



6 February 2007

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT OF PROPOSED
AMENDMENTS TO IFRS 1 *FIRST-TIME ADOPTION OF INTERNATIONAL
FINANCIAL REPORTING STANDARDS — COST OF AN INVESTMENT IN A
SUBSIDIARY***

Comments to be received by 10 April 2007

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the IASB Exposure Draft which has been posted on the Institute's website at:

www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php

In response to concerns about difficulties encountered by parent companies in measuring the cost of an investment in a subsidiary on adopting IFRSs, the IASB Exposure Draft proposes to allow a parent to use a deemed cost to measure its investment in subsidiaries when it first adopts IFRSs. This deemed cost can be determined by reference to the parent's investment in the net assets of the subsidiary or the fair value of the parent's investment.

The Exposure Draft also provide further relief by alleviating the need to restate the pre-acquisition accumulated profits of a subsidiary for the purposes of classifying dividends.

In accordance with the Institute's Convergence Due Process, comments are invited from any interested party and the Institute would like to hear from both those who do agree and those who do not agree with the proposals contained in the IASB Exposure Draft.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the IASB Exposure Draft to be considered, they are requested to be received by the Institute on or before **10 April 2007**. Comments may be sent by mail, fax or e-mail to:

Patricia McBride
Executive Director
Hong Kong Institute of CPAs
37/F., Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Fax number (+852) 2865 6776
E-mail: commentletters@hkicpa.org.hk

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.