

HKFRSs / IFRSs UPDATE 2011/02

NEW AND REVISED HKFRSs 2010 YEAR ENDS REPORTING



(A) New and revised HKFRSs that are mandatory for the first time for 2010 year ends

1.	HKFRS 1	<i>First-time Adoption of HKFRSs</i> - Revision
2.	HKFRS 1	<i>First-time Adoption of HKFRSs</i> - Amendments
3.	HKFRS 2	<i>Share-based Payment</i> - Amendment
4.	HKFRS 2	<i>Share-based Payment</i> - Improvements to HKFRSs (2009)
5.	HKFRS 3	<i>Business Combinations (2008)</i> - Revision
6.	HKFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i> - Improvements to HKFRSs (2009)
7.	HKFRS 8	<i>Operating Segments</i> - Improvements to HKFRSs (2009)
8.	HKAS 1	<i>Presentation of Financial Statements</i> - Improvements to HKFRSs (2009)
9.	HKAS 7	<i>Statement of Cash Flows</i> - Improvements to HKFRSs (2009)
10.	HKAS 17	<i>Leases</i> - Improvements to HKFRSs (2009)
11.	HKAS 18	<i>Revenue</i> - Improvements to HKFRSs (2009)
12.	HKAS 27	<i>Consolidated and Separate Financial Statements</i> - Amendment
13.	HKAS 36	<i>Impairment of Assets</i> - Improvements to HKFRSs (2009)
14.	HKAS 38	<i>Intangible Assets</i> - Improvements to HKFRSs (2009)
15.	HKAS 39	<i>Financial Instruments: Recognition and Measurement</i> - Amendment
16.	HKAS 39	<i>Financial Instruments: Recognition and Measurement</i> - Improvements to HKFRSs (2009)
17.	HK(IFRIC)-Int 9	<i>Reassessment of Embedded Derivatives</i> - Improvements to HKFRSs (2009)
18.	HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> - Improvements to HKFRSs (2009)
19.	HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> (new)
20.	HK INT 5	<i>Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i> (new)

Further details are set out in **Appendix A** (pages 3-9) below.

(B) New and revised HKFRSs that are available for early adoption for 2010 year ends

1.	HKFRS 1	<i>First-time Adoption of HKFRSs</i> - Amendment (limited exemption from comparative HKFRS 7 disclosures)
2.	HKFRS 1	<i>First-time Adoption of HKFRSs</i> - Improvements to HKFRSs (2010)
3.	HKFRS 1	<i>First-time Adoption of HKFRSs</i> - Amendments (severe hyperinflation and fixed dates for first-time adopters)
4.	HKFRS 3	<i>Business Combinations (2008)</i> - Improvements to HKFRSs (2010)
5.	HKFRS 7	<i>Financial Instruments: Disclosures</i> - Improvements to HKFRSs (2010)
6.	HKFRS 7	<i>Financial Instruments: Disclosures</i> - Amendment
7.	HKFRS 9	<i>Financial Instruments</i> (new)
8.	HKAS 1	<i>Presentation of Financial Statements</i> - Improvements to HKFRSs (2010)
9.	HKAS 12	<i>Income Taxes</i> - Amendments
10.	HKAS 24	<i>Related Party Disclosures</i> - Revised
11.	HKAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i> - Consequential Amendments from HKAS 27 (2008)
	HKAS 28	<i>Investments in Associates</i> - Consequential Amendments from HKAS 27 (2008)
	HKAS 31	<i>Interests in Joint Ventures</i> - Consequential Amendments from HKAS 27 (2008)
12.	HKAS 32	<i>Financial Instruments: Presentation</i> - Amendment
13.	HKAS 34	<i>Interim Financial Reporting</i> - Improvements to HKFRSs (2010)
14.	HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> - Improvements to HKFRSs (2010)
15.	HK(IFRIC)-Int 14	<i>HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> - Amendment
16.	HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> (new)

Further details are set out in **Appendix B** (pages 10-17) below

The above information was current as at 28 February 2011 (up to HKICPA Members' Handbook Update No. 103).

