



Our Ref.: C/FRSC

Sent electronically through the IASB Website (www.iasb.org)

13 March 2009

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

[IASB Exposure Draft of Additional Exemptions for First-time Adopters](#)

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong.

We are pleased to note that the IASB is issuing additional exemptions for First-time Adopters. We have no specific comments on the additional exemptions in the Exposure Draft but have an issue in Hong Kong relating to IFRS 1 *First-time Adoption of International Financial Reporting Standards* which we would like to include in this submission to the IASB in order that the project team can consider ways to assist Hong Kong and others who may have a similar difficulty. Furthermore, we are also writing with the purpose of sharing our convergence experience in Hong Kong so that the IASB consider recommendations to those countries that are going to adopt IFRSs, such as Brazil, Canada, India and Korea, all of which will adopt IFRS by 2011, to adopt IFRS 1 to avoid finding themselves in the position Hong Kong now finds itself in.

Convergence of HKFRSs with IFRSs

Hong Kong first began issuing new or amended standards based primarily on IASs, rather than UK accounting standards, in 1993. Over the period from 1993 to 2004, the body of Hong Kong accounting standards (referred to at that time as Statements of Standard Accounting Practice (“HK SSAPs”)) gradually became predominantly an IAS-based body of standards, with the only substantial differences remaining being in the areas of financial instruments and investment properties.

In 2004 the HKICPA completed its project of convergence, with the result that Hong Kong accounting standards were fully converged with IFRSs with effect from 1 January 2005. That is, as from that date, there were individual “HKASs”, “HKFRSs” and Interpretations in issue which corresponded to each and every one of the IASs, IFRSs and Interpretations in issue at that time. Each of those Hong Kong standards contained wording identical to that in the equivalent IAS or IFRS except that transitional provisions in certain standards were changed to provide for transition from the requirements in the previous HK SSAP rather than from the previous version of the relevant IAS. However, in many cases, “convergence” simply amounted to changing the name of the standard from “SSAP” to “HKAS” since the text of the SSAP already



corresponded to the text of the equivalent IAS and therefore no specific transitional provisions were required.

Given that the body of Hong Kong accounting standards were already substantially converged with IFRSs in many respects prior to 2005, Hong Kong did not require existing Hong Kong reporters to apply HKFRS 1 “First time adoption of Hong Kong Financial Reporting Standards” (the HK equivalent standard to IFRS 1) when adopting the renamed and fully converged HKFRSs in 2005. Instead, in 2005 existing Hong Kong reporters were required to adopt any new or amended HKASs or HKFRSs first effective in 2005 in accordance with the transitional provisions in those standards and the requirements of HKAS 8 “Accounting policies, changes in accounting estimates and errors” (the Hong Kong equivalent of IAS 8), in much the same way as they had been required to do in any other year when standards were amended.

The programme of convergence of HKFRSs with IFRSs has continued since 2005, in that whenever the IASB has issued a new or amended IAS or IFRS, or an Interpretation, equivalent amendments have been made to HKFRSs with the same effective dates and transitional provisions.

Issues arising from compliance with HKFRSs and IFRSs

In essence, for the majority of companies, financial statements prepared in accordance with HKFRSs are for all intents and purposes identical to financial statements prepared in accordance with IFRSs. However, this does not automatically entitle such companies to include an unreserved statement of compliance with IFRSs in their financial statements. Instead, existing preparers applying HKFRSs that wish to claim compliance with IFRSs must also apply IFRS 1 in the period when they first claim compliance. This requirement is clear in paragraph 3(a)(ii) of IFRS 1 which indicates that IFRS 1 needs to be applied when an entity presented its most recent previous financial statements “in conformity with IFRSs in all respects, except that the statements did not contain an explicit and unreserved statement that they complied with IFRSs.”

IFRS 1 contains specific transitional provisions, which may or must be applied in the first year that an entity makes an explicit and unreserved statement of compliance with IFRSs. These transitional provisions in IFRS 1 override any transitional provisions that may be contained in individual IFRSs. As a result of the transitional provisions in IFRS 1, it is possible that certain treatments that are acceptable under a continuing application of HKFRSs are unacceptable in the financial statements of a first-time adopter of IFRSs. These differences may arise due to differences in transitional provisions that were included in HKFRSs when they were first issued in Hong Kong prior to 2005.

However, differences may also arise between transitional provisions in IFRS 1 and those in any of the new IFRSs and amendments that Hong Kong has copied from the IFRSs since 2005, or will copy in the future. For example, IFRS 1 contains transitional provisions relating to share-based payments that are different from those that were included in IFRS 2 *Share-based Payment* when it was first issued. Therefore, an entity that adopted HKFRS 2 (which is a copy of IFRS 2) still needs to meet the requirements of IFRS 1 when adopting IFRSs for the first time, even though the transitional provisions for IFRS 2 and HKFRS 2 are identical.

Where differences are identified between the transitional provisions in IFRS 1 and those adopted at the time the current HKFRS accounting policy was adopted, an entity may choose either to adopt IFRS 1 exemptions or to change existing HKFRS accounting policies to achieve dual compliance. However, changing existing accounting policies is only acceptable under HKFRSs if it meets the requirements of paragraph 14 of HKAS 8 “Accounting Policies, Change in Accounting Estimates and Errors”, the Hong Kong equivalent of IAS 8. If the variance is material and cannot be resolved through one of the above routes, an entity will not be able to claim dual compliance with HKFRSs and IFRSs.

Hong Kong’s effort in bringing about convergence was based on the expectation that financial statements prepared using HKFRSs would be fully accepted internationally as IFRSs-compliant. We have communicated our concerns to Mr. Wayne Upton, IASB Director of International Activities last December and would like the IASB project team to take into account our situation when considering additional exemptions to IFRS 1.

In this regard, we note that the IASB proposes not to require the reassessment of whether an arrangement contains a lease, if a first time adopter made the same determination under previous GAAP, except at a different date as that required by IFRIC 4. We would be pleased if the relief would be extended and implemented as an overarching principle to any such situations where an identical or virtually identical standard has been adopted prior to the conversion to IFRS except for differences in transitional provisions and effective date of application. As you would see from the above explanations, this exemption is particularly important to Hong Kong since under the current situation, certain entities may face difficulty in being able to claim dual compliance of HKFRSs and IFRSs except for applying IFRS 1 in the period when they first claim compliance of IFRSs.

This is becoming an important issue in Hong Kong because the Securities and Exchange Commission (SEC) allows foreign private issuers to file financial statements with the SEC prepared in accordance with IFRS “as issued by the IASB” without including a reconciliation to US GAAP. Entities that prepare financial statements in accordance with HKFRS cannot benefit from the SEC’s relief, unless the IASB provide additional exemption from applying IFRS 1 if the standards of previous GAAP is identical or virtually identical to IFRS in the interest of avoiding unnecessary and excessive costs. We take the opportunity to also request that consideration be given for the additional exemption to take retrospective effect from the date that a jurisdiction claimed full convergence with IFRSs, so as to enable the entities that prepare financial statements in accordance with HKFRSs to be able to benefit from such additional exemption and thus being able to claim dual compliance.

We enclosed the following documents for your perusal:

- (a) articles that relate to this issue (**Appendix 1**) and
 - (i) http://www.hkicpa.org.hk/correspondence/2008-07-10/Dual_compliance.pdf
 - (ii) http://www.pwccn.com/webmedia/doc/633377235508842175_dual_compliance_fe_b2008.pdf
- (b) the Standard-by-Standard comparison of effective dates and transition showing HKFRS, IFRS and IFRS 1 (**Appendix 2**).



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

If you have any questions on our comments, please do not hesitate to contact me at ong@hki CPA.org.hk.

Yours faithfully,

A handwritten signature in black ink that reads 'Steve Ong'. The signature is written in a cursive, flowing style.

Steve Ong, FCA, FCPA
Director, Standard Setting Department

cc. Mr. Wayne Upton, IASB Director of International Activities
Ms. Dora Cheung, IASB Project Fellow

Photo: Tony Metaxas/Getty Images



Dual compliance: What it means to you

Here are ways to ensure compliance with both HKFRSs and IFRSs

As International Financial Reporting Standards are accepted in more and more jurisdictions, there are increasing benefits for companies in claiming compliance with IFRSs.

The European Union set the pace by mandating IFRSs for all public companies beginning 2005. The U.S. Securities and Exchange Commission recently changed its rules in order to accommodate foreign private issuers filing their financial statements prepared in accordance with IFRSs without reconciliation to Generally Accepted Accounting Principles of the United States (US GAAP). Therefore, being able to assert compliance with IFRSs is particularly relevant to companies

using Hong Kong Financial Reporting Standards that are listed in the U.S., or wish to list in the U.S. and Europe.

Background

The SEC has approved rule amendments for financial years ending after 15 November 2007 under which financial statements from foreign private issuers prepared under IFRSs will be accepted without reconciliation to US GAAP. However, the SEC will only accept financial statements that comply with IFRSs issued by the International Accounting Standards Board and therefore financial statements prepared under national or regional variations of IFRSs, including HKFRSs, will still require reconciliation to US GAAP.

In order to be eligible for SEC's relief, an issuer must unreservedly and explicitly state in the notes to the financial statements that the financial statements are in compliance with IFRSs issued by the IASB and the audit opinion must also state that the financial statements comply with IFRSs issued by the IASB.

