

Annual Improvements to HKFRSs 2014-2016 Cycle

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Background

The International Accounting Standards Board (“IASB”) has issued *Annual Improvements to International Financial Reporting Standards (“IFRSs”) 2014-2016 Cycle* in December 2016. Subsequently in March 2017, the Hong Kong Institute of Certified Public Accountants also issued the same annual improvements, *Annual Improvements to HKFRSs 2014-2016 Cycle*, so as to maintain the convergence with IFRSs.

Annual Improvements to HKFRSs 2014-2016 Cycle is a series of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) in response to the IASB’s annual improvements project to make necessary, but non-urgent, amendments to HKFRSs that will not be included as part of any other project.

Summary

The following table lists the HKFRSs and topics addressed by *Annual Improvements to HKFRSs 2014-2016 Cycle*.

Standard	Subject of amendment	Effective date
HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards	Deletion of short-term exemptions for first-time adopters.	1 January 2018
HKFRS 12 Disclosure of Interests in Other Entities	Clarification of the scope of the standard.	1 January 2017
HKAS 28 Investments in Associates and Joint Ventures	Measuring an associate or joint venture at fair value.	1 January 2018

What are the major contents of the annual improvements?

HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards

The amendment to HKFRS 1 deletes the short-term exemptions covering transition provisions of HKFRS 7, HKAS 19, and HKFRS 10. These transition provisions were available to entities for passed reporting periods and are therefore no longer applicable. The amendments apply to annual periods on or after 1 January 2018.

HKFRS 12 Disclosure of Interests in Other Entities

The amendment to HKFRS 12 clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information for that subsidiary, joint venture or associate in accordance with paragraphs B10-B16 of HKFRS 12. Previously, it was unclear whether all other HKFRS 12 requirements were applicable for these interests. The amendments apply retrospectively for annual periods beginning on or after 1 January 2017.

HKAS 28 Investments in Associates and Joint Ventures

Exemption from applying the equity method

HKAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. HKAS 28 clarifies that this election should be made separately for each associate or joint venture at initial recognition.

Equity method procedures

If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2018.

Contact us

HONG KONG

43/F., Lee Garden One,
33 Hysan Avenue,
Causeway Bay, Hong Kong
Tel: (852) 3583 3800
Fax: (852) 3583 8001
Email: info@shinewing.hk
Website: www.shinewing.hk

CHENGDU

8/F, Block B, Avic Int Financial Centre,
No.88, High-tech district, Chengdu, Sichuan,
PRC (Postal Code: 610051)
Tel: (86) 28 6299 1888
Fax: (86) 28 6292 2666

TIANJIN

21/F, Xinda Plaza, No.188, Jiefang Road,
Heping District, Tianjin, PRC
(Postal Code: 300042)
Tel: (86) 22 5829 6288
Fax: (86) 22 5829 6299

CHANGCHUN

7/F, Building 7, Wanhao International Business
Plaza, No.9399, People Street, Changchun,
Jilin, PRC (Postal Code: 130022)
Tel: (86) 431 8133 2000
Fax: (86) 431 8133 2111

DALIAN

15/F, Block B, Karen International Mansion,
No.1-1 Section A Wucai Town,
Dalian Development Area, Liaoning,
PRC (Postal Code: 116600)
Tel: (86) 0411 8762 6818
Fax: (86) 0411 8762 6307

FUZHOU

13/F, Block A, Hongli Mansion, No.168,
Hudong Road, Fuzhou, 350003,
PRC (Postal Code: 350003)
Tel: (86) 0591 2830 9955
Fax: (86) 0591 2830 9000

WUHAN

Room 2701-2709, 27/F, Block 4, Xingguang
Wuxian Building (Guanggu Yinzuo), No.727
Luoyu Road, Donghu New Technology
Development Zone, Wuhan, Hubei, PRC
(Postal Code: 430071)
Tel: (86) 027 5975 9900
Fax: (86) 027 5975 9922

CHONGQING

26/F, Qibo Building, No.99 Jinyu Avenue,
Northern New District, Chongqing, PRC
(Postal Code: 401122)
Tel: (86) 23 8911 2588
Fax: (86) 23 8911 2599

MELBOURNE

Level 10, 530 Collins Street, Melbourne,
Victoria 3000, Australia
Tel: (61) 3 8635 1800
Fax: (61) 3 8102 3400

BEIJING

9/F, Block A, Fu Hua Mansion
No.8 Chaoyang Men Beidajie,
Dongcheng District, Beijing,
PRC (Postal Code: 100027)
Tel: (86) 10 6554 2288
Fax: (86) 10 6554 7190

