

Jenny Ng

From: Cheng Pui Yu Piper 郑沛宇 <pipercheng@cre.com.hk>
Sent: Monday, May 04, 2020 3:27 PM
To: P.T. Comment Letter
Cc: Stephen Chan 陈伟强; Chan Ka Chun Alan 陈家俊
Subject: COMMENT ON IASB EXPOSURE DRAFT ED/2020/2 Covid-19-Related Rent Concessions Exposure Draft of a proposed amendment to IFRS 16

Dear Sir/Madam,

I am writing to HKICPA to comment the exposure draft on Covid-19-related rent concessions.

Question 1—Practical expedient (paragraphs 46A and 46B of the [Draft] amendment to IFRS 16):

According to IFRS 16 para. 46A, "a lessee may elect not to assess whether a covid-19-related rent concession (see paragraph 46B) is a lease modification.". Does it mean that the exemption selection can be made on a lease by lease basis? Some lease can apply for exemption while some others can not to apply?

According to IFRS 16 para. 46B, para. 46A exemption is applicable "only to rent concessions occurring as a direct consequence of the covid-19 pandemic". What if the lessor did not specifically mention the reason of rent concession, and the reason of rent concession is mixed with covid-19 and Hong Kong social issue?

According to IFRS 16 para. 46B (b), only lease payments due in 2020 are subject to lease modification exemption. However, Covid-19's impact may last beyond 2020, would there be exemption beyond 2020 in case the Covid-19 outbreak is not yet ended then?

Question 2—Effective date and transition (paragraphs C1A and C20A of the [Draft] amendment to IFRS 16)

According to IFRS 16 para. C1A, "A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020.". As most of the Group with PRC operations would have a year ended 31 December, could the effective date be dated earlier? (i.e. for annual reporting periods beginning on or after 1 January 2020.)

Thank you.

Best regards,
Piper Cheng
China Resources Enterprise, Limited