In addition, there is another positive news for preparers of financial statements under HKFRSs. The Commission of the European Communities issued on 22 April 2008 a report on convergence between IFRS and third country national GAAPs and on the progress towards the elimination of reconciliation requirements that apply to community issuers under the rules of these third



countries, confirming that Hong Kong has fully adopted or implemented IFRSs. In this case the commission concluded that there should be an explicit and unreserved statement of compliance with IFRSs in the audited financial statements.

Furthermore, the Institute's IFRS licensing agreement with the International Accounting Standards Committee Foundation requires the Institute to request preparers to also state that financial statements prepared in accordance with HKFRSs are in compliance with IFRSs (if this is the case) and that this compliance is also reflected in any audit report where appropriate.

Compliance with HKFRSs and IFRSs

In essence, for the majority of companies, financial statements

prepared in accordance with HKFRSs are for all intents and purposes identical to financial statements prepared in accordance with IFRSs. However, this does not automatically entitle such companies to include an unreserved statement of compliance with IFRSs in their financial statements. Instead, existing preparers applying HKFRSs that wish to claim compliance with IFRSs must also apply IFRS 1 *First-time Adoption of International Financial Reporting Standards* in the period when they first claim compliance. This requirement is clear in paragraph 3(a)(ii) of IFRS 1 which indicates that IFRS 1 needs to be applied when an entity presented its most recent previous financial statements "in conformity with IFRSs in all respects, except that the statements did not contain an explicit and unreserved statement that they complied with IFRSs."

IFRS 1 contains specific transitional provisions, which may or must be applied in the first year that an entity makes an explicit and unreserved statement of compliance with IFRSs. These transitional provisions in IFRS 1 override any transitional provisions that may be contained in individual IFRSs. The transitional provisions in IFRS 1 are based on a general principle that the accounting policies adopted in the first reporting period under IFRSs shall be applied with full retrospective adoption (IFRS 1.7). IFRS 1 then provides certain limited exemptions and exceptions to this principle, which allow, or in some cases require, a different approach (IFRS 1.13-34B).

As a result of the transitional provisions in IFRS 1, it is possible that certain treatments that are acceptable under a continuing application of HKFRSs are unacceptable in the financial statements of a first-time

adopter of IFRSs. These differences may arise due to differences in transitional provisions that were included in HKFRSs when they were first issued in Hong Kong prior to 2005.

However, differences may also arise between transitional provisions in IFRS 1 and those in any of the new IFRSs and amendments that Hong Kong has copied from the IFRSs since 2005, or will copy in the future. For example, IFRS 1 contains transitional provisions relating to share-based payments that are different from those that were included in IFRS 2 *Share-based Payment* when it was first issued. Therefore, an entity that adopted HKFRS 2 (which is a copy of IFRS 2) still needs to meet the requirements of IFRS 1 when adopting IFRSs for the first time, even though the transitional provisions for IFRS 2 and HKFRS 2 are identical.

In order to facilitate existing users of HKFRSs to understand the possible differences in financial information that might arise between the adoption of the transitional provisions of the respective HKFRSs and the application of IFRS 1, the Institute's financial reporting standards committee has developed a table of comparison to guide an entity along the way to achieve dual compliance.

Ways to achieve dual compliance

The comparison table has been developed based on the assumption that consolidated financial statements for the year that ended 31 December 2007 are being prepared. Under the new rule, a foreign private issuer in its first year of reporting under IFRSs is provided an accommodation to file two years rather than three years of statement of income, changes in shareholders' equity and cash flows prepared in accordance

Dual compliance

with IFRSs. Accordingly, these financial statements contain one year of comparatives, such that 1 January 2006 would represent the date of transition to IFRSs in accordance with IFRS 1. Pronouncements issued under IFRSs and HKFRSs that were effective for financial years ended 31 December 2007 have been taken into account.

Where differences are identified between the transitional provisions in IFRS 1 and those adopted at the time the current HKFRS accounting policy was adopted, an entity may choose either to adopt IFRS 1 exemptions or to change existing HKFRS accounting policies (subject to the requirements of paragraph 14 of HKAS 8 *Accounting Policies, Change in Accounting Estimates and Errors*) to achieve dual compliance.

Preparers need to exercise professional judgment in assessing the impact of the potential areas of difference in their financial statements. If the variance is material and cannot be resolved through one of the above routes, an entity will not be able to claim dual compliance with HKFRSs and IFRSs.

The comparison table explains in detail the areas of difference and the options available to preparers. In summary, the HKFRS-based financial statements can still achieve dual compliance if the following areas of difference are properly addressed:

(i) *Differences that may be avoided through adopting IFRS 1 exemptions:*

- Property, plant and equipment – fair value or revaluation as deemed cost
- Investment property – fair value or revaluation as deemed cost
- Business combinations – translation of fair value adjustments and goodwill
- Business combinations – method of accounting and intangible assets
- Share-based payment – equity settled share-based payment transactions

(ii) *Differences that may be avoided through changing HKFRS accounting*

policies (subject to the requirement under HKAS 8.14(b)):

- Borrowing costs – benchmark treatment
- Defined benefit plans – actuarial gains and losses
- Property, plant and equipment/ investment property/intangible assets – exemption for charitable, government subvented and not-for-profit organizations
- Leases – determination of the length of lease term in respect of Hong Kong land leases
- Revenue – pre-completion contracts for the sale of development properties.

Preparers need to exercise professional judgment in assessing the impact of the potential areas of difference in their financial statements.

In some circumstances, no remedial action is available to avoid differences in application of HKFRSs and IFRSs. Potential areas of difference include:

- Property, plant and equipment – exchange of assets
- Leases – measurement of finance leases
- Defined benefit plans – transitional liability
- Non-current assets held for sale and discontinued operations – measurement differences
- Financial assets and liabilities – fair value hedge accounting
- Financial assets and liabilities – prior derecognition.

Audit opinion on dual compliance

In order to omit the US GAAP reconciliation under the SEC's rules, the report of the independent auditor must state that the consolidated financial statements comply with IFRSs. HKSA 700 *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements* does not have

any specific provision, which prevents an auditor from providing an opinion on financial statements that have been prepared in accordance with more than one financial reporting framework. It is therefore acceptable for an auditor to issue an opinion on financial statements that have been prepared in accordance with both HKFRSs and IFRSs provided that each of the frameworks are complied with individually.

The auditors should consider each financial reporting framework separately. If a matter results in failure to comply with one of the frameworks,

but does not cause a failure to comply with the other framework, the auditor should express an unqualified opinion on the framework that is properly complied with and a qualified opinion or an adverse opinion on the other framework that is not.

The comparison table and example notes to the financial statements can be accessed from www.hkicpa.org.hk/professionalttechnical/accounting/duprocess/duprocess.php

This article has been prepared by the Institute's standard setting department in consultation with the financial reporting standards committee (FRSC).

This article is intended for general guidance only. The Institute, the FRSC and the staff of the Institute do not accept any responsibility or liability in respect of the article and any consequences that may arise from any person acting or refraining from action as a result of any materials in the article.

Comparison of HKFRS and IFRS 2007

(Based on statements that were effective for financial years ended 31 December 2007)

This comparison was developed by the Institute's Financial Reporting Standards Committee (FRSC). It is intended to be a high level comparison between the application of HKFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

This comparison is intended for general guidance only. The Institute, the FRSC and the staff of the Institute DO NOT accept any responsibility or liability, and DISCLAIMS all responsibility and liability, in respect of the contents of this comparison and any consequences that may arise from any person acting or refraining from action as a result of any materials in the comparison.

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HKFRS No.	IFRS No.	Title	Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Transitional Provisions	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006	
			Major Relevant Differences		Impact	Remedial Actions
HKAS 1	IAS 1	Presentation of Financial Statements	=	-	N/A	N/A
HKAS 2	IAS 2	Inventories	-	-	N/A	N/A
HKAS 7	IAS 7	Cash Flow Statements	-	-	N/A	N/A
HKAS 8	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	=	-	N/A	N/A
HKAS 10	IAS 10	Events after the Balance Sheet Date	-	-	N/A	N/A

HKFRS No.	IFRS No.	Title	Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Transitional Provisions	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006	
			Major Relevant Differences		Impact	Remedial Actions
HKAS 11	IAS 11	Construction Contracts	-	-	N/A	N/A
HKAS 12	IAS 12	Income Taxes	<p><u>Additional guidance and examples</u></p> <p>The explanatory guidance and illustrative examples of previous SSAP 12 are maintained and set out in the boxes within the body of HKAS 12. It contains material that is based on Australian Standard AASB 1020, Income Taxes.</p>	-	N/A	N/A
HKAS 14	IAS 14	Segment Reporting	-	-	N/A	N/A
HKAS 16	IAS 16	Property, Plant and Equipment	-	<p><u>HKAS 16 para 80</u></p> <p>Initial measurement of an item of PP&E acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.</p> <p><u>HKAS 16 para 80A</u></p> <p>A transitional arrangement was introduced in the original SSAP 17 issued in 1995 to relieve certain enterprises which carried their property, plant and equipment at revalued amounts</p>	<p>Maybe permanent difference for exchange of assets if transaction happened before the adoption of HKAS 16.</p> <p>Measurement differences as HKAS 16 allowed valuation before 30 September 1995 as deemed cost.</p>	<p>None available – if difference is material.</p> <p>Apply the exemption for “fair value or revaluation as deemed cost” under IFRS1.17 leading to the same accounting treatment.</p>

		Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)		Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006			
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions	
				<p>before 30 September 1995 from making regular revaluations. Such transitional arrangement was maintained in HKAS 16. Even if the carrying amounts of the revalued assets are materially different from the asset's fair values, regular revaluation is not required provided that:</p> <p>(a) these enterprises do not revalue their property, plant and equipment subsequent to 1995; and</p> <p>(b) disclosure of reliance of this paragraph is made in the financial statements.</p> <p><u>HKAS 16 para 80B</u></p> <p>Para 80B allowing those entities (i.e. charitable, government subvented and not-for-profit organizations) that have previously taken advantage of the exemption under SSAP 17 to deem the carrying</p>		<p>Permanent differences for exempted charitable, government subvented and not-for-profit organisation only.</p>	<p>Voluntary change in accounting policy with retrospective adjustments on the condition that the requirement in HKAS 8.14(b) is satisfied.</p>

HKFRS No.	IFRS No.	Title	Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Transitional Provisions	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006	
			Major Relevant Differences		Impact	Remedial Actions
				amount of an item of PPE immediately before applying HKAS 16 on its effective date (or earlier) as the cost of that item.		
HKAS 17	IAS 17	Leases	-	<p>HKAS 17 is either:</p> <ul style="list-style-type: none"> - Effective from 05 with full retrospective application if SSAP 14 (2000) had been applied retrospectively, or - effective from 2005 with a limited retrospective application since the date when SSAP 14 (2000) was first applied 	May have a difference in the measurement of the lessor's investment in a finance lease if SSAP 14 (2000) was not retrospectively applied. IFRS 1.IG 15 does not allow the use of net cash investment method for recognising finance income of lessors in the opening IFRS balance sheet.	None available – if difference is material.
HKAS 18	IAS 18	Revenue	-		N/A	N/A
HKAS 19	IAS 19	Employee Benefits	-	HKAS 19 has an additional paragraph 153A specifying that the transitional provisions set out in paragraphs 154 to 156 of HKAS 19 apply only	Retrospective application is required under IFRS 1.20 unless an entity elects to recognise all cumulative	Change in accounting policy by electing to recognise all actuarial gains and losses each year in the Statement of Recognised Income and Expense and make

			Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
				<p>when an entity has not previously applied SSAP 34 (May 2003)</p> <p>If SSAP 34 had not been applied, the transitional date of 1 January 2005 is used for the following accounting entries:</p> <ul style="list-style-type: none"> - transitional liability can be expensed over 5 years; or - recognise all cumulative actuarial gains and losses <p>If SSAP 34 had been applied, the transitional dates used for the above accounting entries should be 1 January 2003 and 1 January 2002 for long service payment and other defined benefit plans respectively.</p>	<p>actuarial gains and losses at the date of transition to IFRSs.</p> <p>Differences will arise in the 2006 income statement for entities that elect to amortise the SSAP 34 transitional liability over the five years ended 31 December 2006.</p>	<p>retrospective adjustments.</p> <p>No remedial action is available for transitional liability if difference is material.</p>
HKAS 20	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	-	IAS 20 has transitional provision (para 40) allowing an entity adopting this standard for the first time to apply the accounting provisions only to grants or portions of grants becoming	<p>N/A</p> <p>HKAS 20 has been retrospectively applied</p>	N/A

			Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
				<p>receivable or repayable after the effective date of this standard, i.e. 1 January 1984.</p> <p>However, there is no such transitional provision under HKAS 20.</p>		
HKAS 21	IAS 21	The Effects of Changes in Foreign Exchange Rates	-	<p><u>HKAS 21 para 59</u></p> <p>Exchange differences on goodwill and fair value adjustments arising from an acquisition of a foreign operation before this Standard first applied can be applied prospectively.</p>	There are permanent differences for business combinations before 1 January 2005.	Apply the exemption for “business combinations” under IFRS1.B1B with limited retrospective adjustment to business combinations occurred since 1 January 2005 leading to the same accounting treatment.
HKAS 23	IAS 23	Borrowing Costs	-	<p><u>HKAS 23 para 30</u></p> <p>For HKAS 23, entities following the benchmark treatment should apply the new policy prospectively, whereas for IAS 23, entities following the allowed alternative treatment should apply the new policy prospectively.</p> <p>Different transitional</p>	Permanent difference	<p>Permanent difference can be removed:</p> <p>(a) If borrowing costs capitalised before the effective date of HKAS 23 are fully expensed because the qualified assets are fully depreciated / amortised or have been disposed of;</p>

HKFRS No.	IFRS No.	Title	Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)		Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006	
			Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
				provision addresses the differences between previous SSAP 19 and previous IAS 23 since the previous SSAP 19 only adopted the allowed alternative treatment.		or (b) The entity early adopts revised HKAS 23 and applies retrospectively.
HKAS 23 Revised	IAS 23 Revised	Borrowing Costs	-	-	N/A	N/A
HKAS 24	IAS 24	Related Party Disclosures	-	-	N/A	N/A
HKAS 27	IAS 27	Consolidated and Separate Financial Statements	=	-	N/A	N/A
HKAS 28	IAS 28	Investments in Associates	-	-	N/A	N/A
HKAS 29	IAS 29	Financial Reporting in Hyperinflationary Economics	-	-	N/A	N/A
HKAS 31	IAS 31	Interests in Joint Ventures	-	-	N/A	N/A
HKAS 32	IAS 32	Financial Instruments: Presentation	-	N/A	N/A	N/A

			Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
HKAS 33	IAS 33	Earnings Per Share	=	-	N/A	N/A
HKAS 34	IAS 34	Interim Financial Reporting	-	-	N/A	N/A
HKAS 36	IAS 36	Impairment of Assets	-	N/A	N/A	N/A
HKAS 37	IAS 37	Provisions, Contingent Liabilities and Contingent Assets	<p><u>Additional examples in Appendix C of HKAS 37</u></p> <p>Examples 3A, 8A, 12 and 13 in Appendix C to HKAS 37 are additional Hong Kong examples. No comparable examples are included in Appendix C to IAS 37.</p>	-	N/A	N/A
HKAS 38	IAS 38	Intangible Assets		<p><u>HKAS 38 para 130</u></p> <p>An entity shall apply HKAS 38:</p> <p>(a) to the accounting for intangible assets acquired in business combinations for which the agreement date is on or after 1 January 2005; and</p> <p>(b) to the accounting for all other intangible assets prospectively from the beginning of the first annual period beginning on or after 1 January 2005.</p>	There are permanent differences for transactions with agreements dated before 1 January 2005.	Apply the exemption for “business combinations” under IFRS1.13(a) with limited retrospective adjustment to business combinations occurred since 1 January 2005 leading to the same accounting treatment.

		Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)		Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
				IAS 38 adopts a different effective date of 31 March 2004.		
HKAS 39	IAS 39	Financial Instruments: Recognition and Measurement		Refer to Appendix A for details	Refer to Appendix A for details	Refer to Appendix A for details
HKAS 40	IAS 40	Investment Property		<p><u>HKAS 40 paras 80 & 80A on fair value model</u></p> <p>There are transitional provisions for entities that have previously adopted SSAP 13 (2000) and elect for the first time to classify and account for some or all eligible property interests held under operating leases as investment property or under other circumstances and elect for using fair value model when HKAS 40 first applied can apply the fair value model prospectively from 1 January 2005.</p>	<p>N/A</p> <p>Should not have impact to 2006 financial statements onwards if fair value had been applied since 1 January 2005.</p>	N/A



		Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)		Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
				<p><u>HKAS 40 paras 83A and 83B on cost model</u></p> <p>Pursuant to paras 83A and 83B of HKAS 40, the carrying amount of the investment property under SSAP 13 (2000) may be recorded as the deemed cost on the date that HKAS 40 first applied. Any adjustments, including the reclassification of any amount previously held in revaluation reserve, shall be made to the opening balance of retained earnings. Depreciation on deemed cost commences from the opening balance sheet date.</p>	Permanent difference.	Apply the exemption under IFRS 1.18 to use the fair value of investment property at or before the date of transition as its deemed cost
HKAS 41	IAS 41	Agriculture	-	-	N/A	N/A

		Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)		Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
HKFRS 2	IFRS 2	Share-based Payment	-	<p>Retrospective application not required for equity settled share-based payment transactions:</p> <p>a) with a grant date before 7 November 2002; or</p> <p>b) with a grant date after 7 November 2002 and vested before 1 January 2005.</p>	<p>IFRS 1 requires equity settled share-based payment transactions involving the grant of equity instruments after 7 November 2002, that had not vested by the later of 1 January 2005 and the date of transaction (1 January 2006), to be accounted for in accordance with IFRS 2.</p> <p>Permanent differences arise for equity settled share-based payment vested on 1 January 2006.</p>	<p>Apply the exemption under IFRS 1.25B where the grant of equity instruments vested in 2005 is allowed to be accounted for in accordance with IFRS 2 provided that the entity has previously disclosed publicly the fair value of the instruments determined at the measurement date.</p>



		Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)		Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
HKFRS 3	IFRS 3	Business Combinations	=	<p><u>HKFRS 3 para 78</u></p> <p>Except as provided in para 85 of HKFRS 3, HKFRS 3 shall apply to the accounting for business combinations for which the agreement date is on or after 1 January 2005.</p> <p>HKFRS 3 shall also apply to the accounting for:</p> <p>(a) goodwill arising from a business combination for which the agreement date is on or after 1 January 2005; or</p> <p>(b) any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination for which the agreement date is on or after 1 January 2005.</p> <p>IFRS 3 adopts a different effective date of 31 March 2004.</p>	There are permanent differences for transactions with agreements dated before 1 January 2005.	Apply the exemption for "business combinations" under IFRS1.13(a) with limited retrospective adjustment to business combinations occurred since 1 January 2005.

		Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)		Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
HKFRS 4	IFRS 4	Insurance Contracts	-	Some relief from restating comparative figures in certain circumstances.	Relief for comparative disclosures only	Same transitional provisions are applicable under IFRS 1.25D.
HKFRS 5	IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	-	Apply prospectively for non-current assets (or disposal groups) classified as held for sale and discontinued operations	<p>Under IFRS 1.34B if an entity with a date of transition to IFRSs as at 1 January 2006, IFRS 5 shall be applied retrospectively.</p> <p>Differences could arise for entities with assets classified as non-current assets / disposal group before 1 January 2005 but have not been disposed in the 2006 or 2007 financial statements.</p>	None available – if difference is material.



		Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)		Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
HKFRS No.	IFRS No.	Title	Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
HKFRS 6	IFRS 6	Exploration for and Evaluation of Mineral Resources	-	Apply retrospectively except some relief to comparative information on impairment assessment for exploration and evaluation assets if impracticable to do so	N/A Measurement difference for 2005 only.	N/A
HKFRS 7	IFRS 7	Financial Instruments: Disclosures		If earlier application, before 1 January 2006, relief from presenting some comparative information.	N/A Effective date is annual period beginning on or after 1 January 2007	N/A
HKFRS 8	IFRS 8	Operating Segments		Retrospective application unless excessive cost to obtain comparative information that is unavailable.	N/A Effective date is annual period beginning on or after 1 January 2009	N/A

HKFRS No.	IFRS No.	Title	Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
			Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
	SIC-7	Introduction of the Euro	This Interpretation is not adopted in Hong Kong.	-	N/A	N/A
HKSIC -Int 10	SIC-10	Government Assistance – No Specific Relation to Operating Activities	-	-	N/A	N/A
HKSIC -Int 12	SIC-12	Consolidation – Special Purpose Entities	-	-	N/A	N/A
HKSIC -Int 13	SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	-	=	N/A	N/A



HKFRS No.	IFRS No.	Title	Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Transitional Provisions	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006	
			Major Relevant Differences		Impact	Remedial Actions
HKSIC -Int 15	SIC-15	Operating Leases – Incentives	-	-	N/A	N/A
HKSIC -Int 21	SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	-	-	N/A	N/A
HKSIC -Int 25	SIC-25	Income Taxes – Changes in the Tax Status of an Entity/ or its Shareholders	-	-	N/A	N/A
HKSIC -Int 27	SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	-	-	N/A	N/A
HKSIC -Int 29	SIC-29	Service Concession Arrangements: Disclosures	-	-	N/A	N/A
HKSIC -Int 31	SIC-31	Revenue – Barter Transactions Involving Advertising Services	-	-	N/A	N/A
HKSIC -Int 32	SIC-32	Intangible Assets – Web Site Costs	-	-	N/A	N/A



HKFRS No.	IFRS No.	Title	Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
			Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
HK(IFRIC)-Int 1	IFRIC-Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	HK(IFRIC)-Int 1 includes a footnote specifying that the allowed alternative treatment referred to in paragraph 8 should be read as the treatment of capitalization under SSAP 19.	-	N/A	N/A
HK(IFRIC)-Int 2	IFRIC-Int 2	Members' Shares in Co-operative Entities and Similar Instruments	-	-	N/A	N/A
HK(IFRIC)-Int 4	IFRIC-Int 4	Determining whether an Arrangement contains a Lease	-	Limited retrospective application to lease arrangements existing at the start of the earliest period presented on the basis of facts and circumstances existing at the start of that period	N/A Effective date is annual period beginning on or after 1 January 2006	Same transitional provisions are applicable under IFRS 1.25F.
HK(IFRIC)-Int 5	IFRIC-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	-	-	N/A	N/A



HKFRS No.	IFRS No.	Title	Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Transitional Provisions	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006	
			Major Relevant Differences		Impact	Remedial Actions
HK(IFRIC)-Int 6	IFRIC-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	-	-	N/A	N/A
HK(IFRIC)-Int 7	IFRIC-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	-	-	N/A	N/A
HK(IFRIC)-Int 8	IFRIC-Int 8	Scope of HKFRS 2	-	-Same transitional provisions as HKFRS 2 (see above)	Refer to details in HKFRS 2 (see above)	Refer to details in HKFRS 2 (see above)
HK(IFRIC)-Int 9	IFRIC-Int 9	Reassessment of Embedded Derivatives	-	-	N/A	N/A

HKFRS No.	IFRS No.	Title	Comparison of HKFRS to application of IFRS 1 (in financial statements as at 31/12/2007)	Assuming existing HKFRS preparers adopted IFRS 1 with date of transition as at 1/1/2006		
			Major Relevant Differences	Transitional Provisions	Impact	Remedial Actions
HK(IFRIC)-Int 10	IFRIC-Int 10	Interim Financial Reporting and Impairment	-	Prospective application for goodwill since HKAS 36 has been applied and prospective application to equity instruments and financial assets carried at cost since the date HKAS 39 has been applied. IAS 36 adopts a different effective date of 31 March 2004.	N/A Effective date is annual period beginning on or after 1 November 2006. No impact is expected on 2007 financial statements if impairment had been properly accounted for in accordance with HKAS 36 prospectively on 1 January 2005.	N/A
HK(IFRIC)-Int 11	IFRIC-Int 11	HKFRS 2 – Group and Treasury Share Transactions	-	-	N/A	N/A
HK(IFRIC)-Int 12	IFRIC-Int 12	Service Concession Arrangements	-	Retrospective application unless impracticable. If impracticable, limited retrospective application at the start of the earliest period presented.	N/A Effective date is annual period beginning on or after 1 January 2008	N/A

Note 1: HKFRS 1 *First-time Adoption of HKFRSs* and IFRS 1 *First-time Adoption of IFRSs* were developed for the purpose of transition from old standards to new standards and the impact on financial statements depends on the specific circumstances of each enterprise. They are therefore excluded from the comparison.

Note 2: HKAS 26 *Accounting and Reporting by Retirement Benefit Plans* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* were not compared because pension funds are not listed.

Objective

Comparison of HKAS 39 *Financial Instruments: Recognition and Measurement* to application of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The “difference” column identifies those differences that affect a statement of compliance with both HKFRSs and IFRSs.

	Areas	HKAS 39	IFRS 1	Difference & considerations
1	Hedge accounting	<p>For transactions entered into before the beginning of the financial year in which this Standard is initially applied that the entity did previously designate as hedges, the recognition, derecognition, and measurement provisions of this Standard should be applied prospectively. Therefore, if the previously designated hedge does not meet the conditions for an effective hedge as set out in paragraph 88 of HKAS 39 and the hedging instrument is still held, hedge accounting will no longer be appropriate starting with the beginning of the financial year in which this Standard is initially applied.</p> <p>Accounting in prior financial years should not be retrospectively changed to conform to the requirements of this Standard. Paragraphs 91 (<i>discontinuation of fair value hedge</i>) and 101 (<i>discontinuation of cash flow hedge</i>) explain how to discontinue hedge accounting. Reference: HKAS 39.104(b)</p>	<p>If, before the date of transition to IFRSs, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in IAS 39 the entity shall apply paragraphs 91 (<i>discontinuation of fair value hedges</i>) and 101 (<i>discontinuation of cash flow hedges</i>) of IAS 39 (as revised in 2003) to discontinue hedge accounting. Reference: IFRS 1.30</p> <p>Paragraphs 28-30 of the IFRS deal with hedge accounting. The designation and documentation of a hedge relationship must be completed on or before the date of transition to IFRSs if the hedge relationship is to qualify for hedge accounting from that date. Hedge accounting can be applied prospectively only from the date that the hedge relationship is fully designated and documented. Reference: IFRS 1.IG 60</p>	No difference
2	Derivatives	<p>At the beginning of the financial year in which this Standard is initially applied, an entity should recognise all derivatives in its balance sheet as either assets or liabilities and should measure them at fair value (except for a derivative that is linked to and that must be settled by delivery of an</p>	<p>Except as described in paragraphs 13-34B (IFRS 1 exemptions), an entity shall, in its opening IFRS balance sheet...recognise all assets and liabilities whose recognition is required by IFRSs. Reference: IFRS 1.10</p>	No difference

