

From: Steve Ong [mailto:SteveOng@HKEX.COM.HK]

Sent: Friday, February 15, 2013 7:01 PM

To: Simon Riley; Winnie Chan

Cc: Committee-FRSC; DICKENS Mark; David Graham; Grace Hui; Dorian Chan; Elce Lee

Subject: HKICPA Invitation to Comment on IASB ED on Recoverable Amount Disclosures for Non-Financial Assets (Proposed Amendments to IAS 36)

Dear Simon and Winnie,

HKICPA Invitation to Comment on IASB ED on Recoverable Amount Disclosures for Non-Financial Assets (Proposed Amendments to IAS 36)

Thank you for the HKICPA letter dated 4 February 2013 on the subject matter addressed to our Mr. Mark Dickens, Head of Listing, which has been passed to me for my attention as the HKEx representative member on the HKICPA Financial Reporting Standards Committee.

It is my understanding that after issuing IFRS 13, the IASB was made aware that one of the amendments that Standard made to IAS 36 resulted in the disclosure requirements being more broadly applicable than the IASB intended. That amendment required (as reflected in IAS 36.134(c)) the disclosure of the recoverable amount of any cash-generating units with a significant carrying amount of goodwill or intangible assets with indefinite useful lives. However, the IASB's intention was to require only the disclosure of the recoverable amount of assets, including goodwill, for which there was an impairment loss recognized or reversed during the reporting period.

Consequently, the IASB proposes to amend IAS 36.130 and IAS 36.134 to make it clear the IASB's intention that the requirement stipulates the disclosure of the recoverable amount of impaired assets, including goodwill, only. The IASB also proposes to amend IAS 36.130 to require information about the fair value measurement when the recoverable amount is based on fair value less costs of disposal, consistently with the disclosure requirements for impaired assets in US GAAP.

Furthermore, the IASB proposes to require an entity to explicitly disclose the discount rate, in addition to the other key assumptions used in the measurement of fair value less costs of disposal.

It was reported that all the Board members approved the proposed amendments except for one member abstained because she had only recently been appointed to the Board.

The proposals will impact all companies who recognize or reverse an impairment loss on non-financial assets.

Given the above, particularly the proposal to amend IAS 36.130 which will bring consistency with the disclosure requirements for impaired assets in US GAAP, I support the proposals. However, I would recommend that the HKICPA reminds the IASB of the importance of developing a Disclosure Framework such that the principles of what should be disclosed can be established. Currently, with such frequent ad-hoc amendments, even though worthwhile, will only create complexity in IFRS for preparers.

Furthermore, given the detailed nature of many standards, the IASB should enhance the review process before issuing standards or amendments to avoid the need for such frequent changes. Such frequent changes bring with it implementation costs to preparers and also standards setters around the world where a large majority of them would have to carry out translation of the IASB standards into their home language, fuelling complexity and additional costs amongst the preparers community about the adoption of IFRS if there are such frequent changes.

Thanks.

Kind regards,
Steve

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