



BY E-MAIL AND BY POST

Our Ref.: C/FRSC

25 February 2005

The International Financial Reporting Interpretations Committee,
International Accounting Standards Board,
30 Cannon Street,
London EC4M 6XH,
United Kingdom.

Dear Sirs,

D11 Comment Letter

In response to the [International Financial Reporting Interpretations Committee \(IFRIC\)'s Draft Interpretation D11 Changes in Contributions to Employee Share Purchase Plans](#), we are pleased to set out below the comments of the Institute's Financial Reporting Standards Committee for your consideration.

We welcome the issue of the Draft Interpretation to address the treatments for the changes in contributions to Employee Share Purchase Plans (ESPP). We however have some reservations about the consensus reached in this Draft Interpretation. We consider that the basis for the consensus in the Draft Interpretation is relatively weak and fails to take into account the underlying reasons of the employee for ceasing to contribute to an ESPP.

BC 6 to BC 8 explain that a requirement to contribute to an ESPP is a requirement to pay the specified purchase price of the shares and thus not a vesting condition. However, this explanation fails to take into account the fact that ceasing to make a contribution to an ESPP or changing from one ESPP to another ESPP by an employee may be resulted from some specific reasons which may include a failure to satisfy a vesting condition, such as a failure to meet certain performance target making the employee no longer entitled to participate in the ESPP. Accordingly, the treatments specified in paragraphs 4 and 5 of the Draft Interpretation appear to be rule-based without due consideration of either the conditions of the ESPP or the underlying reasons for the changes in contributions. In order to overcome this, we would suggest the IFRIC to make clear in paragraphs 4 and 5 that the changes in contributions as specified in those paragraphs are not resulted from a failure to satisfy a vesting condition as defined in Appendix A of IFRS 2 *Share-based Payment* and the treatments specified in those paragraphs should be used only on that basis.

If you have any questions on our comments, please do not hesitate to contact the undersigned at schan@hkicpa.org.hk.

Yours faithfully,

STEPHEN CHAN
DIRECTOR (STANDARD SETTING)

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