	Areas	HKAS 39	IFRS 1	Difference & considerations
		<p>unquoted equity instrument whose fair value cannot be measured reliably). Because all derivatives, other than those that are designated hedging instruments, are considered held for trading, the difference between previous carrying amount (which may have been zero) and fair value of derivatives should be recognised as an adjustment of the balance of retained earnings at the beginning of the financial year in which this Standard is initially applied (other than for a derivative that is a designated hedging instrument).</p> <p>Reference: HKAS 39.104(c)</p>	<p>An entity recognises all financial assets and financial liabilities (including all derivatives) that qualify for recognition under IAS 39 and have not yet qualified for derecognition under IAS 39, except non-derivative financial assets and non-derivative financial liabilities derecognised under previous GAAP before 1 January 2004, to which the entity does not choose to apply paragraph 27A (see paragraphs 27 and 27A of the IFRS).</p> <p>Reference: IFRS 1. IG53</p> <p>Entity shall treat an adjustment to the carrying amount of a financial asset or financial liability as a transition adjustment to be recognised in the opening balance of retained earnings at the date of transition to IFRSs only to the extent that it results from adopting IAS 39.</p> <p>Reference: IFRS 1. IG58A</p>	
3	Classification and measurement	<p>At the beginning of the financial year in which this Standard is initially applied, an entity should apply the criteria in paragraphs 43-54 to identify those financial assets and liabilities that should be measured at fair value and those that should be measured at amortised cost, and it should remeasure those assets as appropriate. Any adjustment of the previous carrying amount should be recognised as an adjustment of the balance of retained earnings or, if appropriate, another category of equity at the beginning of the financial year in which this Standard is initially applied.</p> <p>Reference: HKAS 39.104(d)</p>	<p>Entity shall treat an adjustment to the carrying amount of a financial asset or financial liability as a transition adjustment to be recognised in the opening balance of retained earnings at the date of transition to IFRSs only to the extent that it results from adopting IAS 39.</p> <p>Reference: IFRS 1. IG58A</p>	No difference

	Areas	HKAS 39	IFRS 1	Difference & considerations
4	Fair value hedge	<p>At the beginning of the financial year in which this Standard is initially applied, any balance sheet positions in fair value hedges of existing assets and liabilities should be accounted for by adjusting their carrying amounts to reflect the fair value of the hedging instrument.</p> <p>Reference: HKAS 39.104(e)</p>	<p>An entity may, under its previous GAAP, have deferred or not recognised gains and losses on a fair value hedge of a hedged item that is not measured at fair value. For such a fair value hedge, an entity adjusts the carrying amount of the hedged item at the date of transition to IFRSs. The adjustment is the lower of:</p> <p>(a) that portion of the cumulative change in the fair value of the hedged item that reflects the designated hedged risk and was not recognised under previous GAAP; and</p> <p>(b) that portion of the cumulative change in the fair value of the hedging instrument that reflects the designated hedged risk and, under previous GAAP, was either (i) not recognised or (ii) deferred in the balance sheet as an asset or liability.</p> <p>Reference: IFRS 1. IG60A</p>	<p>Amount of adjustment to the hedged items may be different; accordingly impact to income statement throughout the life of the hedged item is different. Therefore, no remedial action is available if the difference is material.</p>
5	Cash flow hedge	<p>If an entity's hedge accounting policies prior to initial application of this Standard had included deferral, as assets and liabilities, of gains or losses on cash flow hedges, at the beginning of the financial year in which this Standard is initially applied, those deferred gains and losses should be reclassified as a separate component of equity to the extent that the transactions meet the criteria in paragraph 88 (<i>conditions for hedge accounting</i>) and, thereafter, accounted for as set out in paragraphs 97-100 (<i>accounting for cash flow hedges</i>).</p> <p>Reference: HKAS 39.104(f)</p>	<p>An entity may, under its previous GAAP, have deferred gains and losses on a cash flow hedge of a forecast transaction.</p> <p>If, at the date of transition to IFRSs, the hedged forecast transaction is not highly probable, but is expected to occur, the entire deferred gain or loss is recognised in equity. Any net cumulative gain or loss that has been reclassified to equity on initial application of IAS 39 remains in equity until</p> <p>(a) the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability,</p> <p>(b) the forecast transaction affects profit or loss or</p> <p>(c) subsequently circumstances change and the forecast transaction is no longer expected to</p>	<p>No difference</p>

	Areas	HKAS 39	IFRS 1	Difference & considerations
			<p>occur, in which case any related net cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.</p> <p>If the hedging instrument is still held, but the hedge does not qualify as a cash flow hedge under IAS 39, hedge accounting is no longer appropriate starting from the date of transition to IFRS.</p> <p>Reference: IFRS 1. IG60B</p>	
6	Hedge designation	<p>Transactions entered into before the beginning of the financial year in which this Standard is initially applied should not be retrospectively designated as hedges.</p> <p>Reference: HKAS 39.104(g)</p>	<p>Transactions entered into before the date of transition to IFRSs shall not be retrospectively designated as hedges.</p> <p>Reference: IFRS 1.30</p>	No difference
7	Prior derecognition of FA and FL	<p>If a securitisation, transfer, or other derecognition transaction was entered into prior to the beginning of the financial year in which this Standard is initially applied, the accounting for that transaction shall not be retrospectively changed to conform to the requirements of this Standard.</p> <p>Reference: HKAS 39.104(h)</p>	<p>Except as permitted by paragraph 27A, a first-time adopter shall apply the derecognition requirements in IAS 39 prospectively for transactions occurring on or after 1 January 2004. In other words, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities under its previous GAAP as a result of a transaction that occurred before 1 January 2004, it shall not recognise those assets and liabilities under IFRSs (unless they qualify for recognition as a result of a later transaction or event).</p> <p>Reference: IFRS 1.27</p> <p>Notwithstanding paragraph 27, an entity may apply the derecognition requirements in IAS 39 retrospectively from a date of the entity's choosing, provided that the information needed to apply IAS 39 to financial assets and financial</p>	<p>Derecognition transactions that occurred between 1 Jan 2004 and 1 Jan 2005 under previous HK GAAP may not have been accounted for using principles that were consistent with IAS 39.</p> <p>Accordingly, any Financial Assets/Financial Liabilities that were derecognised in 2004 that did not meet the derecognition requirements of IAS 39 in either 2004 or 2005 would create a permanent difference if material.</p>

	Areas	HKAS 39	IFRS 1	Difference & considerations
			liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. Reference: IFRS 1.27A	
8	Tainting rules of HTM portfolio	Sales or transfers of held-to-maturity investments before the beginning of the financial year in which this Standard is initially applied do not trigger the “tainting” rules in paragraph 9. If an entity has sold or transferred held-to-maturity investments previously so designated under SSAP 24 in the two preceding financial years, it is not prevented to continue to classify such financial assets as held-to-maturity investments at the beginning of the financial year in which this Standard is initially applied. Reference: HKAS 39.104(i)	Classification of financial assets as held-to-maturity investments relies on a designation made by the entity in applying IAS 39 reflecting the entity’s intention and ability at the date of transition to IFRSs. It follows that sales or transfers of held-to-maturity investments before the date of transition to IFRSs do not trigger the ‘tainting’ rules in IAS 39, paragraph 9. Reference: IFRS 1.IG56(a)	Difference could arise if an entity sold or transfer held-to-maturity investments before 1 Jan 2006 (i.e. HTM portfolio is tainted under HKFRS but not under IFRS). Difference can be avoided by not classifying a financial asset as held-to-maturity under IFRS.
9	Fair value measurement of financial assets or financial liabilities (transition and initial recognition of financial assets and financial liabilities)	Notwithstanding paragraph 104d, an entity may apply the requirements in the last sentence of paragraph AG76, and paragraph AG76A (<i>no active market – valuation technique</i>), in either of the following ways: (a) prospectively to transactions entered into after 25 October 2002; or (b) prospectively to transactions entered into after 1 January 2004. Reference: HKAS 39.107A	Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of IAS 39 paragraph AG76, and paragraph AG76A, in either of the following ways: a. prospectively to transactions entered into after 25 October 2002; or b. prospectively to transactions entered into after 1 January 2004. Reference: IFRS 1.25G	No difference

	Areas	HKAS 39	IFRS 1	Difference & considerations
10	Cash Flow Hedge Accounting of Forecast Intragroup Transactions	<p>An entity shall apply the last sentence of paragraph 80 (<i>Qualifying hedged item</i>), and paragraphs AG99A and AG99B (<i>application guidance on Qualifying hedged item</i>), for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity has designated as the hedged item an external forecast transaction that</p> <ul style="list-style-type: none"> (a) is denominated in the functional currency of the entity entering into the transaction, (b) gives rise to an exposure that will have an effect on consolidated profit or loss (ie is denominated in a currency other than the group's presentation currency), and (c) would have qualified for hedge accounting had it not been denominated in the functional currency of the entity entering into it, <p>it may apply hedge accounting in the consolidated financial statements in the period(s) before the date of application of the last sentence of paragraph 80, and paragraphs AG99A and AG99B. Reference: HKAS 39.108A</p> <p>An entity need not apply paragraph AG99B to comparative information relating to periods before the date of application of the last sentence of paragraph 80 and paragraph AG99A. Reference: HKAS 39.108B</p>	To apply the overall cash flow hedge accounting exception rule in IFRS 1 (as analysed in item 5 above)	No difference

	Areas	HKAS 39	IFRS 1	Difference & considerations
		<p>An entity may have designated a forecast intragroup transaction as a hedged item at the start of an annual period beginning on or after 1 January 2005 (or, for the purpose of restating comparative information, the start of an earlier comparative period) in a hedge that would qualify for hedge accounting in accordance with this Standard (as amended by the last sentence of paragraph 80). Such an entity may use that designation to apply hedge accounting in consolidated financial statements from the start of the annual period beginning on or after 1 January 2005 (or the start of the earlier comparative period). Such an entity shall also apply paragraphs AG99A and AG99B from the start of the annual period beginning on or after 1 January 2005. However, in accordance with paragraph 108B, it need not apply paragraph AG99B to comparative information for earlier periods.</p> <p>Reference: HKAS 39.AG 133</p>		