BDO's support and assistance on HKFRSs

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APPENDIX A

New and revised HKFRSs that are mandatory for the first time for 2010 year ends

Mandatory HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
HKFRS 1 <i>First-time Adoption of HKFRSs</i>		
A1. Revision	<i>HKFRS 1(R) has an improved structure but does not contain any technical changes.</i>	Mandatory adoption for annual periods beginning on or after 1 July 2009
A2. Amendments	<p><i>Exemptions for First-time Adopters</i></p> <p>The Amendments introduce two further transitional reliefs into HKFRS 1:</p> <p>a. A first-time adopter which, under previous GAAP, accounted for exploration and development costs for oil and gas properties in the development or production phases in cost centres that include all properties in a large geographical area may, subject to certain conditions, elect to measure oil and gas assets at the date of transition to HKFRSs at the amount determined under its previous GAAP.</p> <p>b. A first-time adopter is exempt from assessing existing contracts in accordance with HK(IFRIC)-Int 4 <i>Determining Whether an Arrangement Contains a Lease</i> if the application of the first-time adopter's previous GAAP produced the same result.</p>	Mandatory adoption for annual periods beginning on or after 1 January 2010
HKFRS 2 <i>Share-based Payment</i>		
A3. Amendment	<p><i>Group cash-settled share-based payment transactions</i></p> <p>The Amendment clarifies that, where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity-settled. The Amendment also moves the HK(IFRIC)-Int 11 requirements in respect of equity-settled share-based payment transactions among group entities, and the clarification of the scope of HKFRS 2 contained within HK(IFRIC)-Int 8, into HKFRS 2 itself.</p>	Mandatory adoption for annual periods beginning on or after 1 January 2010
A4. Improvements to HKFRSs (2009)	<p><i>Scope of HKFRS 2 and HKFRS 3 (2008)</i></p> <p>Following the revised definition of a business combination in HKFRS 3 (2008) it has been clarified that the contributions of a business in exchange for shares on the formation of a joint venture, and combinations under common control, are not within the scope of HKFRS 2.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 July 2009</p> <p>On adoption, to be applied prospectively from the date on which HKFRS 3 (2008) was first applied</p>

Mandatory HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
HKFRS 3 (2008) <i>Business Combinations</i>		
A5. Revision	<p>The basic approach of HKFRS 3 (2004) to apply acquisition accounting in all business combinations is retained in this revised version of the standard (HKFRS 3 (2008)), together with much of the guidance for the identification and recognition of intangible assets separately from goodwill.</p> <p>However, in some respects HKFRS 3 (2008) is likely to result in significant changes, including:</p> <ul style="list-style-type: none"> • changes to the definition of a business which now includes start up activities; • a requirement to charge all acquisition costs to profit or loss instead of including them as part of the cost of the acquired business; • the initial measurement of contingent consideration at fair value at the acquisition date, with future changes in the amount (other than those that relate to conditions as at the acquisition date which are identified within 12 months of that date) being included in profit or loss; • removal of the 'reliably measurable' criterion for the recognition of an intangible asset; and • an option to gross up the balance sheet for goodwill attributable to non-controlling interest (previously "minority interest"). <p>There are also some significant changes in the disclosure requirements.</p> <p>HKFRS 3 (2008) does not require the restatement of previous business combinations. HKFRS 3 (2008) must be adopted at the same time as HKAS 27 (2008) <i>Consolidated and Separate Financial Statements</i> (see below).</p>	Mandatory adoption for annual periods beginning on or after 1 July 2009
HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>		
A6. Improvements to HKFRSs (2009)	<p><i>Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations</i></p> <p>The scope of HKFRS 5 has been clarified to make it clear that only the disclosures specified in HKFRS 5 are applicable to non-current assets (or disposal groups) classified as held for sale, and to discontinued operations.</p> <p>The disclosures in other HKFRSs do not apply unless those other HKFRSs require:</p> <ul style="list-style-type: none"> • specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale, or discontinued operations; or • disclosures about the measurement of assets and liabilities that are included within a disposal group, where those assets and liabilities are not themselves within the scope of the measurement requirements of HKFRS 5 and the additional disclosures required by those other HKFRSs have not already been made elsewhere in the financial statements. <p>Additional disclosures about non-current assets (or disposal groups) classified as held for sale may be necessary to comply with the general requirements of HKAS 1.</p>	Mandatory adoption for annual periods beginning on or after 1 January 2010

Mandatory HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
HKFRS 8 <i>Operating Segments</i>		
A7. Improvements to HKFRSs (2009)	<p><i>Disclosure of information about segment assets</i></p> <p>The amendment states that a measure of total assets does not need to be reported for each reportable segment, unless such an amount is regularly provided to the chief operating decision maker.</p> <p>The amendment is made in order that the requirements of HKFRS 8 are consistent with existing interpretations of equivalent US GAAP requirements.</p>	Mandatory adoption for annual periods beginning on or after 1 January 2010
HKAS 1 <i>Presentation of Financial Statements</i>		
A8. Improvements to HKFRSs (2009)	<p><i>Current/non-current classification of convertible instruments</i></p> <p><i>Previous requirement:</i> The liability component of a convertible instrument that an entity could be required to settle in shares at any time was required to be classified as current, since the conversion of a liability into equity is a form of settlement. This classification was required even if the entity could not be required to settle unconverted instruments in cash or other assets until more than twelve months after the reporting period.</p> <p><i>Amendment:</i> The current/non-current classification of a financial liability is not affected by the existence of contractual terms that can, at the option of the counterparty, result in the immediate settlement of the financial liability through the issue of the issuer's own equity instruments. Instead, the focus is on the point at which an entity could be required to settle the liability in cash or other assets.</p>	Mandatory adoption for annual periods beginning on or after 1 January 2010
HKAS 7 <i>Statement of Cash Flows</i>		
A9. Improvements to HKFRSs (2009)	<p><i>Classification of expenditures on unrecognised assets</i></p> <p><i>Previous requirement:</i> HKAS 7 does not explicitly state how expenditure incurred with the objective of generating future cash flows should be presented when that expenditure does not result in the recognition of an asset.</p> <p><i>Amendment:</i> Only an expenditure that results in the recognition of an asset in the statement of financial position (balance sheet) can be classified as a cash flow from investing activity.</p>	Mandatory adoption for annual periods beginning on or after 1 January 2010
HKAS 17 <i>Leases</i>		
A10. Improvements to HKFRSs (2009)	<p><i>Classification of leases of land and buildings</i></p> <p>The classification of the land and building elements of a lease as finance or operating lease should still be made separately for each element and should follow the general lease classification guidance. However in evaluating the land element, the question of whether or not it has an indefinite useful life remains an important consideration.</p> <p>Previous requirements could have led to inconsistencies in lease classification. Where title of land is not expected to pass by the end of the lease term but the lease transfers significant risks and rewards to the lessee, the amendment is likely to produce a different classification of the land element.</p> <p><i>Transitional provisions:</i> Unexpired leases that include a land element need to be reassessed on the basis of information available at the inception of those leases. Leases newly classified as finance lease are recognised retrospectively.</p>	Mandatory adoption for annual periods beginning on or after 1 January 2010

