



Dear Assignment/News/Business Editor,

Hong Kong Adopts International Accounting Amendments for Reclassification of Financial Instruments

“Breathing room” for banks in financial crisis

(HONG KONG, 15 October 2008) — The Hong Kong Institute of CPAs announced today it has adopted amendments to two important international financial reporting standards that allow reclassification of some financial instruments.

The amendments, announced Tuesday by the International Accounting Standards Board in London, are the latest from the accounting profession to respond to the worldwide credit crisis, according to Winnie C.W. Cheung, Chief Executive of the Hong Kong Institute of CPAs.

The International Accounting Standards Board issued amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*.

The amendments permit, but only in rare circumstances, reclassification of certain non-derivative securities out of the trading category (i.e. out of the fair value through profit or loss category). Such securities shall be re-classified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. The amendments also permit reclassification of loans and receivables out of the “fair value through profit or loss category” or “available-for-sale category” if the entity has the intention and ability to hold those financial assets for the foreseeable future (for loans) or until maturity (for debt securities).

The deterioration of the world's financial markets during the third quarter of this year is a possible example of “rare circumstances” cited in these IFRS amendments and therefore justifies their immediate publication, the IASB says. The action enables companies reporting according to IFRSs to use the reclassification amendments, if they so wish, from 1 July 2008.

The Council of the Hong Kong Institute of CPAs has decided to adopt the IASB amendments for the equivalent HKFRSs, which will be issued with the same effective date as the IASB Amendments, which is 1 July 2008.

Hong Kong has been fully converged with International Financial Reporting Standards since 2005 and is following the IASB's lead on implementing these amendments.

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Note to editor

About the Hong Kong Institute of CPAs

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 27,000 members and 13,000 registered students. Members of the Institute are entitled to the description certified public accountant and to the designatory letters *CPA*.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate CPA qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of The Global Accounting Alliance - an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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