



Minutes of the 269th meeting of the Financial Reporting Standards Committee held on Tuesday, 15 February 2022 at 8:30 a.m. via videoconference.

Members present: Mr. Jim Tang (Deputy Chairman), KPMG  
Ms. Kathryn Ashley, HSBC  
Ms. Fanny Hsiang, BDO Limited  
Ms. Vincyy Lai, Jardine Matheson & Co., Limited  
Mr. Mateusz Lasik, Deloitte Touche Tohmatsu  
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. William Wong, Stock Exchange of Hong Kong Limited  
Ms. Lisa Zhang, PricewaterhouseCoopers

Staff in attendance: Ms. Cecilia Kwei, Director, Standard Setting  
Ms. Eky Liu, 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. Carrie Lau, Associate Director, Standard Setting  
Ms. Katherine Leung, Associate Director, Standard Setting  
Mr. Anthony Wong, Associate Director, Standard Setting

Apologies: Mr. Gary Stevenson (Chairman), RSM Hong Kong

Action

**1. Welcome and Introductions**

SSD welcomed Mr. Mateusz Lasik and Ms. Fanny Hsiang as new members of the Committee.

The Committee noted/approved the following:

- i) the general confidentiality rules in relation to minutes and agenda papers;
- ii) its terms of reference;
- iii) expectation of chair and members and performance evaluation exercise;
- iv) 2022 meeting dates;
- v) the standard operating procedures for financial reporting standard-setting; and
- vi) Induction pack, including an overview of HKICPA's standard-setting functions.

**2. Compositions and Terms of Reference of FRSC's Advisory Panels**

The Committee noted that the name of Hong Kong Insurance Implementation Support Group (HKIISG) has changed to Insurance Advisory Panel starting from 2022 to align with the Institute's revised naming convention.

The Committee noted that each panel should include only one representative from each organisation and the panel should comprise a maximum of 15 members, unless otherwise justified and approved by the Committee. That said, the Committee considered that having both accounting and valuation experts in the Financial Reporting Valuation

Advisory Panel would help facilitate discussions and agreed to allow up to two representatives from each organisation and have more than 15 members in the Panel, subject to reassessment next year.

As part of its annual review, the Committee noted and approved the composition and Terms of Reference of the following FRSC's Advisory Panels.

1. Business Combinations and Reporting Entity Advisory Panel
2. Companies Ordinance Application Issues (Financial Reporting) Advisory Panel
3. Conceptual Framework Advisory Panel
4. Disclosure Initiative Advisory Panel
5. Employee Benefits Advisory Panel
6. Financial Instruments Advisory Panel
7. Financial Reporting Valuation Advisory Panel
8. Income Tax/Deferred Tax Advisory Panel
9. Insurance Advisory Panel (formerly known as HKIISG)
10. Leases Advisory Panel
11. Revenue Recognition Advisory Panel
12. SME-FRF & SME-FRS Advisory Panel

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

The Committee approved the minutes of the 268th meeting.

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

The Committee also noted SSD's analysis and proposed next steps on the IC tentative agenda decision *Principal versus Agent: Software Reseller (IFRS 15 Revenue from Contracts with Customers)* and IC finalised agenda decision *Economic Benefits from Use of a Windfarm (IFRS 16 Lease)*.

### **4. Strategic Planning**

#### *SSD 2022 work plan*

The Committee noted SSD's plan to develop six substantive local publications and that SSD will be working on at least 29 major projects this year. The Committee noted that further re-prioritisation among projects that are initially identified as high priority may be needed as the year progresses.

#### *The Institute's role in setting sustainability standards*

The Committee noted that the International Sustainability Standards Board (ISSB) was set up in November 2021 and the ISSB is expected to issue two exposure drafts (EDs) in March 2022. The Committee also noted that the Institute will be engaging with relevant parties, e.g. the government, Securities and Futures Commission, Hong Kong Stock Exchange, and Financial Reporting Council to seek clarity on the role that the Institute will play with regard to setting sustainability standards in Hong Kong and other related issues.

The Committee agreed that as an interim measure, a Sustainability Panel will be set up under the Committee comprising specialists on sustainability matters to formulate comments on the two upcoming ISSB EDs with a longer-term potential of turning that into a proper committee should the need arise to support ISSB activities, local advocacy work and the

development of the wider corporate reporting landscape in Hong Kong in line with government policies.

It was suggested that the SSD revisit the current structure after commenting on the two upcoming ISSB EDs and when there is more clarity from other parties as to the role that the Institute will play in setting sustainability standards in Hong Kong.

The Committee noted the resource constraints within SSD and recommended Council commit sufficient resources into building up the Institute's capability in sustainability matters to better enable the Institute to serve the business community and public interest of Hong Kong and contribute to a sustainable development of Hong Kong as a leading international financial centre.

#### *Post-implementation review (PIR) policies*

The Committee considered and agreed that taking into account Hong Kong stakeholders' needs, capacity and engagement level, the Institute continues with the existing practice of identifying and addressing post-implementation issues. Specifically:

- i) For internationally converged standards, the Institute continues to participate in the IASB's PIRs on high-priority projects. It will not be necessary for the Institute to perform additional PIRs out-of-sync with the IASB's work plan on these standards;
- ii) For Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME-FRF & SME-FRS), the Institute performs a PIR every five years as approved by the Committee in February 2020;
- iii) For HK-Int 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* and Accounting Guidelines, the Institute updates the Committee annually on any related IASB developments and on the recommendation from the Investment Circular Reporting Panel (under the auspices of the Auditing and Assurance Standards Committee) on whether amendments to AG 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* are required. The Committee will decide on next steps based on project priority.
- iv) For Accounting Bulletins (ABs), PIRs are not applicable because ABs are informative publications on subjects of topical interest and do not have the same authority as the other pronouncements identified above.

One member shared that AB 4<sup>1</sup> is still relevant and suggested SSD update it; while other members noted that any AB4-related issues noted relate to niche areas on very specific transactions that are not common for the majority of HK stakeholders, and that AB4 as it stands still provide useful materials. After considering the significant amount of resources that will be needed in SSD as well as other parties (e.g. lawyers, Companies Registry etc.) in updating AB 4 locally, the Committee agreed that SSD will check with the ICAEW and the ICAS for their planned update to TECH 01/09 and will bring it back for the Committee's consideration in the future.

The Committee agreed with including the above PIR policy in the *Preface to HKFRS*.

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<sup>1</sup> AB 4 *Guidance on the Determination of Realised Profits and Losses in the Context of Distributions under the Hong Kong Companies Ordinance* is based on the Technical Release (TECH 01/09) "Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006" issued by the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants of Scotland (ICAS).

The Committee also approved the amendments to the *Preface to HKFRS* and *Preface to HKFRS for Private Entities*.

**5. 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 1 March 2022.

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

GARY STEVENSON  
CHAIR

22 February 2022