-time adopter's date of transition to IFRSs, the entity may ~~elect a deemed cost at the date of transition that meets the criteria in paragraphs D5–D7~~ apply this standard to measure its assets and liabilities (2).The event-driven fair value measurement within the entity's first IFRS ~~reporting period~~ financial statements is recognized as deemed cost when the event occurs, with any adjustments directly recognized in equity (3).

(1) We suggest to replace "IFRS reporting period" with "IFRS financial statements" to clarify a fact that the reporting period of the first IFRS financial statements may cover a long period. In practice, such "first IFRS financial statements" are usually an accountant's report for IPO purposes, that covered the whole track record period required by the listing rules or other regulations of the stock exchange or other regulators.

(2) We suggest to delete reference in paragraph D8 to paragraphs D5-D7 since paragraphs D5-D7 are specific to property, plant and equipment, investment property, and intangibles respectively, while paragraph D8 applies to all type of assets and liabilities.

We suggest to make it clear that such adjustments should be made directly to equity.

We are very glad to give our comments on the first-time adoption of IFRS in "IASB Exposure Draft on Improvements to IFRS".

Any questions regarding the reply, please contact Mr. Liu Guibin (T: +86 10 88091188)

Yours faithfully

Liu Guibin