Mandatory HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
<p>If, however, the information necessary to apply amendments retrospectively is not available, recognition and measurement (at fair value) of any assets and liabilities will be based on the facts and circumstances prevailing at the date the amendments are adopted. Any difference between those recognised fair values (leased assets compared to lease liabilities) is recognised in retained earnings.</p>		
HKAS 18 Revenue		
A11. Improvements to HKFRSs (2009)	<p><i>Determining whether an entity is acting as a principal or as an agent</i></p> <p>An example was added to the non-mandatory guidance in the Appendix, which sets out features that indicate whether an entity is acting as a principal or agent.</p>	Non-mandatory guidance
HKAS 27 (2008) Consolidated and Separate Financial Statements		
A12. Amendment	<p><i>Treatment of non-wholly-owned subsidiaries</i></p> <p>This Amendment affects in particular the treatment of changes in stakes in non-wholly-owned subsidiaries, and the accounting on the gain or loss of control of subsidiaries where a non-controlling interest is held before gaining, or after losing, control.</p> <p>Transactions which increase or decrease the group's interest in a subsidiary without the loss of control will no longer give rise to changes in the carrying value of the subsidiary's assets or liabilities (including its associated goodwill) and will not give rise to a gain or loss in profit or loss. Any difference between the consideration paid or received, and the adjustment to the carrying value of the non-controlling interest, will be recognised directly in equity.</p> <p>As a consequential amendment, HKAS 7 requires cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control be classified as cash flows from financing activities.</p> <p>If an entity holds a non-controlling interest in another entity, and acquires a controlling interest (for example, an increase from a 40% holding to a 70% holding), the existing 40% holding is re-measured to fair value at the date on which control is gained. Any gain or loss is recorded in profit or loss, with this fair value then forming part of the cost of the acquired entity. This approach is consistent with the view that the existing holding has been disposed of in its entirety, with the new 70% subsidiary then having been acquired.</p> <p>Similarly, when control is lost but a non-controlling interest is retained, the retained interest is re-measured to fair value with any gain or loss being recorded in profit or loss. Again, this is consistent with the view that the entire subsidiary has been disposed of and a new investment in a non-controlling interest (whether an investment, associate or joint venture) has been acquired.</p> <p>In addition, total comprehensive income must now be attributed to owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a debit balance. Previously, unfunded losses in such subsidiaries would be attributed entirely to the group.</p> <p>The Amendment does not require the restatement of previous transactions. The Amendment must be adopted at the same time as HKFRS 3 (2008).</p>	Mandatory adoption for annual periods beginning on or after 1 July 2009

