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IN ANY COMMUNICATION PLEASE QUOTE OUR FILE NO.

檔案號碼：HQ 502/141 Pt.22

File No.:

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Dear Mr. Riley,

**Re: IASB Exposure Draft on Agriculture: Bearer Plants
Proposed amendments to IAS 16 and IAS 41**

Thank you for your letter dated 8 July 2013 inviting our comments on the above IASB Exposure Draft (the "ED").

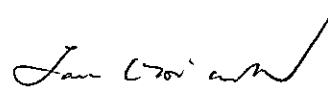
The ED proposes to exclude bearer plants from the scope of IAS 41 "Agriculture" but to apply IAS 16 "Property, Plant and Equipment" instead. This is on basis that mature bearer plants are similar to property, plant and equipment ("PPE") that support a manufacturing process. Furthermore, while biological transformation is on principle best reflected by fair value measurement, mature bearer plants no longer undergo significant biological transformation, which means application of the fair value model of IAS 41 to them may not be appropriate. IAS 41 would continue to apply to produce on bearer plants.

Under the IAS 16, before bearer plants are in the location and condition necessary to bear produce they should be accounted for in the same way as self-constructed items of PPE, i.e. at accumulated cost. When the bearer plants commence to bear produce, they would be accounted for under cost model or revaluation model subject to the choice of the entities.

It is expected that most entities would choose the cost model rather than the revaluation model, and under cost model essential information on fair value will be eliminated. In this connection, I share the alternative views that fair value information is valuable to investors. Fair value measurements of bearer assets throughout their lives provide information about the effectiveness and efficiency of the production process and the capability of such assets to generate net cash inflows into the future (i.e. AV6). They are best information which enables the users of financial statements to assess an agricultural entity's performance and management stewardship (i.e. AV5).

In so far as tax administration is concerned, while the Revenue is largely neutral as to the accounting treatment to be adopted for bearer plants, we consider that if bearer plants are accounted for under the cost model in IAS 16, fair value of the plants should be disclosed, including information about the valuation techniques and the key inputs/assumptions used (i.e. question 6 of the Exposure Draft). In all events, I would appreciate it very much if you could keep me informed of the development in the accounting for bearer plants.

Yours sincerely,



(Mrs WU LAM Choi-wah)
for Commissioner of Inland Revenue