



Minutes of the 281st meeting of the Financial Reporting Standards Committee held on Tuesday, 12 December 2023 at 8:30 a.m. via videoconference.

Members present: Mr. Gary Stevenson (Chairman), RSM Hong Kong
Mr. Jim Tang (Deputy Chairman), KPMG
Mr. Joe Ng (Deputy Chairman), EY
Ms. Kathryn Ashley, HSBC
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. Ghee Peh, IEEFA
Mr. Richard Poon, AIA Group
Mr. William Wong, Stock Exchange of Hong Kong Limited
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. 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

Apologies: Ms. Fanny Hsiang, BDO Limited

Action

1. **Minutes, work program, IFRS Interpretations Committee (IC) agenda decisions (AD) and liaison log**

The Committee approved the minutes of the 280th meeting.

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

AD

The Committee noted the IC finalised the following three AD in October 2023:

- Premiums Receivable from an Intermediary (IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*)
- Homes and Home Loans Provided to Employees
- Guarantee over a Derivative Contract (IFRS 9 *Financial Instruments*).

Tentative agenda decisions

The Committee also noted the IC issued the following two tentative agenda decisions in December 2023:

- Climate-related Commitments (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)
- Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8 *Operating Segments*).

2. **IASB Exposure Draft *Financial Instruments with Characteristics of Equity***

The Committee received an update on the IASB Exposure Draft *Financial Instruments with Characteristics of Equity*, which includes a high-level summary of the proposed changes to IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures* and IAS 1 *Presentation of Financial Statements*.

The Committee also considered and agreed with SSD's planned outreach activities, which include seeking feedback from the Financial Instruments Advisory Panel and Small and Medium Practices Committee Technical Issues Support Group, as well as hosting a public virtual roundtable discussion.

3. **Priority of two IASB projects**

The Committee received an update on the following two new IASB projects:

(A) *Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard*

The Committee agreed that this project should be identified as low priority considering that the application of HKFRS for Private Entities (equivalent to *IFRS for SMEs Accounting Standard*) is relatively limited in Hong Kong and so the project may only affect a limited number of SMEs. In addition, the Committee did not anticipate stakeholders will have significant concerns on the proposals given the proposals are largely based on two narrow-scope IFRS amendments which are not expected to have a significant impact on Hong Kong entities.

(B) *Updating the Subsidiaries without Public Accountability: Disclosures Standard*

The Committee agreed that this project should not be a high priority project because it relates to disclosures requirements only and will only affect a subset of local entities, i.e. subsidiaries without public accountability. In addition, this project is not considered as pervasive nor urgent as the Committee's other high priority project.

The Committee considered and agreed with the SSD's project plans and next steps for these two IASB projects.

4. **Abolition of the MPF-LSP offsetting mechanism in Hong Kong**

The Committee received an update on the feedback received from the SME-FRF & SME-FRS Advisory Panel relating to the accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong (Abolition) on SME-FRF & SME-FRS financial statements, and considered the impact of the Abolition and the proposed next steps.

The Committee noted that Section 10 *Provisions, Contingent Liabilities and Contingent Assets* of the SME-FRS sets out the relevant principles and requirements for recognizing and measuring an entity's provision for LSP. Furthermore, example A5 of Appendix 1 to the SME-FRS illustrates the application of these requirements to a LSP provision and states that "a provision is recognised for the best estimate of the long service payments that are required to be made to the employees of the entity in respect of

their services to date less any amounts that would be expected to be met out of a retirement scheme”.

In considering the above, the Committee noted that there are two acceptable views on how the “amounts that would be expected to be met out of a retirement scheme” (‘offsetable amount’) could be determined:

- View A: The amounts should take into account the expected reduction in offsetable accrued benefits as a result of the Abolition, or
- View B: The amounts should be based on the actual amounts of MPF accrued benefits at the reporting date that may be used to reduce the best estimate of LSP payable.

The Committee noted that an entity applying view A may consider it appropriate to determine the offsetable amount by using a technique that is similar to approach one in the [educational guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong](#) published by the Institute in July 2023 (‘MPF Guidance’), in which case the entity should refer to such guidance to determine the accounting impact in the year of enactment of the Abolition Bill and in subsequent financial years.

Alternatively, an entity applying view B may consider it appropriate to determine the offsetable amount as the actual MPF accrued benefits derived from the employer’s mandatory contributions as at the reporting date (limited to the best estimate of the gross LSP payable).

Under either view, any change in the inputs used in estimating the LSP obligations would be treated as a change in accounting estimates with the resulting financial effect recognised in profit or loss prospectively in the period of the change in accordance with paragraph 2.10 of the SME-FRS. In addition, entities should also provide the relevant disclosures for their LSP provisions and the related accounting policy information in accordance with Section 10 in SME-FRS to the extent material.

The Committee noted that example A5 of Appendix 1 to the SME-FRS remains appropriate at this point in time. Nevertheless, the Committee noted that the example does not take account of any government subsidy that may be granted in association with the Abolition. When preparing their financial statements, entities should consider the latest developments with respect to the government subsidy and evaluate the impact of those developments on their financial statements. This includes the need to provide any relevant subsequent event disclosures about the government subsidy based on the relevant facts and circumstances up to the time the financial statements are authorised for issue.

For entities that apply HKFRS for Private Entities in preparing their financial statements, the Committee noted that such standard has specific accounting requirements for defined benefit obligations similar to HKAS 19 *Employee Benefits* with measurement simplifications. Hence, the Committee considered that the MPF Guidance would also be appropriate for entities applying HKFRS for Private Entities to determine the accounting impact and assess the financial effect of the Abolition.

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

The Committee received an update on the HKICPA's sustainability standard-setting function and next steps. The Committee noted that the CASG working group on sustainability disclosures (WGSD), comprising the Financial Services and the Treasury Bureau, Securities and Futures Commission, Hong Kong Exchanges and Clearing Limited, Accounting and Financial Reporting Council and HKICPA, continued to work on three separate documents: (i) vision statement for developing a sustainability disclosures ecosystem in Hong Kong; (ii) WGSD work plans for various areas; and (iii) the approach to developing the HKFRS Sustainability Disclosure Standards.

6. **2023 Progress Report**

The Committee reviewed the SSD's progress made on the high priority projects and SSD's achievements this year.

7. **Other business**

Administrative matter

The Committee noted that they are welcome to propose agenda items for the next FRSC meeting by mid of January 2024.

There being no further business, the meeting closed at 10:30 a.m.

GARY STEVENSON
CHAIR

14 February 2024