Mandatory HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
HKAS 36 <i>Impairment of Assets</i>		
A13. Improvements to HKFRSs (2009)	<p><i>Unit of accounting for goodwill impairment test</i></p> <p><i>Previous requirement:</i> HKAS 36 did not specify whether the largest level of cash-generating unit (CGU) to which goodwill may be allocated is before or after aggregation of operating segments.</p> <p><i>Amendment:</i> Each CGU or group of CGUs to which goodwill is allocated shall not be larger than an operating segment before aggregation (ie as defined in HKFRS 8.5).</p>	Mandatory adoption for annual periods beginning on or after 1 January 2010
HKAS 38 <i>Intangible Assets</i>		
A14. Improvements to HKFRSs (2009)	<p><i>Additional consequential amendments arising from HKFRS 3 (2008) in respect of measuring the fair value of an intangible asset acquired in a business combination</i></p> <p>HKAS 38 was amended to align its guidance for the treatment of intangible assets acquired as part of a business combination with the requirements of HKFRS 3 (2008), and to clarify the description of valuation techniques that can be used in the absence of an active market.</p>	Mandatory adoption for annual periods beginning on or after 1 July 2009
HKAS 39 <i>Financial Instruments: Recognition and Measurement</i>		
A15. Amendment	<p><i>Eligible hedged items</i></p> <p>The amendment clarifies the principles that apply in determining whether a hedged risk or portion of cash flows is eligible for designation as a hedged item, including the designation of a one-sided risk in a hedged item (one-sided risks are changes in the cash flows or fair value of an item above or below a specified price or other variable). The amendment also clarifies when the inflation portion of the cash flows of a recognised inflation-linked bond can be designated as a hedged item.</p>	Mandatory adoption for annual periods beginning on or after 1 July 2009
A16. Improvements to HKFRSs (2009)	<p><i>Treating loan prepayment penalties as closely related embedded derivatives</i></p> <p>HKAS 39 AG30(g) contains guidance on whether call, put or prepayment options embedded in a host contract are closely related or not. An apparent inconsistency was noted in relation to prepayment options and so additional guidance has been added noting that prepayment options are not closely related to the host contract unless the exercise price reimburses the lender for an amount up to the approximate present value of the lost interest for the remaining term of the host contract.</p> <p><i>Scope exemption for business combination contracts</i></p> <p>Contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date are excluded from the scope of HKAS 39. The annual improvement limits the exclusion to forward contracts that will result in a business combination at a future acquisition date.</p> <p><i>Cash flow hedge accounting - timing of reclassification from equity to profit or loss</i></p> <p>It is clarified that gains or losses on the hedging instrument that have been deferred in equity should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss.</p>	Mandatory adoption for annual periods beginning on or after 1 January 2010

Mandatory HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i>		
A17. Improvements to HKFRSs (2009)	<p><i>Scope of HK(IFRIC)-Int 9 and HKFRS 3 (2008)</i></p> <p>HK(IFRIC)-Int 9 requires that, following initial recognition, there is no reassessment of embedded derivatives except where there is either a change in the contractual terms of the financial instrument that significantly modify the cash flows that would otherwise have been required, or a financial asset is classified out of the fair value through profit or loss category, in which cases reassessment is required.</p> <p>The scope paragraph in HK(IFRIC)-Int 9 has been amended to clarify that the HK(IFRIC)-Int does not apply to embedded derivatives in contracts acquired in a business combination (see HKFRS 3 (2008)), a combination of entities or businesses under common control, or on the formation of a joint venture (see HKAS 31).</p>	Mandatory adoption for annual periods beginning on or after 1 July 2009
HK(IFRIC)-Int 16 <i>Hedges of a Net Investment in a Foreign Operation</i>		
A18. Improvements to HKFRSs (2009)	<p><i>Amendment to the restriction on the entity that can hold hedging instruments</i></p> <p>Paragraph 14 of HK(IFRIC)-Int 16 did not permit instruments held by the foreign operation, whose net investment is being hedged, to be designated as the hedging instruments. This restriction has been removed since, without hedge accounting, part of the foreign exchange difference arising from the hedging instrument would be included in consolidated profit or loss.</p>	Mandatory adoption for annual periods beginning on or after 1 July 2009
HK(IFRIC)-Int 17 <i>Distributions of Non-cash Assets to Owners</i>		
A19. New INT	<p><i>New measurement requirements for certain distributions to owners</i></p> <p>Prior to this Interpretation, HKFRSs did not address when and how an entity should recognise and measure distributions of assets other than cash to owners. Non-cash distributions were sometimes recognised at the carrying amount of the assets to be distributed and sometimes at their fair value with inconsistent measurement dates. The Interpretation clarifies that:</p> <ul style="list-style-type: none"> (a) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (b) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (c) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. <p>The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of an asset held for sale, or discontinued operations, within the scope of HKFRS 5. HK(IFRIC)-Int 17 applies to pro rata distributions of non-cash assets except for common control transactions.</p> <p>HK(IFRIC)-Int 17 is required to be applied prospectively, with retrospective application not being permitted. If it is adopted early, disclosure of this is required; when it is adopted, HKFRS 3 (2008), HKAS 27 (2008), and the amended version of HKFRS 5 are also required to be adopted.</p>	Mandatory adoption for annual periods beginning on or after 1 July 2009

Mandatory HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
HK INT 5 <i>Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>		
A20. New HK INT	<p><i>Clarification of the requirements of HKAS 1 Presentation of Financial Statements</i></p> <p>The classification of a term loan as a current or non-current liability in accordance with paragraph 69(d) of HKAS 1 shall be determined by reference to the rights and obligations of the lender and the borrower, as contractually agreed between the two parties and in force as of the reporting date. In this regard, the probability of the lender choosing to exercise its rights within the next twelve months after the reporting date is not relevant.</p> <p>The classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its statement of financial position. This is because the borrower under such an agreement does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.</p> <p>Similarly, in the contractual maturity analysis disclosed by the borrower in accordance with paragraph 39(a) of HKFRS 7 <i>Financial Instruments: Disclosures</i>, amounts repayable under a loan agreement that includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified in the earliest time bracket, in accordance with the guidance in paragraph B11C(a) of HKFRS 7.</p>	Immediate upon issue on 29 November 2010, as it is a clarification of an existing standard