	Areas	HKAS 39	IFRS 1	Difference & considerations
11	The Fair Value Option	<p>When this Standard is first applied, an entity is permitted to designate a previously recognised financial asset as available for sale. For such financial asset the entity shall recognise all cumulative changes in fair value in a separate component of equity until subsequent derecognition or impairment, when the entity shall transfer that cumulative gain or loss to profit or loss. The entity shall also:</p> <p>(a) restate the financial asset using the new designation in the comparative financial statements; and</p> <p>(b) disclose the fair value of the financial assets at the date of designation and their classification and carrying amount in the previous financial statements.</p> <p>Reference: HKAS 39.105</p> <p>An entity shall apply paragraphs 11A, 48A, AG4B-AG4K, AG33A and AG33B and the 2005 amendments in paragraphs 9, 12 and 13 for annual periods beginning on or after 1 January 2006. Earlier application is encouraged.</p> <p>Reference: HKAS 39.105A</p> <p>An entity that first applies paragraphs 11A, 48A, AG4B-AG4K, AG33A and AG33B and the 2005 amendments in paragraphs 9, 12 and 13 in its annual period beginning before 1 January 2006</p>	<p>IAS 39 permits a financial asset to be designated on initial recognition as available for sale or a financial instrument (provided it meets certain criteria) to be designated as a financial asset or financial liability at fair value through profit or loss. Despite this requirement exceptions apply in the following circumstances,</p> <p>(a) any entity is permitted to make an available-for-sale designation at the date of transition to IFRSs.</p> <p>(b) an entity that presents its first IFRS financial statements for an annual period beginning on or after 1 September 2006—such an entity is permitted to designate, at the date of transition to IFRSs, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A of IAS 39 at that date.</p> <p>(c) an entity that presents its first IFRS financial statements for an annual period beginning on or after 1 January 2006 and before 1 September 2006—such an entity is permitted to designate, at the date of transition to IFRSs, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A of IAS 39 at</p>	<p>No difference. Since designation is available in an entity's first IFRS financial statements under IFRS 1, and the transitional requirements under HKAS 39 would precede this for a 2007 first time adopter.</p>

	Areas	HKAS 39	IFRS 1	Difference & considerations
		<p>(a) is permitted, when those new and amended paragraphs are first applied, to designate as at fair value through profit or loss any previously recognised financial asset or financial liability that then qualifies for such designation. When the annual period begins before 1 September 2005, such designations need not be completed until 1 September 2005 and may also include financial assets and financial liabilities recognised between the beginning of that annual period and 1 September 2005. Notwithstanding paragraph 91, any financial assets and financial liabilities designated as at fair value through profit or loss in accordance with this subparagraph that were previously designated as the hedged item in fair value hedge accounting relationships shall be de-designated from those relationships at the same time they are designated as at fair value through profit or loss.</p> <p>(b) shall disclose the fair value of any financial assets or financial liabilities designated in accordance with subparagraph (a) at the date of designation and their classification and carrying amount in the previous financial statements.</p> <p>(c) shall de-designate any financial asset or financial liability previously designated as at fair value through profit or loss if it does not qualify for such designation in accordance with those new and amended paragraphs. When a financial asset or financial liability will be measured at amortised cost after de-designation, the date of de-designation is deemed to be its date of initial recognition.</p>	<p>that date. When the date of transition to IFRSs is before 1 September 2005, such designations need not be completed until 1 September 2005 and may also include financial assets and financial liabilities recognised between the date of transition to IFRSs and 1 September 2005.</p> <p>(d) an entity that presents its first IFRS financial statements for an annual period beginning before 1 January 2006 and applies paragraphs 11A, 48A, AG4B-AG4K, AG33A and AG33B and the 2005 amendments in paragraphs 9, 12 and 13 of IAS 39— such an entity is permitted at the start of its first IFRS reporting period to designate as at fair value through profit or loss any financial asset or financial liability that qualifies for such designation in accordance with these new and amended paragraphs at that date. When the entity's first IFRS reporting period begins before 1 September 2005, such designations need not be completed until 1 September 2005 and may also include financial assets and financial liabilities recognised between the beginning of that period and 1 September 2005. If the entity restates comparative information for IAS 39 it shall restate that information for the financial assets, financial liabilities, or group of financial assets, financial liabilities or both, designated at the start of its first IFRS reporting period. Such restatement of comparative information shall be made only if the designated items or groups would have met the criteria for such designation in paragraph 9(b)(i), 9(b)(ii) or 11A of IAS 39 at the date of transition to IFRSs or, if acquired after the date of transition to IFRSs, would have met the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A at the date of initial recognition.</p>	

	Areas	HKAS 39	IFRS 1	Difference & considerations
		<p>(d) shall disclose the fair value of any financial assets or financial liabilities de-designated in accordance with subparagraph (c) at the date of de-designation and their new classifications.</p> <p>Reference: HKAS 39.105B</p> <p>An entity that first applies paragraphs 11A, 48A, AG4B-AG4K, AG33A and AG33B and the 2005 amendments in paragraphs 9, 12 and 13 in its annual period beginning on or after 1 January 2006:</p> <p>(a) shall de-designate any financial asset or financial liability previously designated as at fair value through profit or loss only if it does not qualify for such designation in accordance with those new and amended paragraphs. When a financial asset or financial liability will be measured at amortised cost after de-designation, the date of de-designation is deemed to be its date of initial recognition.</p> <p>(b) shall not designate as at fair value through profit or loss any previously recognised financial assets or financial liabilities.</p> <p>(c) shall disclose the fair value of any financial assets or financial liabilities de-designated in accordance with subparagraph (a) at the date of de-designation and their new classifications.</p> <p>Reference: HKAS 39.105C</p> <p>An entity shall restate its comparative financial statements using the new designations in paragraph 105B or 105C provided that, in the case of a financial asset, financial liability, or group of financial assets, financial liabilities or both,</p>	<p>(e) for an entity that presents its first IFRS financial statements for an annual period beginning before 1 September 2006— notwithstanding paragraph 91 of IAS 39, any financial assets and financial liabilities such an entity designated as at fair value through profit or loss in accordance with subparagraph (c) or (d) above that were previously designated as the hedged item in fair value hedge accounting relationships shall be de-designated from those relationships at the same time they are designated as at fair value through profit or loss.</p> <p>Reference: IFRS 1.25A</p> <p>An entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or a financial asset as available for sale in accordance with paragraph 25A. The entity shall disclose the fair value of financial assets or financial liabilities designated into each category at the date of designation and their classification and carrying amount in the previous financial statements.</p> <p>Reference: IFRS 1.43A</p>	

	Areas	HKAS 39	IFRS 1	Difference & considerations
		designated as at fair value through profit or loss, those items or groups would have met the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A at the beginning of the comparative period or, if acquired after the beginning of the comparative period, would have met the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A at the date of initial recognition. Reference: HKAS 39.105D		
12	Financial Guarantee Contracts	Financial Guarantee Contracts (Amendments to HKAS 39 and HKFRS 4), issued in September 2005, amended paragraphs 2(e) and (h), 4, 47 and AG4, added paragraph AG4A, added a new definition of financial guarantee contracts in paragraph 9, and deleted paragraph 3. An entity shall apply those amendments for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity applies these changes for an earlier period, it shall disclose that fact and apply the related amendments to HKAS 32 and HKFRS 4 at the same time. Reference: HKAS 39.103B	A first-time adopter may apply the transitional provisions in IFRS 4 <i>Insurance Contracts</i> . IFRS 4 restricts changes in accounting policies for insurance contracts, including changes made by a first-time adopter. Reference: IFRS 1.25D Financial Guarantee Contracts (Amendments to IAS 39 and IFRS 4), issued in August 2005, amended paragraphs 4(d), B18(g) and B19(f). An entity shall apply those amendments for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity applies those amendments for an earlier period, it shall disclose that fact and apply the related amendments to IAS 39 and IAS 32 {note: When an entity applies IFRS 7, the reference to IAS 32 is replaced by a reference to IFRS 7.} at the same time. Reference: IFRS 4.41A	No difference

HKFRSs without equivalent interpretations / guidelines under IFRSs applicable to consolidated financial statements

Title	Potential inconsistencies vis-à-vis IFRS	Remedial actions
AG 5 Merger Accounting for Common Control Combinations	N/A	N/A
HK-Int 1 The Appropriate Accounting Policies for Infrastructure Facilities	N/A	N/A
HK-Int 3 Revenue - Pre- Completion Contracts for the Sale of Development Properties	<p><u>Accounting treatment under HK-Int 3:</u> HK-Int 3 provides a transitional provision which allows an entity not to apply HK-Int 3 retrospectively to pre-completion contracts for the sale of development properties entered into before 1 Jan 2005, i.e. the effective date of HK-Int 3 (or date of initial application of HK-Int 3, if earlier).</p> <p><u>Accounting treatment under IFRS:</u> Adoption of an accounting policy to recognise revenue upon completion of a real estate development would need to be applied retrospectively in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Error</i>.</p> <p>Impact: May have differences if HK-Int 3 was not retrospectively applied for pre-completion contracts for the sale of development properties entered into before 1 Jan 2005</p>	Retrospectively apply HK-Int 3 for pre-completion contracts for the sale of development properties entered into before 1 Jan 2005 on the condition that the requirement in HKAS 8.14(b) is satisfied.



