ZHONGHUI

HKFRS Update

Annual Improvements to HKFRSs 2012-2014 Cycle

Introduction

Annual Improvements to HKFRSs 2012-2014 Cycle sets out a collection of amendments to HKFRSs in response to the International Accounting Standards Board's annual improvements project to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of any other project. By presenting the amendments in the form of a single document rather than as a series of piecemeal changes, the International Accounting Standards Board aims to ease the burden of change for all concerned.

The amendments consist of 5 changes to 4 HKFRSs and are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies any amendment for an earlier period, it shall disclose that fact. Specific transitional requirements are set out in the following sections.

HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

Changes in methods of disposal

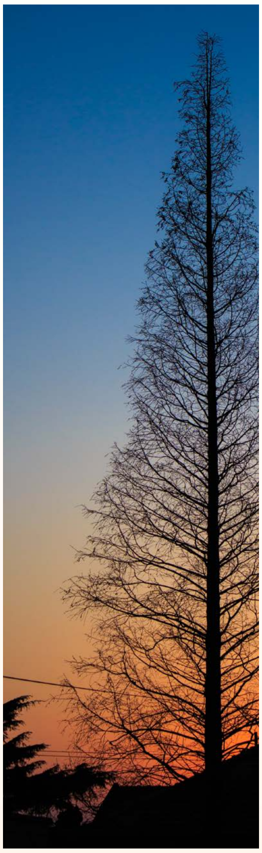
In 2008, HK (IFRIC) 17 "Distribution of Non-cash Assets to Owners" was issued and also amended HKFRS 5 to provide guidance for the held for distribution classification. However, that amendment did not provide guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held for distribution accounting is discontinued.

There are consistent criteria and accounting requirements for an asset (or disposal group) classified as held for sale and that classified as held for distribution to owners. The change from being held for sale to held for distribution to owners (or vice versa) when an entity reclassifies an asset (or disposal group) directly from one method of disposal to the other should not be considered a new plan (to sell or distribute). Instead, it should be treated as a continuation of the original plan. This means that an entity moves from one method of disposal to the other without any time lag, so that there is no interruption of the application of the requirements in HKFRS 5. The asset (or disposal group) need not be reinstated in the financial statements as if it had not been classified as held for sale or held for distribution to owners.

If an entity has classified an asset (or disposal group) as held for sale or as held for distribution to owners, but the criteria are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale or held for distribution to owners. The entity shall measure a non-current asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners (or ceases to be included in a disposal group classified as held for sale or as held for distribution to owners) at the lower of (reinstatement measurement):

(a) its carrying amount before the asset (or disposal group) was classified as held for sale or as held for distribution to owners, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale or as held for distribution to owners, and

(b) its recoverable amount at the date of the subsequent decision not to sell or distribute.



If an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners (or vice versa), the change in classification is considered a continuation of the original plan of disposal. The entity:

(a) shall not follow the above reinstatement measurement.

(b) shall measure the non-current asset (or disposal group) by following the requirements for held for sale or held for distribution to owners category and recognise any difference in amount as impairment losses or reversals.

(c) shall not change the date of classification for the purpose of the one year requirement for such classification.

An entity shall apply the amendment prospectively to changes in a method of disposal that occur in annual periods beginning on or after 1 January 2016.

HKFRS 7 "Financial Instruments: Disclosures"

Servicing contracts

HKFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety, existing at the reporting date. The amendment clarifies that collection and remittance of cash flows from the transferred asset to the transferee does not constitute continuing involvement in a transferred asset for this disclosure requirement. The amendment also provides guidance on determining whether servicing contracts constitute continuing involvement for this disclosure requirement.

When an entity transfers a financial asset, the entity may retain the right to service that financial asset for a fee that is included in, for example, a servicing contract. A servicer will have continuing involvement in the transferred financial asset if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset. Similarly, a servicer has continuing involvement if a fixed fee would not be paid in full because of non-performance of the transferred financial asset. In these examples, the servicer has an interest in the future performance of the transferred financial asset. This assessment is independent of whether the fee to be received is expected to compensate the entity adequately for performing the servicing.

Applicability of the amendments to HKFRS 7 to condensed interim financial statements

The amendment clarifies that the additional disclosure required by the amendments to HKFRS 7 in 2011 concerning offsetting financial assets and financial liabilities is not specifically required to be included in condensed interim financial statements for all interim periods.

An entity shall apply the two amendments retrospectively for annual periods beginning on or after 1 January 2016, except that an entity need not apply the amendment relating to servicing contracts for any period presented that begins before the annual period for which the entity first applies that amendment.

HKAS 19 "Employee Benefits"

Discount rate: regional market issue

The rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The amendment clarifies that the depth of the market for high quality corporate bonds is assessed at the currency level and not at the country level. The high quality corporate bonds are of the same currency of the benefit obligations to be paid. The country that the bonds are issued is not important. For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency shall be used.

An entity shall apply the amendment for annual periods beginning on or after 1 January 2016 and from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies the amendment. Any initial adjustment arising from the application of the amendment shall be recognised in retained earnings at the beginning of that period.

HKAS 34 "Interim Financial Reporting"

Disclosure of information 'elsewhere in the interim financial report'

The amendment clarifies that certain disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

An entity shall apply that amendment retrospectively for annual periods beginning on or after 1 January 2016.

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