APPENDIX B

New and revised HKFRSs that are available for early adoption for 2010 year ends

HKFRSs are mandatory for annual periods commencing on or after their "effective date". Subject to transitional arrangements (which may, for example, prohibit early adoption until a specific future date), new and revised HKFRSs may be adopted early, although early adoption and their effect must be disclosed (see HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" para. 28). Even an entity has no intention to early adopt any of these new and revised HKFRSs in the December 2010 year-end financial statements, it is still required to consider their requirements because HKAS 8.30 requires disclosure of this fact, and of the possible effects that their future application might have on the financial statements.

Early HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
HKFRS 1 <i>First-time Adoption of HKFRSs</i>		
B1. Amendment	<p><i>Limited exemption from comparative HKFRS 7 disclosures for first-time adopters</i></p> <p>The amendment permits first-time adopters to use the same transitional provisions as are available to existing preparers of HKFRSs financial statements that are included in <i>Improving Disclosures about Financial Instruments (Amendments to HKFRS 7)</i>. This means that an entity need not present comparative information for the disclosures required by the amendment to HKFRS 7 for:</p> <p>(a) any annual or interim period, including any statement of financial position, presented within an annual comparative period ended before 31 December 2009, or</p> <p>(b) any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 July 2010</p> <p>Early adoption permitted</p>
B2. Improvements to HKFRSs (2010)	<p><i>Changes in accounting policies during an entity's year of adoption of HKFRSs</i></p> <p>If a first-time adopter changes its accounting policies or its use of exemptions in HKFRS 1 after the date of its first interim financial report prepared in accordance with HKAS 34, but before the issue of its first annual HKFRSs financial statements, the reconciliations between previous GAAP and HKFRSs are required to be updated. The requirements of HKAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> do not apply.</p> <p><i>Use of revalued amount as deemed cost</i></p> <p>The relief available under HKFRS 1 for the use of an fair value as deemed cost has been extended to include "event driven fair value" measurements which are carried out at or before an entity's date of transition to HKFRSs to include measurements that are carried out between the date of transition and the end of the entity's first annual HKFRSs reporting period. An event driven fair value is specified as a re-measurement to fair value of some or all assets and liabilities on an event such as a privatisation or public offering.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 January 2011</p> <p>Early adoption permitted</p>

Early HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
	<p>As an example, if an entity chooses to use an event driven fair value as deemed cost under HKFRSs for an asset where the measurement date is after its date of transition to HKFRSs but before the end of the entity's first annual HKFRSs reporting period, an adjustment will be made to equity as at the fair value measurement date. During the period from transition date to the fair value measurement date, historical cost or other amounts permitted by HKFRSs are presented. The HKICPA agreed with IASB's rejection on an approach of "working back" from the measurement date to a deemed cost at an entity's date of transition to HKFRSs, on the basis that this would require the use of hindsight and would result in a carrying amount at transition date that was neither historical cost nor fair value.</p> <p><i>Deemed cost for assets used in operations subject to rate regulation</i> The amendment permits a first-time adopter to use its previous GAAP carrying amounts for property, plant and equipment and intangible assets that are, or were previously, used in operations subject to rate regulation, as deemed cost at the date of transition to HKFRSs. This election is available on an individual asset basis.</p>	
B3. Amendments	<p><i>Severe hyperinflation</i> This guidance covers how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation.</p> <p><i>Fixed dates for first-time adopters</i> References to a fixed date of 1 January 2004 for the purposes of the date from which certain derecognition transaction are required to be restated have been replaced with "the date of transition to HKFRSs". This amendment is intended to ease the burden of transition for companies that are adopting HKFRSs now, or in the coming years.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 July 2011</p> <p>Early adoption permitted</p>
HKFRS 3 <i>Business Combinations (2008)</i>		
B4. Improvements to HKFRSs (2010)	<p><i>Measurement of non-controlling interests (NCI)</i> The amendment clarifies that the option to measure NCI at either fair value, or the proportionate share of the acquisition date fair value of the acquiree's identifiable net assets that are recognised by the acquirer, applies only to instruments that give the NCI a present ownership interest and entitle the holder to a proportionate share of net assets in the event of liquidation. All other components of NCI are measured at their acquisition date fair value, unless another measurement is required by HKFRSs.</p> <p>The amendment has been made to ensure that certain components of NCI are not measured at zero. For example, if a share-based payment transaction is classified as equity, it is measured in accordance with HKFRS 2 <i>Share-based Payment</i>. Another example is a preference share that represents NCI, being an equity instrument, with its holder being entitled to a return of the initial amount subscribed on liquidation. The NCI that relates to the preference shares is measured at fair value.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 July 2010</p> <p>Early adoption permitted</p>

