



Minutes of the 283rd meeting of the Financial Reporting Standards Committee held on Friday, 31 May 2024 at 8:30 a.m. via videoconference.

- Members present: Mr. Gary Stevenson (Chairman), RSM Hong Kong
Mr. Joe Ng (Deputy Chairman), EY
Ms. Kathryn Ashley, HSBC
Ms. Loretta Fong, PwC
Ms. Sin Ko, KPMG
Ms. Vincyy Lai, Jardine Matheson & Co., Limited
Mr. Mateusz Lasik, Deloitte
Mr. Kenneth Lau, Crowe (HK) CPA Limited
Ms. Joan Ng, Securities and Futures Commission
Mr. Richard Poon, AIA Group
Mr. Ghee Peh, IEEFA
Mr. William Wong, HKEx
Ms. Lisa Zhang, PwC
- Staff in attendance: Ms. Cecilia Kwei, Director of Standard Setting
Ms. Eky Liu, Deputy Director of Standard Setting (FR)
Mr. George Au, Associate Director, Standard Setting
Ms. Shiro Lam, Associate Director, Standard Setting
Ms. Carrie Lau, Associate Director, Standard Setting
Ms. Kennis Lee, Associate Director, Standard Setting
Ms. Katherine Leung, Associate Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting
Mr. Sam Chan, Manager, Standard Setting
- Observer: Mr. Jason Bradley, Accounting and Financial Reporting Council
- Apologies: Ms. Fanny Hsiang, BDO Limited

Action

1. Minutes, work program, agenda decisions and liaison log

The Committee approved the minutes of the 282nd meeting.

The Committee noted the developments outlined in the FRSC and SSD work program and liaison log.

The Committee also noted the IFRS Interpretations Committee finalised the following two agenda decisions in April 2024.

- Climate-related Commitments (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)
- Payments Contingent on Continued Employment during Handover Periods (IFRS 3 *Business Combinations*)

2. IFRS 18 Presentation and Disclosure in Financial Statements

Issuance of HKFRS 18

The Committee noted that the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* together with the consequential amendments to other IFRS Accounting Standards in April 2024. The Committee considered that IFRS 18 has largely addressed stakeholders' concerns and taken up the major comments expressed in the Institute's comment letter. Accordingly, the Committee approved the issuance of

HKFRS 18 *Presentation and Disclosure in Financial Statements* (including the introduction to HKFRS 18) together with the consequential amendments to other HKFRSs in accordance with the Institute's international convergence policy.

Amendments to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

The Committee noted that certain requirements in IAS 1 *Presentation of Financial Statements* that set out the general features of financial statements and disclosure requirements have been moved to IAS 8 following the issuance of IFRS 18. These requirements include the concepts of fair presentation and compliance with IFRS Accounting Standards. Consistent with the existing HKAS 1, the Committee agreed that the terms "fair presentation" and "present fairly" in the amendments to HKAS 8 will be replaced by the terms "true and fair view" and "present a true and fair view" respectively to match with the terms used in the Companies Ordinance. Accordingly, the Committee approved the proposed changes to HKAS 8. The Committee also approved housekeeping changes to the introduction of HKAS 8 to reflect the key requirements in HKAS 8.

Supporting materials that relate to HKAS 1

In relation to HKAS 1, the Institute has issued the following supporting materials:

- HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* (HK-Int 5);
- Questions and Answers on HK-Int 5; and
- Illustrative examples on classification of liabilities as current or non-current.

The Committee considered and agreed that these supporting materials remain relevant and useful to maintain consistent application of the requirements of classification of liabilities following the issuance of HKFRS 18. The Committee agreed updating the references in these supporting materials to reflect the requirements in HKFRS 18 and approved the updated HK-Int 5.

Implementation support activities

The Committee considered and agreed with SSD's implementation support plan. In particular, SSD will leverage the IASB's implementation support activities and focus on filling any remaining critical gaps by organising education sessions and issuing educational materials on the local aspects of the new standard. The Committee also noted that a dedicated webpage will be set up that will contain technical resources for HKFRS 18.

[Post-meeting note: HKFRS 18 together with the consequential amendments to other HKFRSs and the updated HK-Int 5 were issued on 9 July 2024.]

