



30 June 2021

Your Ref: C/FRSC

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Attention: Ms. Cecilia Kwei

Dear Madam,

**Response to Invitation to Comment on the IASB Exposure Draft
*ED/2021/1 Regulatory Assets and Regulatory Liabilities***

On behalf of the Hong Kong and China Gas Company Ltd., we are writing in response to your Invitation to comment on the IASB Exposure Draft dated 2 February 2021.

We agree the requirements in the Exposure Draft help to provide more information to investors. The disclosure of regulatory assets, regulatory liabilities, regulatory income and regulatory expenses clarifies the financial information for businesses under regulatory agreements.

For the questions stated in the Exposure Draft, we have the following comment:

Question 6 – Discount Rate

The Exposure Draft set out proposed requirements for an entity to estimate the minimum interest rate and to use this rate to discount the estimated future cash flows if the regulatory interest rate provided for a regulatory asset is insufficient to compensate the entity. There is no similar requirement for regulatory liabilities. For a regulatory liability, an entity would use the regulatory interest rate as the discount rate in all circumstances.

In our view, the inconsistent discount rate selections for regulatory assets and regulatory liabilities may lead to misleading net impact from the users' rights and obligations under the same regulatory agreements.



Thank you for your kind attention.

Yours faithfully,

John HO Hon Ming
Executive Director, Chief Financial Officer and Company Secretary

Cc: Ms Anna Luk, Mr Chaplin Ho and Mr Martin Yip