Early HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
<p><i>Share-based payment transactions of an acquiree that are either not replaced on a business combination or are voluntarily replaced</i></p> <p>The current requirement for an acquirer to measure share-based payment awards that it issues to replace existing awards of an acquiree at the acquisition date, in accordance with HKFRS 2, is extended. This means that existing share-based payment awards of an acquiree that are not replaced in a business combination are also measured by the acquirer in accordance with HKFRS 2 at the acquisition date. If the awards have not vested at the acquisition date, they are accounted for as if the acquisition date was the grant date. If the awards have vested at the acquisition date, they are accounted for as part of NCI in the acquiree.</p> <p>An acquirer may exchange its own share-based payment awards for awards held by employees of the acquiree. The current requirement is to account for that exchange as a modification of the existing arrangement where the acquirer is obliged to replace the existing awards. This requirement is retained with the amount calculated in accordance with HKFRS 2 being allocated between the cost of the business combination and post acquisition services. The amendment extends this to cover replacement awards where the acquirer is not obliged to replace the existing awards, but chooses to do so voluntarily.</p> <p>In some cases, existing share-based payment awards previously issued by an acquiree expire as a result of a business combination. In those circumstances, if the acquirer replaces those awards voluntarily, the entire fair value of those replacement awards calculated in accordance with HKFRS 2 is accounted for as a post acquisition remuneration expense.</p> <p><i>Transition - contingent consideration balances arising from business combinations that took place prior to the adoption of HKFRS 3 (2008)</i></p> <p>HKFRS 3 (2008) included a consequential amendment to HKAS 39 that brought contingent consideration balances arising on a business combination within the scope of that standard. This means that instead of changes in the carrying amount of contingent consideration after the acquisition date being accounted for as an adjustment to the cost of the original business combination, they are now accounted for in accordance with HKAS 39 and recognised in profit or loss. The amendment clarifies that the change in scope of HKAS 39 is applied to business combinations on a prospective basis, meaning that where a business combination took place before the date of adoption of HKFRS 3 (2008), changes in contingent consideration are still accounted for as an adjustment to the cost of the original business combination.</p>		
<p>HKFRS 7 <i>Financial Instruments: Disclosures</i></p>		
B5. Improvements to HKFRSs (2010)	<p><i>Clarification of disclosure requirements</i></p> <p>The amendment clarifies quantitative disclosure requirements for risks arising from financial instruments, and encourages accompanying narrative disclosures if the concentration of risk is not apparent from the quantitative disclosures.</p> <p>The requirements for disclosures of credit risk, including collateral held, are clarified and reduced, with the carrying amount of assets that would have been past due or impaired unless they had been renegotiated no longer needing to be disclosed.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 January 2011</p> <p>Early adoption permitted</p>

Early HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
B6. Amendment	<p><i>Transfers of financial assets</i></p> <p>An entity may enter into an arrangement, such as debt factoring, where the related accounting may or may not result in the financial assets subject to the arrangement being transferred to another party (either in whole or in part). The amendment requires the disclosure of information in respect of all transferred financial assets that are not derecognised, and for any continuing involvement in transferred assets which are derecognised, which exists at the reporting date, irrespective of when the related transfer transaction occurred.</p> <p>The disclosures are required to be sufficient to enable users of financial statements:</p> <p>(a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and</p> <p>(b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 July 2011</p> <p>Early adoption permitted</p>
HKFRS 9 <i>Financial Instruments</i>		
B7. New HKFRS	<p><i>Classification and measurement of financial assets</i></p> <p>HKFRS 9 applies to all assets within the scope of HKAS 39 <i>Financial Instruments: Recognition and Measurement</i>. HKFRS 9 will eventually replace HKAS 39 in its entirety. However, the process has been divided into three main components: classification and measurement, impairment, and hedge accounting. As each phase is completed, the HKICPA is deleting the relevant portions of HKAS 39 and creating new chapters in HKFRS 9.</p> <p>HKFRS 9 requires that on initial recognition, all financial assets are measured at fair value (plus an adjustment for certain transaction costs if they are not measured as at fair value through profit or loss) and are classified into one of two subsequent measurement categories:</p> <ul style="list-style-type: none"> • Amortised cost; or • Fair value <p>HKFRS 9 eliminates the Held-to-Maturity (HTM), Available-for-Sale (AFS) and Loans and Receivables categories. In addition, the exception under which equity instruments and related derivatives are measured at cost rather than fair value, where the fair value cannot be reliably determined, has been eliminated with fair value measurement being required for all of these instruments.</p> <p>A financial asset is measured after initial recognition at amortised cost only if it meets the following two conditions:</p> <ol style="list-style-type: none"> 1. The objective of an entity's business model is to hold the financial asset in order to collect contractual cash flows; and 2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. <p>All other instruments are required to be measured after initial recognition at fair value. HKFRS 9 retains the current requirement for financial instruments that are held for trading to be recognised and measured at fair value through profit or loss, including all derivatives that are not designated in a hedging relationship.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 January 2013</p> <p>Early adoption permitted</p>

