



Minutes of the 264th meeting of the Financial Reporting Standards Committee held on Tuesday, 1 June 2021 at 8:30 a.m. via videoconference.

Members present: Mr. Ernest Lee (Chairman), Deloitte Touche Tohmatsu
Mr. Gary Stevenson (Deputy Chairman), RSM Hong Kong
Ms. Kathryn Ashley, HSBC
Mr. Choy Kai Sing, Asia Metro Ltd and own-name practice
Ms. Candy Fong, Foremost Advisers Ltd
Mr. Park Kwok, HLB Hodgson Impey Cheng Limited
Mr. Kenneth Lau, Crowe (HK) CPA Limited
Ms. Susanna Lau, Securities and Futures Commission
Mr. Joe Ng, Ernst & Young
Mr. Ghee Peh, IEEFA
Mr. Richard Poon, AIA Group
Mr. Jim Tang, KPMG
Mr. William Wong, Stock Exchange of Hong Kong Limited
Mr. Guochang Zhang, The University of Hong Kong
Ms. Lisa Zhang, PricewaterhouseCoopers

Staff in attendance: Mr. Chris Joy, Executive Director, Standards & Regulation (For item 1 only)
Ms. Cecilia Kwei, Director, Standard Setting
Mr. Tiernan Ketchum, Deputy Director, Standard Setting
Mr. Norman Chan, Associate Director, Standard Setting
Ms. Carmen Ho, Associate Director, Standard Setting
Ms. Joni Kan, Associate Director, Standard Setting
Ms. Katherine Leung, Associate Director, Standard Setting
Ms. Eky Liu, Associate Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting

Apologies: Ms. Vincyy Lai, Jardine Matheson & Co., Limited

1. **IFRS Foundation Exposure Draft on Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board (ED)**

The Committee was updated on recent IFRS Foundation developments on sustainability reporting pursuant to the Institute's response to the *Consultation Paper on Sustainability Reporting* submitted in December 2020. In particular, the Committee noted that in April 2021 the IFRS Foundation had published a feedback statement on the Consultation Paper and an Exposure Draft on proposed amendments to the IFRS Foundation Constitution paving the way for creation of an International Sustainability Standards Board within the IFRS Foundation governance structure.

The Committee noted that SSD staff have been engaging with the Institute's Sustainability Committee and monitoring broader activities in Hong Kong including of the Green and Sustainable Finance Cross-Agency Steering Group.

SSD staff will prepare the Institute's draft submission on the ED with input from the Sustainability Committee and circulate to the Committee for discussion at the upcoming FRSC meeting.

Action

SSD

2. **Minutes, work program, IFRS Interpretations Committee (IFRIC) agenda decisions, liaison log and expectations on the performance of Committee members and chair**

The Committee approved the minutes of the 263rd meeting.

The Committee noted the developments outlined in the FRSC and SSD work program, minutes of Hong Kong Insurance Implementation Support Group meeting on 14 April, liaison log and was reminded of the expectations on the performance of Committee members and chair.

The Committee also noted an IFRIC agenda decision was published in April 2021.

3. **IASB Discussion Paper Business Combinations under Common Control (DP)**

The Committee received an update on additional feedback received from SSD staff's outreach activities on the IASB DP since the 14 April 2021 Committee meeting, which included the following (meeting summaries will be posted on the Institute's website in due course):

- meetings with technical experts from accounting firms and representatives of the Hong Kong Stock Exchange; and
- a public roundtable discussion with IASB representatives and local participants (including practitioners, preparers, investors and regulators).

The Committee was also briefed on and considered SSD staff's preliminary views to be incorporated into the Institute's comment letter on the DP, and provided comments and drafting suggestions. SSD staff will prepare the Institute's draft submission and present it at the next meeting for the Committee's consideration.

SSD

4. **IFRIC agenda decisions**

The Committee was informed that SSD is considering ways to improve the access to, and understanding of, IFRIC agenda decisions in Hong Kong.

The Committee noted that the IFRS Foundation's *Due Process Handbook* was revised in 2020 and describes the role of IFRIC agenda decisions. The revised IFRS Foundation *Due Process Handbook* states that an agenda decision explains why a standard-setting project has not been added to the work plan and, in many cases, includes explanatory material. The objective of including such explanatory material is to improve the consistency of application of IFRS Standards. Explanatory material derives its authority from the Standards themselves. Accordingly, an entity is required to apply the applicable IFRS Standard(s), reflecting the explanatory material in an agenda decision (subject to it having sufficient time to implement that accounting).

The Committee agreed it would be beneficial to promote awareness of IFRIC agenda decisions in Hong Kong and noted that SSD staff have added references and links to IFRIC agenda decisions to the Institute's website to improve accessibility for members. SSD additionally is supporting members with regular updates on newly published IFRIC agenda decisions through the Institute's Technical Updates Newsletter.

The Committee suggested that SSD should further consider the due process for requesting public comments on IFRIC tentative agenda

decisions in Hong Kong and the due process for IFRIC agenda decisions as materials supporting the application of HKFRS, and bring this topic back to the Committee for further discussion. SSD

5. SSD planned Financial Reporting events from July 2021 to June 2022

The Committee received a summary of SSD's planned financial reporting events between July 2021 and June 2022. The Committee had no additional comments on the planned events or proposed contents. The Committee will assist to identify appropriate speakers for the events and will provide nominations to SSD staff in due course.

6. Capitalisation of in-process research and development expenditure

A Committee member presented a paper on the accounting for upfront payments for separately acquired in-process research and development (IPR&D) based on commonly-seen scenarios in the pharmaceutical and life science industries. Based on the fact patterns as described in the paper, the Committee generally agreed that the upfront payments related to IPR&D should be capitalised in those scenarios. However, mixed views were noted on the basis on how to arrive at that conclusion.

The Committee agreed to form a working group to explore this matter further with the potential of drafting appropriate education materials thereon for the Committee's further consideration. The Committee was invited again to connect SSD staff with relevant preparers to understand the underlying issues further. SSD

7. Other business

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 2021.

There being no further business, the meeting closed at 12:30 p.m.

ERNEST LEE
CHAIR

5 July 2021