3. **IASB Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* (Proposed Amendments to IFRS 3 and IAS 36)**

The Committee received an update on the feedback received from the SSD staff's outreach activities, which included:

- meeting with the Business Combinations and Reporting Entity Advisory Panel;

- seeking feedback from the Financial Reporting Valuation Advisory Panel;
- meeting with the Small and Medium Practices Committee and its Technical Issues Support Group;
- performing outreach activities with targeted stakeholders; and
- holding a public virtual roundtable discussion.

Based on the feedback received and SSD staff's analysis, the Committee provided comments for the Institute's submission. The Committee also agreed with the SSD staff's proposed timeline for considering and finalising the Institute's submission to the IASB.

4. Progress update of the HKICPA's sustainability standard-setting function and next steps

The Committee received an update on the progress of the Institute's sustainability standard-setting function and next steps, which included:

- the recent developments on Hong Kong's sustainability disclosure ecosystem;
- preliminary findings from the technical feasibility study, which is part of the Institute's work under the CASG working group on sustainability disclosures;
- the Institute's proposed timeline for developing local sustainability disclosure standards, implementation guidance and capacity building activities; and
- the establishment of the Sustainability Disclosure Standards Committee, which will provide the necessary infrastructure and expertise to support the upcoming activities of the SSD from 1 January 2025.

5. IASB Exposure Draft *Contracts for Renewable Electricity*

The Committee received an update on the IASB Exposure Draft *Contracts for Renewable Electricity*, which included a high-level summary of the proposed changes to IFRS 9 *Financial Instruments*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. The Committee also considered and agreed with SSD's planned outreach activities, which include seeking feedback from the Financial Instruments Advisory Panel.

6. Priority of the IASB project *Climate-related and Other Uncertainties in the Financial Statements*

The Committee received an update on the IASB project *Climate-related and Other Uncertainties in the Financial Statements*. The Committee agreed that this project should be identified as medium to low priority because the project only provides examples that illustrate the application of existing disclosure requirements in IFRS Accounting Standards with no fundamental change in accounting principles. The impact of the project on affected companies is not expected to be significant. The Committee also considered and agreed with the SSD's project plan.

7. SSD's planned technical events on financial reporting and sustainability disclosure standards from July 2024 to June 2025

The Committee received a summary of the technical training needs identified by the SSD and SSD's planned technical events on financial

reporting and sustainability disclosures standards from July 2024 to June 2025. The Committee is requested to assist in identifying appropriate speakers for the events and to provide nominations to the SSD staff in due course.

8. Other business

Repeal of section 293 of the Companies Ordinance

A Committee member highlighted that the special rules set out in section 293 of the Companies Ordinance (Cap.622) applicable to long-term insurers for determining their realised profits or losses will be repealed on 1 July 2024 when the Insurance (Amendment) Ordinance 2023 comes into effect. After the repeal, long-term insurers will be required to follow the general principles set out in section 291 and other applicable sections in Part 6 of the Companies Ordinance to determine their realised profits or losses. This member enquired whether there would be a corresponding update to the relevant guidance provided in Accounting Bulletin (AB) 4 *Guidance on the Determination of Realised Profits and Losses in the Context of Distributions under the Hong Kong Companies Ordinance*.

The Committee anticipated that assessing the impact of this change and updating the relevant guidance in AB 4 would be a complex exercise involving different parties and would take time to complete. In addition, the Committee was aware that other parts of AB 4 may also require updates to reflect the subsequent changes in HKFRS and the Companies Ordinance since its issuance in May 2010. Given the significant amount of resources that will be needed for a holistic review of AB 4 and the impending repeal of section 293, the Committee agreed adding a reminder in the relevant part of AB 4 to alert readers that the specific paragraphs are no longer relevant for long-term insurers in determining their realised profits or losses from 1 July 2024. The Committee will consider the next steps when more information about the impact of such change becomes available.

Administrative matter

The Committee noted that they are welcome to propose agenda items for the next FRSC meeting no later than 15 working days prior to the meeting date.

It was noted that the next meeting was scheduled on 12 July 2024.

There being no further business, the meeting closed at 10:00 a.m.

GARY STEVENSON
CHAIR

9 July 2024