

Jenny Ng

From: Winnie Chan
Sent: Monday, July 22, 2013 10:11 AM
To: Jenny Ng
Subject: FW: HKICPA Invitation to Comment on IASB ED on Agriculture: Bearer Plants

From: Steve Ong [<mailto:SteveOng@HKEX.COM.HK>]
Sent: Sunday, July 21, 2013 8:09 AM
To: Simon Riley
Cc: Committee-FRSC; Winnie Chan; Ambrose Wong; David Graham; Grace Hui
Subject: HKICPA Invitation to Comment on IASB ED on Agriculture: Bearer Plants

Dear Simon,

HKICPA Invitation to Comment on IASB ED on Agriculture: Bearer Plants – Proposed amendments to IAS 16 and IAS 41

Thank you for the HKICPA letter dated 8 July 2103 on the subject matter addressed to our Mr. David Graham, Chief Regulatory Officer and Head of Listing, which has been passed to me for my attention as the HKEx representative member on the HKICPA Financial Reporting Standards Committee.

I have the following comments for your further consideration:

- 1) It is my understanding that Constituents, particularly from Asia, have told the IASB that the fair value model in IAS 41 is not appropriate for measuring bearer plants that are no longer undergoing biological transformation, for example palm trees bearing fruit. They believe that the operation of these types of assets is more similar to self-constructed items of Property, Plant and Equipment that will be used to produce an output.
- 2) The proposal will simplify measurement of bearer plants which was said to be subject to too much uncertainty under the current IAS 41 fair value accounting. Under the proposal, bearer plants would be in the scope of IAS 16 and an entity could elect to measure bearer plants at cost. However, the produce growing on bearer plants would continue to be measured at fair value less costs to sell under IAS 41.
- 3) Various requests were made by the Asian-Oceanian Standard-Setters Group on various occasions to the IASB, including through the IASB's agenda consultation as well as its Emerging Economies consultative group. Accordingly, this is an important amendment for those jurisdictions with large agriculture industries.

Given the above, I would support the IASB's proposals given that bearer plants, once mature, no longer undergo significant biological transformation and their operation is similar to that of manufacturing. Therefore bearer plants should be accounted for by IAS 16 instead of IAS 41, thus permitting the use of either a cost model or a revaluation model.

I also noted that there are two dissenting views from IASB Board members. In this regard, I would support their suggestion that if the IASB requires bearer assets to be measured at accumulated cost, as proposed, then at a minimum, the fair value information of the bearer plants should be required. In my view, the following would be useful for investors and analysts, though they may not be required to be disclosed in the financial statements but in the MD&A section:

- (a) Disclosure of the total fair value of the bearer plants , including information about the valuation techniques and key inputs/assumption used or if not practicable, based on readily available industry statistics. For example, in the case of palm trees bearing fruit, market values of plantations are generally readily available.

- (b) Non-financial information – Disclosures about productivity, including age profiles, estimates of the physical quantities of bearer plants and output of agricultural produce.

Thanks.

Kind regards,
Steve

Steve Ong, FCA, FCPA
Vice President, Head of Accounting Affairs (Listing Division)
HKEx

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