SHANGHAI

32/F, China Development Bank Tower,
No.500, Pudong South Road, Pudong New Area,
Shanghai, PRC (Postal Code: 200120)
Tel: (86) 21 6164 3939
Fax: (86) 21 6164 3900

QINGDAO

27/F, HuaYin Mansion, No.5,
Donghai Road(west), Shinan District, Qingdao,
PRC (Postal Code: 266071)
Tel: (86) 532 8089 5858
Fax: (86) 532 8089 5959

YINCHUAN

11/F, Investment Plaza, No.65,
Hubin Street(west), Xingqing District,
Yinchuan, Nixia, PRC (Postal Code: 750001)
Tel: (86) 951 671 8800
Fax: (86) 951 672 1553

KUNMING

9-10/F, Ruyi Plaza, No.36, Middle People Road,
Kunming, Yunnan, PRC
(Postal Code: 650021)
Tel: (86) 871 6815 9955
Fax: (86) 871 6364 6916

NANJING

7/F, Hetai International Mansions, No. 128,
Shanxi Road, Nanjing, Jiangsu, PRC
(Postal Code: 210009)
Tel: (86) 025 5280 8866
Fax: (86) 025 8371 6000

HANGZHOU

Room 702, Wangjiang Internatioal Center,
Shangcheng District, Hangzhou, Zhejiang, PRC
(Postal Code: 310008)
Tel: (86) 0571 2689 7676
Fax: (86) 0571 2689 7636

NANNING

17/F, Tian Jian Business Building, No.8 Zhong
Tai Road, Nanning, Guangxi, PRC
(Postal Code: 530029)
Tel: (86) 771 5086 363
Fax: (86) 771 5086 880

SYDNEY

Level 8, 167 Macquarie Street,
Sydney, NSW 2000, Australia
Tel: (61) 2 8059 6800
Fax: (61) 2 8059 6899

SHENZHEN

10/F, Block A, United Plaza, Binhe Road,
Futian District, Shenzhen,
PRC (Postal Code: 518033)
Tel: (86) 755 8290 0800
Fax: (86) 755 8290 0815

XI'AN

16/F, Block C, Fortune Center, No.180,
Western section of the second ring road,
Xi'an, PRC (Postal Code: 710075)
Tel: (86) 29 6335 8888
Fax: (86) 29 6335 8899

CHANGSHA

26/F, Block C1, Kai Fu Wanda Plaza, No.598,
Zhongshan Road, Changsha, Hunan, PRC
(Postal Code: 410005)
Tel: (86) 731 8828 5566
Fax: (86) 731 8828 5567

JINAN

6/F Huate Plaza, No.17703 Jingshi Road, Lixia
District, Jinan, PRC (Postal Code: 250012)
Tel: (86) 531 8925 9000
Fax: (86) 531 8925 9099

GUANGZHOU

Floor 39, Guangzhou International Trade Center
Building, No.1 Lin He Road (west), Tianhe
District, Guangzhou, PRC (Postal Code: 510620)
Tel: (86) 020 2830 9500
Fax: (86) 020 2830 9530

URUMQI

22 F, Block 2, Hongrui Hao Ting (Jinjiang
International Hotel) No.802, Anju South Road,
Shuimogou District, Urumqi, Xinjiang, PRC
(Postal Code: 830002)
Tel: (86) 0991 6516 688
Fax: (86) 0991 6787 779

TAIYUAN

Room 1103/1105, Fortune Building, No.98
Southern Inner Ring Street, Taiyuan, Shanxi, PRC
(Postal Code: 030012)
Tel: (86) 0351 7899 187
Fax: (86) 0351 7899 023

HEFEI

12/F, Block B, AHCOF Dong Yi Financial Plaza,
No.169 Funan Road, Luyang District, Hefei,
Anhui, PRC (Postal Code: 230001)
Tel: (86) 551 6492 1166
Fax: (86) 551 6492 1111

BRISBANE

Riverside Centre, Suite 1853, Level 18, 123
Eagle Street, Brisbane, QLD 4000, Australia
Tel: (61) 7 3085 0888

SINGAPORE

238A Thomson Road, #25-07/08
Novena Square Tower A, Singapore
(Postal Code: 307684)
Tel: (65) 6336 5588
Fax: (65) 6336 6708

LAHORE

HM House, 7 Bank Square, Off The
Mall, Lahore
Tel: (92) 42 3723 5084 87
Fax: (92) 42 3723 5083

KARACHI

5th Floor, Karachi Chambers, Hasrat Mohani
Road, Karachi
Tel: (92) 21 32411474, 32412754
Fax: (92) 21 32424835

EGYPT

21 Mahmoud Bassiouny, Talaat Harb
Square, Cairo, Egypt
Tel: (202) 2578 2775
Fax: (202) 2578 2776

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