



Minutes of the 193rd meeting of the Financial Reporting Standards Committee held on Tuesday, 7 June 2011 at 8:30 a.m. in the Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Present: Mr. Clement Chan (Chairman)
Mrs. Catherine Morley (Deputy Chairman)
Mr. Colin Chau
Mr. Raphael Ding
Mr. James Fawls
Mr. Paul Hebditch
Ms. Elsa Ho
Ms. Kelly Kong
Ms. Susanna Lau
Mr. Allen Leung
Mr. William Lim
Mr. Paul Phenix
Ms. Shelley So
Ms. Florence Wong

In attendance: Mr. Steve Ong, Director, Standard Setting
Ms. Winnie Chan, Manager, Standard Setting
Mr. Ambrose Wong, Manager, Standard Setting

Apologies for absence were received from Mr. Stephen Chan and Ms. Caron Hughes.

1. **Minutes of the 192nd meeting**

The minutes of the 192nd meeting were approved by the Committee and signed by the Chairman.

2. **Issuance of new and revised HKFRSs**

The Committee approved the issue of the Hong Kong equivalent of the following new and revised IFRSs with the same effective date without modification:

- (i) IFRS 10 *Consolidated Financial Statements*
- (ii) IFRS 11 *Joint Arrangements*
- (iii) IFRS 12 *Disclosure of Interests in Other Entities*
- (iv) IFRS 13 *Fair Value Measurement*
- (v) Amendments to IAS 27 *Separate Financial Statements* (2011)
- (vi) Amendments to IAS 28 *Investments in Associates and Joint Ventures* (2011)

The Committee further agreed that the Working Group on Accounting Bulletin 4 should be invited to consider the impact of the new and revised standards on realized distributable profits. It also requested the Standard Setting Department to compare the requirements between the new accounting standards and the Companies Ordinance to identify any conflict for further consideration of the Committee. The Committee also agreed that, when issuing the new and revised standards, those major changes to the previous standards should be highlighted so as to draw users' attention to those changes.

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3. NSS Topical Issues on IFRS 9

The Committee noted that in the recent National Standard Setters (NSS) meeting held in March, some European constituents have expressed concerns in relation to the implementation of the classification criteria of IFRS 9 and the elimination of the bifurcation requirements for financial assets. Hong Kong was requested by the NSS to collate further views on this given that Hong Kong had adopted IFRS 9 as HKFRS 9 since November 2009.

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The Committee was advised that major Hong Kong banks have not yet made the decision to adopt IFRS 9 early as they would like to see the completion of all the phases of IFRS 9 before making that decision. The Committee generally agreed that the Institute should suggest to the IASB that it should consider revising the current effective date in the chapters of IFRS 9 that have been finalized (classification and measurement requirements). The Committee was of the view that as the interaction between these chapters of IFRS 9 with the impairment and hedging proposals will be significant, the adoption on a piecemeal basis of the chapters already issued in 2013 was not advisable. The Committee generally supported delaying the mandatory adoption of the whole of the financial instruments standard until 2015.

The Committee also agreed to communicate with the Hong Kong Association of Banks to understand whether there will be any implementation issues arising from HKFRS 9 expected by banks in Hong Kong.

4. IFRS Foundation Trustees Roundtable at Hong Kong

The Committee noted that the Institute will be holding the IFRS Foundation Trustees Roundtable at Hong Kong on 8 June 2011 for consultation on the Trustees' "Report of the Trustees' Strategy Review – IFRSs as the Global Standard: Setting a Strategy for the Foundation's Second Decade" (Consultation Document).

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The Committee considered the preliminary views prepared by the Standard Setting Department and the Asian-Oceanian Standard Setters Group (AOSSG) and had a number of additional comments. The Standard Setting Department was requested to finalize the comment letter upon the completion of the roundtable.

5. Report on the IFRS Regional Policy Forum and AOSSG meeting

The Chairman and the Manager of Standard Setting Department attended the IFRS Regional Policy Forum and AOSSG meeting held on 23 to 25 May at Bali.

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The Committee received a report of the meeting and the Chairman briefed the Committee on the progress of various key IASB projects such as leases, revenue recognition, financial instruments and insurance contracts as well as the discussion summary of the criteria and process of appointment of AOSSG Chairman and Vice-Chairman.

The Committee requested the Standard Setting Department to prepare a

paper on the additional resources that the Institute would require or that representatives of the Committee would need to commit if the HKICPA is to host an AOSSG meeting in Hong Kong and to take on major projects proposed by the AOSSG.

6. **The possible use of the IFRS reporting for HK incorporated companies**

The Committee noted that an enquiry was received by the Standard Setting Department concerning whether financial statements prepared in accordance with IFRS would meet the "true and fair" requirements of the Companies Ordinance.

The Committee noted that, the draft Companies Bill which was gazetted on 14 January 2011, stated that accounting standards are statements of standard accounting practice issued by a body prescribed by the Regulations. That appointed body is the HKICPA under the Professional Accountants Ordinance. As a result, only HKFRSs that are issued by the HKICPA can be used by Hong Kong incorporated companies. This was consistent with the conclusion of the legal opinion obtained by the Institute in 2001 about the requirements for financial statements to show a "true and fair view".

A member of the Committee suggested that the Committee should consider, in the long term, the possibility of amending HKFRS 1 to enable the IFRS preparers to claim compliance with HKFRS.

[The legal opinion obtained in 2001 is available from the HKICPA website at http://www.hkicpa.org.hk/file/media/section6_standards/standards/trueandfairview.pdf]

7. **Draft Q&As on IFRS for SME issued by the SME Implementation Group**

The Committee considered the draft submission prepared by the Standard Setting Department and had a number of comments. The Standard Setting Department was requested to revise the draft submission based on the comments received at the meeting for the consideration of the Committee by circulation.

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There being no further business, the meeting closed at 10:50 a.m.

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CHAIRMAN

10 June 2011