Early HKFRSs Adoption for 2010 - Standards and Amendments	Effective Date
<p>Hybrid contracts with a host that is within the scope of HKFRS 9 (ie a financial host) must be classified in their entirety in accordance with the classification approach summarised above. This eliminates the existing HKAS 39 requirement to account separately for a host contract and certain embedded derivatives. The embedded derivative requirements under HKAS 39 continue to apply where the host contract is a non-financial asset and for financial liabilities.</p> <p>HKFRS 9 includes an option which permits investments in equity instruments to be measured at fair value through other comprehensive income. This is an irreversible election made, on an instrument by instrument basis, at the date of initial recognition. Where the election is made, no amounts are subsequently recycled from other comprehensive income to profit or loss. Where this option is not taken, all equity instruments within the scope of HKFRS 9 are classified as at fair value through profit or loss. Irrespective of the approach adopted for the equity instrument itself, dividends received on an equity instrument are always recognised in profit or loss (unless they represent a return of the cost of investment).</p> <p>Subsequent reclassification of financial assets between the amortised cost and fair value categories is prohibited, unless an entity changes its business model for managing its financial assets in which case reclassification is required. However, the guidance is restrictive and such changes are expected to be very infrequent. HKFRS 9 states explicitly that the following are not changes in business model:</p> <ol style="list-style-type: none">1. A change in intention relating to particular financial assets (even in circumstances of significant changes in market conditions);2. A temporary disappearance of a particular market for financial assets; and3. A transfer of financial assets between parts of the entity with different business models. <p><i>Classification and measurement of financial liabilities</i></p> <p>Equivalent requirements for financial liabilities are added to HKFRS 9, with most of them being carried forward unchanged from HKAS 39. In consequence:</p> <ul style="list-style-type: none">• A financial liability is measured as at fair value through profit or loss (FVTPL) if it is held for trading, or is designated as at FVTPL using the fair value option; and• Other liabilities are measured at amortised cost. <p>In contrast to the requirements for financial assets, the bifurcation requirements for embedded derivatives have been retained; similarly, equity conversion features will continue to be accounted for separately.</p> <p>However, some changes have been made, in particular to address the issue of where changes in the fair value of an entity's financial liabilities designated as at FVTPL using the fair value option, which arise from changes in the entity's own credit risk, should be recorded. This amendment is a result of consistent feedback received by the IASB from its constituents that changes in an entity's own credit risk should not affect profit or loss unless the financial liability is held for trading.</p>	

Early HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
<p>HKFRS 9 requires that changes in the fair value of financial liabilities designated as at FVTPL which relate to changes in an entity's own credit risk should be recognised in other comprehensive income (OCI). However, as an exception, where this would create an accounting mismatch (which would be where there is a matching asset position that is also measured as at FVTPL), an irrevocable decision can be taken to recognise the entire change in fair value of the financial liability in profit or loss.</p> <p>The other changes made to the accounting requirements for financial liabilities are:</p> <ul style="list-style-type: none"> • Guidance has been added to assist in differentiating between credit risk and asset specific performance risk; and • Consistent with the elimination of the potential, in very limited circumstances, for investments in unquoted equity instruments to be measured at cost, the exemption from fair value measurement for derivative liabilities that are linked to, and must be settled by delivery of, an unquoted equity instrument where the fair value of that equity instrument is not reliably measurable, has been deleted. <p>A number of related disclosure requirements have been added to HKFRS 7 <i>Financial Instruments: Disclosures</i>.</p>		
HKAS 1 <i>Presentation of Financial Statements</i>		
B8. Improvements to HKFRSs (2010)	<p><i>Presentation of changes in equity</i></p> <p>The amendment clarifies that the analysis of items of Other Comprehensive Income may be shown in either the (primary) statement of changes in equity, or in the notes to the financial statements.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 January 2011</p> <p>Early adoption permitted</p>
HKAS 12 <i>Income Taxes</i>		
B9. Amendments	<p><i>Deferred tax: recovery of underlying assets</i></p> <p>Amendments have been made to HKAS 12 in respect of the measurement of deferred tax when investment property is measured using the fair value model in HKAS 40 <i>Investment Property</i>. Although HKAS 12 requires the measurement of deferred tax to be based on an entity's expected manner of recovery of the related asset or liability, it is often difficult and subjective to determine this where an investment property is measured at fair value. Consequently, an exception has been introduced to incorporate a presumption that the carrying amount of an investment property is recovered entirely through sale.</p> <p>In addition, the requirements of HK(SIC)-Int 21 <i>Income Taxes - Recovery of Revalued Non-depreciable Assets</i>, which address similar issues involving non-depreciable assets, measured using the revaluation model in HKAS 16 <i>Property, Plant and Equipment</i>, have been incorporated into HKAS 12.</p> <p>The implications of the amendments should be considered at an early stage, including:</p> <ul style="list-style-type: none"> • whether the amendments should be adopted early for 2010 year end reporting; and • the effect of the amendments on business combinations that took place in previous reporting periods and involved the acquisition of investment property. 	<p>Mandatory adoption for annual periods beginning on or after 1 January 2012</p> <p>Early adoption permitted</p>