Title	Potential inconsistencies vis-à-vis IFRS	Remedial actions
HK-Int 4 Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases	<p><u>Accounting treatment under HK-Int 4:</u> HK-Int 4 allowed retrospective or prospective application of the interpretation to the land lease in Hong Kong.</p> <p><u>Accounting treatment under IFRS:</u> In accordance with IAS 8.22, a change in accounting policy shall be applied retrospectively.</p> <p>Impact: May have differences if HK-Int 4 was prospectively applied to the land lease in Hong Kong.</p>	Retrospectively apply HK-Int 4 for land lease in Hong Kong on the condition that the requirement in HKAS 8.14(b) is satisfied.

Sample notes to the financial statements for the year ended 31 December 2007

First-time Statement of Compliance with IFRSs

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements also comply with International Financial Reporting Standards and Interpretations (IFRSs) issued by the International Accounting Standards Board.

HKFRSs were fully converged with IFRSs (except for certain differences in transitional provisions) with effect from 1 January 2005. However, as this is the first time the Group is making an explicit and unreserved statement of compliance with IFRSs, 1 January 2006 represents the date of transition to IFRSs in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

In order to be able to comply with the transitional provisions of IFRS 1 as well as to be able to continue to comply with HKFRSs, the group has elected to early adopt HKAS 23 (revised) *Borrowing Costs*. The change in accounting policy was applied retrospectively to borrowing costs relating to qualifying assets whose commencement date for capitalisation was on or after 1 January 2005. Please refer to Note x for the impact of the change in accounting policy on the consolidated financial statements of the Group. [delete if not applicable]

The adoption of IFRS 1 does not have any other financial impact on the Group's financial statements in 2007 or prior years.

Appendix 2

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
PREFACE	Preface to Hong Kong Financial Reporting Standards	Preface to IFRSs	April 2002	October 2006	N/A
FRAMEWORK	Framework for the Preparation and Presentation of Financial Statements	IASB Framework	Approved by IASC in 1989 and adopted by IASB in April 2001	June 1997	N/A



Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date – IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards	IFRS 1	Annual periods beginning on or after 1 January 2004	Annual periods beginning on or after 1 January 2004 except for paragraph 47EA	Paragraph 47EA of HKFRS 1 specifies that paragraphs 23 (for compound financial instruments) and 27 to 30 (for derecognition of financial instruments and hedge accounting) of HKFRS 1 are effective for annual periods on or after 1 January 2005 whereas those paragraphs are effective for annual periods on or after 1 January 2004 under IFRS.
			Subsequent amendments after issue: Paragraph 47A- annual periods beginning on or after 1 September 2004 Paragraph 47B - 47D- annual periods beginning on or after 1 January 2006 Paragraph 47E- annual periods beginning on or after 1 January 2005 Paragraph 47F- annual periods beginning on or after 1 January 2008 Paragraph 47G - 47H and 47K- annual periods beginning on or after 1 January 2009 Paragraph 47I - 47J and 47L- annual periods beginning on or after 1 July 2009		
HKFRS 2	Share-based Payment	IFRS 2	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005	No
HKFRS 3	Business Combinations	IFRS 3	Business combinations for which the agreement date is on or after 31 March 2004	Business combinations for which the agreement date is on or after 1 January 2005	No

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKFRS 3 Revised	Business Combinations	IFRS 3 Revised	Business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009	Business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009	No
HKFRS 4	Insurance Contracts	IFRS 4	Annual periods beginning on or after 1 January 2005 with certain amendments commencing later which are identical to that of HKFRS 4	Annual periods beginning on or after 1 January 2005	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2006, except those arising from HKAS/IAS 1 - annual periods beginning on or after 1 January 2009		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations	IFRS 5	Annual periods beginning on or after 1 January 2005 with certain amendments commencing later which are identical to that of HKFRS 5	Annual periods beginning on or after 1 January 2005	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKAS/IAS 27 - annual periods beginning on or after 1 July 2009		
HKFRS 6	Exploration for and Evaluation of Mineral Resources	IFRS 6	Annual periods beginning on or after 1 January 2006	Annual periods beginning on or after 1 January 2006	No
HKFRS 7	Financial Instruments: Disclosures	IFRS 7	Annual periods beginning on or after 1 January 2007 with certain amendments commencing later which are identical to that of HKFRS 7	Annual periods beginning on or after 1 January 2007	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKFRS/IFRS 3 - annual periods beginning on or after 1 July 2009		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKFRS 8	Operating Segments	IFRS 8	Annual periods beginning on or after 1 January 2009	Annual periods beginning on or after 1 January 2009	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		



Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 1	Presentation of Financial Statements	IAS 1	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Amendment in paragraph 96 - annual periods beginning on or after 1 January 2006. Requirements of paragraphs 124A-124C - annual periods beginning on or after 1 January 2007.		
HKAS 1 Revised	Presentation of Financial Statements	IAS 1 Revised	Annual periods beginning on or after 1 January 2009	Annual periods beginning on or after 1 January 2009	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKAS/IAS 27 - annual periods beginning on or after 1 July 2009		
HKAS 2	Inventories	IAS 2	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 7	Cash Flow Statements	IAS 7	Annual periods beginning on or after 1 January 1994	Annual periods beginning on or after 1 January 2005	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKAS/IAS 27 - annual periods beginning on or after 1 July 2009		
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8	Annual periods beginning on or after 1 January 2005 Subsequent amendment after issue: Annual period beginning on or after 1 January 2009.	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		
HKAS 10	Events after the Balance Sheet Date	IAS 10	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 11	Construction Contracts	IAS 11	Annual periods beginning on or after 1 January 1995	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		
HKAS 12	Income Taxes	IAS 12	Annual periods beginning on or after 1 January 1998 with certain amendments effective for annual periods beginning on or after 1 January 2001	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKFRS/IFRS 3 - annual periods beginning on or after 1 July 2009		
HKAS 14	Segment Reporting	IAS 14	Annual periods beginning on or after 1 July 1998	Annual periods beginning on or after 1 January 2005*	No

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date – IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 16	Property, Plant and Equipment	IAS 16	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	<p>HKAS 16 has the following additional transitional provisions:</p> <ol style="list-style-type: none"> 1. Paragraph 80A exempting certain entities that carried their PPE at revalued amounts before 30 September 1995 and have not revalued since that date from making regular revaluation. 2. Paragraph 80B allowing those not-for-profit entities that previously took advantage of the exemption under SSAP 17 to deem the carrying amount of an item of PPE immediately before applying HKAS 16 on its effective date (or earlier) as the cost of that item.
			<p>Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKFRS/IFRS 6 - annual periods beginning on or after 1 January 2006 and HKFRS/IFRS 3 - annual periods beginning on or after 1 July 2009</p>		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 17	Leases	IAS 17	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	HKAS 17 is either: <ul style="list-style-type: none"> - Effective from 2005 with full retrospective application if SSAP 14 (2000) had been applied retrospectively, or - Effective from 2005 with a limited retrospective application since the date when SSAP 14 (2000) was first applied.
HKAS 18	Revenue	IAS 18	Annual periods beginning on or after 1 January 1995	Annual periods beginning on or after 1 January 2005*	No
HKAS 19	Employee Benefits	IAS 19	Annual periods beginning on or after 1 January 1999 except for paragraphs 159 (covering periods beginning on or after 1 January 2001) and 159A (covering periods ending on or after 31 May 2002)	Annual periods beginning on or after 1 January 2005*	HKAS 19 has an additional paragraph 153A specifying that the transitional provisions set out in paragraphs 154 to 156 of HKAS 19 apply only when an entity had not previously applied SSAP 34 (May 2003).

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
			Subsequent amendments after issue: Paragraph 159B - annual periods beginning on or after 1 January 2006 Paragraph 159C – annual periods ending on or after 16 December 2004 Paragraph 159D – annual periods beginning on or after 1 January 2009		
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance	IAS 20	Annual periods beginning on or after 1 January 1984	Annual periods beginning on or after 1 January 2005*	IAS 20 has an additional transitional provision (paragraph 40) allowing an entity adopting IAS 20 for the first time to apply the accounting provisions of IAS 20 only to grants or portions of grants becoming receivable or repayable after the effective date of IAS 20.
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009 and Part I of <i>Improvements to IFRSs / HKFRSs</i> shall be applied prospectively for government loans received in periods beginning on or after 1 January 2009		
HKAS 21	The Effects of Changes in Foreign Exchange Rates	IAS 21	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2006, except those arising from HKAS/IAS 1 - annual periods beginning on or after 1 January 2009 and HKAS/IAS 27 - annual periods beginning on or after 1 July 2009		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 23	Borrowing Costs	IAS 23	Annual periods beginning on or after 1 January 1995	Annual periods beginning on or after 1 January 2005*	HKAS 23 has an additional transitional provision (paragraph 30) allowing entities that expense all borrowing costs to apply new policy prospectively. IAS 23 has an additional transitional provision (paragraph 30) permitting entities that expensed borrowing costs to capitalize borrowing costs prospectively.
HKAS 23 Revised	Borrowing Costs	IAS 23 Revised	Annual periods beginning on or after 1 January 2009	Annual periods beginning on or after 1 January 2009	No
HKAS 24	Related Party Disclosures	IAS 24	Annual periods beginning on or after 1 January 2005 Subsequent amendments after issue: Annual periods beginning on or after 1 January 2006	Annual periods beginning on or after 1 January 2005*	No
HKAS 26	Accounting and Reporting by Retirement Benefit Plans	IAS 26	Annual periods beginning on or after 1 January 1998	Annual periods beginning on or after 1 January 2005	No

