



Minutes of the 292nd meeting of the Financial Reporting Standards Committee held on Thursday, 23 October 2025 at 8:30 a.m. in Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (and via videoconference).

Members present: Mr. Joe Ng (Chairman), EY
Mr. Kenneth Lau (Deputy Chairman), Crowe (HK) CPA Limited
Ms. Kathryn Ashley, HSBC
Ms. Tina Chen, Capital Group (dial-in)
Ms. Sin Ko, KPMG
Ms. Vincyy Lai, Jardine Matheson & Co., Limited (dial-in)
Mr. Frank Lam, BDO Limited (dial-in)
Mr. Mateusz Lasik, Deloitte
Ms. Joan Ng, Securities and Futures Commission (dial-in)
Mr. Richard Poon, AIA Group (dial-in)
Mr. William Wong, HKEx (dial-in)
Ms. Elza Yuen, PwC

Staff in attendance: Ms. Cecilia Kwei, Director of Standard Setting
Ms. Eky Liu, Deputy Director of Standard Setting
Mr. George Au, Associate Director, Standard Setting
Mr. Sam Chan, Manager, Standard Setting

Observers: Ms. Carmel Lee, Accounting and Financial Reporting Council
Ms. Lily Rui, Accounting and Financial Reporting Council

Action

1. **Minutes, work program, tentative agenda decisions and stakeholder liaison log**

The Committee approved the minutes of the 291st meeting.

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

The Committee noted that the IC issued the following tentative agenda decisions in October:

- Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18 *Presentation and Disclosure in Financial Statements*)
- Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16 *Leases*)

2. **Accounting for termination of preferential redemption rights**

Mr. William Wong of HKEx declared an interest in this agenda item. The Committee agreed that he could remain and participate in the discussion.

Certain Committee members submitted a joint paper for discussion with the aim of achieving consistency in practice. The matter relates to the application of HKFRS Accounting Standards to a specific fact pattern commonly seen with respect to listing applicants for initial public offerings (IPO) on HKEX involving termination of preferential redemption rights.

The paper illustrates two fact patterns, both of which include:

- (i) an initial agreement signed between a pre-IPO investor, the controlling shareholder and the reporting entity, which granted preferential redemption rights to the pre-IPO investor's investment in ordinary shares which are exercisable against either the reporting entity or the controlling shareholder; and
- (ii) a subsequent agreement entered into between the same parties to terminate by mutual consent the preferential redemption rights exercisable against the reporting entity on a void ab initio basis, in terms of which the positions of the parties were restored as if the provisions regarding the preferential redemption rights exercisable against the reporting entity in the initial agreement had never been agreed upon.

The two fact patterns include different assumptions as to the legal enforceability of the preferential redemption rights exercisable against the reporting entity at the time of signing the initial agreement and during any periods before signing the supplemental agreement. In Scenario A, the redemption rights are legally enforceable subject to certain constraints, while in Scenario B, the redemption rights are not legally enforceable.

The analysis in the paper indicates that the difference in assumptions regarding legal enforceability of the preferential redemption rights exercisable against the reporting entity would lead to different accounting treatment in the financial statements of the reporting entity. In Scenario A, the financial liability recognised for the redemption obligation of the reporting entity in respect of the pre-IPO investment in ordinary shares is extinguished upon signing the subsequent agreement, while in Scenario B, no financial liability is recognised since the signing of the initial agreement (i.e. the pre-IPO investment in ordinary shares is recognised as equity since the signing of the initial agreement).

The Committee deliberated on the matter. While a few Committee members voiced out their support for the accounting analysis for just Scenario A or for both Scenarios A and B, other members questioned what the actual legal position is regarding enforceability. The Committee noted that it is outside its remit to comment on the legal enforceability of the agreements or indeed to provide any views on the legal position. Instead, the two fact patterns intentionally made different assumptions about the legal position so that Committee members could comment on the accounting analysis for each case. This would enable stakeholders to apply the appropriate accounting based on their assessment of the legal position after considering legal advice as appropriate.

As the matter affects mostly PRC incorporated companies to be listed in HK and a published guidance was previously issued by a securities regulator (*for the avoidance of doubt not the Hong Kong securities regulator*), certain members requested seeking inputs from the securities regulator. The Committee noted that generally the Institute is not the appropriate body for such communication and such communication is not a precondition for the Committee to form a view on the appropriate HKFRS accounting for the fact patterns presented.

It was agreed that the paper should be revised to include certain further considerations which were deemed appropriate by some members, including being clear on the basis of preparation and providing enhanced analysis on the question of how subsequent changes in contractual terms due to agreement between the contractual parties should be accounted for,

including their impact on prior periods, prior to further deliberation by the Committee at an additional meeting to be scheduled.

3. **Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures**

The Committee noted that the IASB issued *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures* in August 2025. The Committee considered and approved the issuance of HKFRS equivalent Amendments in accordance with the Institute's international convergence policy.

[Post-meeting note: *Amendments to HKFRS 19 Subsidiaries without Public Accountability: Disclosures* were issued on 27 October 2025.]

4. **Other business**

Administrative matter

The Committee noted that an additional meeting will be scheduled in November to further discuss item 2.

Members were also reminded that they are welcome to propose agenda items for the December FRSC meeting no later than 15 working days prior to the meeting date, which is scheduled for 5 December.

There being no further business, the meeting closed at 10:15 a.m.

JOE NG
CHAIR

12 November 2025