Early HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
HKAS 24 <i>Related Party Disclosures</i>		
B10. Revision	<p>HKAS 24 was revised in response to concerns that, the application of the existing disclosure requirements and the definition of a related party could be complex and difficult to apply in practice, particularly in environments where government control is pervasive. The revisions address these concerns by:</p> <ul style="list-style-type: none"> providing a partial exemption for government-related entities - under the previous requirements, if a government controlled, or significantly influenced, an entity, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised standard requires such entities to disclose information about individually and collectively significant related party transactions only; providing a revised definition of a related party - the definition of a related party has been simplified and inconsistencies eliminated. Illustrative examples have also been added. The revised definition means that some entities may have more related parties for which disclosures will be required. The entities that are most likely to be affected are those that are part of a group that includes both subsidiaries and associates, and entities with shareholders that are involved with other entities. 	<p>Mandatory adoption for annual periods beginning on or after 1 January 2011</p> <p>Early adoption permitted</p>
HKAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>		
HKAS 28 <i>Investments in Associates</i>		
HKAS 31 <i>Interests in Joint Ventures</i>		
B11. Consequential amendments from HKAS 27 (2008)	<p><i>Transitional requirements</i></p> <p>It has been clarified that the amendments made to HKAS 21, HKAS 28 and HKAS 31 as a consequence of HKAS 27 (2008) are to be applied prospectively from the date of adoption of that standard (which is, annual periods beginning on/after 1 July 2009 with earlier application permitted). As exceptions, certain requirements of HKAS 28 and HKAS 31, which relate to accounting in the separate financial statements of the investor, are applied retrospectively.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 July 2009</p> <p>Early adoption permitted</p>
HKAS 32 <i>Financial Instruments: Presentation</i>		
B12. Amendment	<p><i>Classification of rights issues</i></p> <p>The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities as the exposure to changes in exchange rates meant that the "fixed for fixed" criterion was not met. However, the amendment requires that, provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 February 2010</p> <p>Early adoption permitted</p>

Early HKFRSs Adoption for 2010 - Standards and Amendments		Effective Date
HKAS 34 <i>Interim Financial Reporting</i>		
B13. Improvements to HKFRSs (2010)	<p><i>Content of an interim financial report - significant events and transactions</i></p> <p>The amendments emphasise that disclosure about significant transactions and events is required to update relevant information presented in the most recent annual financial report.</p> <p>HKAS 34 has been made more specific about events and transactions for which disclosure is required, and guidance has been added covering the application of the requirements for financial instruments.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 January 2011</p> <p>Early adoption permitted</p>
HK(IFRIC)-Int 13 <i>Customer Loyalty Programmes</i>		
B14. Improvements to HKFRSs (2010)	<p><i>Fair value of award credits</i></p> <p>The amendment clarifies that the fair value of award credits includes consideration of the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 January 2011</p> <p>Early adoption permitted</p>
HK(IFRIC)-Int 14 <i>HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>		
B15. Amendment	<p><i>Prepayment of a minimum funding requirement</i></p> <p>The amendment applies in the limited circumstances in which an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment expands the circumstances in which the benefit of such an early payment is recorded as an asset.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 January 2011</p> <p>Early adoption permitted</p>
HK(IFRIC)-Int 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>		
B16. New INT	<p><i>Accounting for debt for equity swaps</i></p> <p>HK(IFRIC)-Int 19 addresses transactions in which an entity issues equity instruments to a creditor in return for the extinguishment of all or part of a financial liability (a "debt for equity swap").</p> <p>HK(IFRIC)-Int 19 does not apply to arrangements in which liabilities are extinguished in return for equity instruments in accordance with the original terms of the financial liability (such as convertible debt; these continue to be addressed by HKAS 32), nor does it address the appropriate accounting approach to be adopted by the creditor.</p> <p>For transactions within its scope, where the whole of a financial liability is extinguished, HK(IFRIC)-Int 19 requires the equity instruments issued to be measured at their fair value and the difference between that fair value and the carrying value of the financial liability extinguished to be recognised in profit or loss. Where only part of the financial liability is extinguished, an allocation of the consideration between the extinguished portion of the liability and the part of the liability that remains outstanding may be required depending on whether, and the extent to which, the contractual terms of the remaining liability have been modified.</p> <p>If it is not possible reliably to measure the equity instruments issued, the fair value of the debt extinguished is used instead. However, in these circumstances the guidance in HKAS 39.49 relating to the valuation of financial liabilities with a demand feature is not applied.</p>	<p>Mandatory adoption for annual periods beginning on or after 1 July 2010</p> <p>Early adoption permitted</p>