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 27	Consolidated and Separate Financial Statements	IAS 27	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	No
HKAS 27 Revised	Consolidated and Separate Financial Statements	IAS 27 Revised	Annual periods beginning on or after 1 July 2009	Annual periods beginning on or after 1 July 2009	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		
HKAS 28	Investments in Associates	IAS 28	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKAS/IAS 27 - annual periods beginning on or after 1 July 2009		
HKAS 29	Financial Reporting in Hyperinflationary Economies	IAS 29	Annual periods beginning on or after 1 January 1990	Annual periods beginning on or after 1 January 2005	No

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 31	Interests in Joint Ventures	IAS 31	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	No
			Annual improvement subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKAS/IAS 27 - annual periods beginning on or after 1 July 2009		
HKAS 32	Financial Instruments: Presentation	IAS 32	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005	HKAS 32 has an additional transitional provision (paragraph 97) allowing an entity not to present comparative information if such information is not available.
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKFRS/IFRS 3 - annual periods beginning on or after 1 July 2009		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 33	Earnings per Share	IAS 33	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		
HKAS 34	Interim Financial Reporting	IAS 34	Annual periods beginning on or after 1 January 1999	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKFRS/IFRS 3 - annual periods beginning on or after 1 July 2009		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 36	Impairment of Assets	IAS 36	Annual periods beginning on or after 31 March 2004 Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKFRS/IFRS 3 - annual periods beginning on or after 1 July 2009	Annual periods beginning on or after 1 January 2005	HKAS 36 (IAS 36) paragraph 139 specifies that an entity shall apply HKAS 36 (IAS 36) (a) to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 1 January 2005 (31 March 2004); and (b) to all other assets prospectively from the beginning of the first annual period beginning on or after 1 January 2005 (31 March 2004).
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets	IAS 37	Annual periods beginning on or after 1 July 1999	Annual periods beginning on or after 1 January 2005*	IAS 37 has an additional transitional provision (paragraph 93) allowing an entity not to adjust opening balance of retained earnings for the earliest period presented and to restate comparative information for the period in which IAS 37 is first adopted.

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 38	Intangible Assets	IAS 38	Annual periods beginning on or after 31 March 2004 Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009, except those arising from HKFRS/IFRS 6 - annual periods beginning on or after 1 January 2006 and HKFRS/IFRS 3 - annual periods beginning on or after 1 July 2009	Annual periods beginning on or after 1 January 2005	HKAS 38 (IAS 38) paragraph 130 specifies that an entity shall apply HKAS 38 (IAS 38): (a) to be accounting for intangible assets acquired in business combinations for which the agreement date is on or after 1 January 2005 (31 March 2004); and (b) to the accounting for all other intangible assets prospectively from the beginning of the first annual period beginning on or after 1 January 2005 (31 March 2004).

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 39	Financial Instruments: Recognition and Measurement	IAS 39	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005	HKAS 39 does not permit retrospective application except in certain limited circumstances whereas IAS 39 generally requires retrospective application. Accordingly, the transitional provisions in HKAS 39 are different from those in IAS 39. For details, please refer to http://www.hkicpa.org.hk/correspondence/2008-07-10/Dual_compliance.pdf .

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 40	Investment Property	IAS 40	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	<p>HKAS 40 has the following additional transitional provisions:</p> <p><u>HKAS 40 paragraphs 80A on fair value model</u></p> <p>Paragraph 80A of HKAS 40 requires an entity that has previously applied SSAP 13 (2000) for non-leasehold investment properties and chooses to use the fair value model to reflect the effect of applying HKAS 40 on its effective date (or earlier) as an adjustment to the opening balance of retained earnings for the period in which HKAS 40 is first applied.</p> <p>Paragraph 80A also encourages the entity to adjust the comparative information if the entity has previously disclosed publicly fair value of those properties but requires the entity to disclose the fact if otherwise.</p>
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
					<p><u>HKAS 40 paragraphs 83A and 83B on cost model</u></p> <p>Paragraphs 83A and 83B of HKAS 40 allow an entity to take the carrying amount of the investment property under SSAP 13 (2000) as the deemed cost on the date that HKAS 40 is first applied. Any adjustments, including the reclassification of any amount previously held in revaluation reserve, are to be made to the opening balance of retained earnings. Depreciation on deemed cost commences from the opening balance sheet date.</p>

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HKAS 41	Agriculture	IAS 41	Annual periods beginning on or after 1 January 2003	Annual periods beginning on or after 1 January 2005*	No

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HK(IFRIC)-Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	IFRIC 1	Annual periods beginning on or after 1 September 2004	Annual periods beginning on or after 1 September 2004	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		
HK(IFRIC)-Int 2	Members' Shares in Co-operative Entities and Similar Instruments	IFRIC 2	Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005	No
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease	IFRIC 4	Annual periods beginning on or after 1 January 2006	Annual periods beginning on or after 1 January 2006	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2008		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	IFRIC 5	Annual periods beginning on or after 1 January 2006	Annual periods beginning on or after 1 January 2006	No
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	IFRIC 6	Annual periods beginning on or after 1 December 2005	Annual periods beginning on or after 1 December 2005	No
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	IFRIC 7	Annual periods beginning on or after 1 March 2006	Annual periods beginning on or after 1 March 2006	No
HK(IFRIC)-Int 8	Scope of HKFRS 2	IFRIC 8	Annual periods beginning on or after 1 May 2006	Annual periods beginning on or after 1 May 2006	No
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	IFRIC 9	Annual periods beginning on or after 1 June 2006	Annual periods beginning on or after 1 June 2006	No
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	IFRIC 10	Annual periods beginning on or after 1 November 2006	Annual periods beginning on or after 1 November 2006	No

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HK(IFRIC)-Int 11	HKFRS 2—Group and Treasury Share Transactions	IFRIC 11	Annual periods beginning on or after 1 March 2007	Annual periods beginning on or after 1 March 2007	No
HK(IFRIC)-Int 12	Service Concession Arrangements	IFRIC 12	Annual periods beginning on or after 1 January 2008	Annual periods beginning on or after 1 January 2008	No
HK(IFRIC)-Int 13	Customer Loyalty Programmes	IFRIC 13	Annual periods beginning on or after 1 July 2008	Annual periods beginning on or after 1 July 2008	No
HK(IFRIC)-Int 14	HKAS 19 —The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	IFRIC 14	Annual periods beginning on or after 1 January 2008	Annual periods beginning on or after 1 January 2008	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009		

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	IFRIC 15	Annual periods beginning on or after 1 January 2009	Annual periods beginning on or after 1 January 2009	No
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	IFRIC 16	Annual periods beginning on or after 1 October 2008	Annual periods beginning on or after 1 October 2008	No



Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HK(SIC)-Int 10	Government Assistance – No Specific Relation to Operating Activities	SIC-10	1 August 1998	Annual periods beginning on or after 1 January 2005*	No
HK(SIC)-Int 12	Consolidation – Special Purpose Entities	SIC-12	Annual periods beginning on or after 1 July 1999 Subsequent amendments after issue: Annual periods beginning on or after 1 January 2005	Annual periods beginning on or after 1 January 2005*	No
HK(SIC)-Int 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	SIC-13	Annual periods beginning on or after 1 January 1999	Annual periods beginning on or after 1 January 2005*	No
HK(SIC)-Int 15	Operating Leases – Incentives	SIC-15	Lease terms beginning on or after 1 January 1999	Lease terms beginning on or after 1 January 2005*	No
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	SIC-21	15 July 2000	Annual periods beginning on or after 1 January 2005*	No
HK(SIC)-Int 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	SIC-25	15 July 2000 Subsequent amendments after issue: Annual periods beginning on or after 1 January 2009	Annual periods beginning on or after 1 January 2005*	No

Comparison between HK Financial Reporting Standards and International Financial Reporting Standards

	Title	IASB equivalent	Effective Date - IFRS	Effective Date - HKFRS	Differences in Transitional Provisions
HK(SIC)-Int 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	SIC-27	31 December 2001	Annual periods beginning on or after 1 January 2005*	No
HK(SIC)-Int 29	Service Concession Arrangements: Disclosures	SIC-29	31 December 2001	Annual periods beginning on or after 1 January 2005*	No
			Subsequent amendments after issue: Annual periods beginning on or after 1 January 2008		
HK(SIC)-Int 31	Revenue – Barter Transactions Involving Advertising Services	SIC-31	31 December 2001	Annual periods beginning on or after 1 January 2005*	No
HK(SIC)-Int 32	Intangible Assets – Web Site Costs	SIC-32	25 March 2002	Annual periods beginning on or after 1 January 2005*	No

Notes

* These Hong Kong pronouncements might have additional wording or paragraph(s) specifying that:

- (i) if an entity decides to early adopt a Standard, the entity is not required to apply all the Standards effective for the same date for that period;
- (ii) if an entity decides to early adopt a Standard, the entity is required to apply the relevant Interpretation for that period;
- (iii) early adoption is encouraged; or
- (iv) the previous version of the Standard is withdrawn.

SIC-7 *Introduction of the Euro* is not adopted in Hong Kong