

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*.

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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>		Permanent differences for exempted charitable, government subvented and not-for-profit organisation only.	Voluntary change in accounting policy with retrospective adjustments on the condition that the requirement in HKAS 8.14(b) is satisfied.

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
				receivable or repayable after the effective date of this standard, i.e. 1 January 1984. However, there is no such transitional provision under HKAS 20.		
HKAS 21	IAS 21	The Effects of Changes in Foreign Exchange Rates	-	<u>HKAS 21 para 59</u> 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.	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	-	<u>HKAS 23 para 30</u> 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. Different transitional	Permanent difference	Permanent difference can be removed: (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;

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
				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	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	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	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.