Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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Sent electronically through the IASB Website (www.ifrs.org)

20 April 2026

Dr Andreas Barckow
International Accounting Standards Board
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United Kingdom

Dear Andreas,

IASB Exposure Draft
Amendments to the Fair Value Option for Investments in Associates and Joint Ventures (Proposed amendments to IAS 28)

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only body authorised by law to set and promulgate standards relating to financial reporting, auditing, ethics and sustainability disclosures for professional accountants in Hong Kong. We are grateful for the opportunity to provide you with our comments on this Exposure Draft (ED).

We appreciate the IASB's endeavours in formulating proposals to address diversity in the application of the fair value option requirements in IAS 28 *Investments in Associates and Joint Ventures* and the effects of that diversity on the classification of income and expenses in the statement of profit or loss under IFRS 18 *Presentation and Disclosure in Financial Statements*. Overall, we support the proposed amendments to paragraphs 18-19 of IAS 28. We also agree with the proposed effective date, which aligns with the effective date of IFRS 18, as well as the proposed transition provisions. Nevertheless, we have the following recommendations for the IASB's consideration.

Investments in associates and joint ventures that do not form part of the main business activity of an entity

We consider that the proposed amendments to paragraph 18 of IAS 28 are clear in that an entity whose main business activity is investing in assets is permitted to apply the fair value option to any of its investments in associates and joint ventures, even if that main business activity does not include investing in associates and joint ventures. However, the wording in BC 15-16 of the ED may give rise to uncertainty regarding the scope of the proposals, in particular whether the fair value option is restricted to the investments in associates and joint ventures that form part of the entity's main business activity. This lack of clarity is particularly relevant given that the issue was initially raised in the context of investments in associates and joint ventures that form part of the main business activity of insurance companies.

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In addition, the implications of the proposal for classification outcomes under IFRS 18 may not be sufficiently explicit. In particular, for entities whose main business activity is investing in assets, but whose investments in associates and joint ventures do not form part of that main business activity, it may not be clear that income and expenses arising from those investments would be classified in the investing category, but not in the operating category, in the statement of profit or loss in accordance with paragraph 53 of IFRS 18.

To avoid potential misinterpretation of the proposed amendments, we recommend that the IASB provide the following clarifications in BC15-16 of the ED:

i) the interaction between the proposed amendments and IFRS 18, specifically that the proposed amendments affect only the measurement of an investment in an associate or joint venture, while the presentation and classification of income and expenses arising from such investments remain subject to the requirements of IFRS 18;

ii) an entity whose main business activity is investing in assets can apply the fair value option to *any of* its investments in associates and joint ventures, even if that main business activity does not include investing in associates and joint ventures; and

iii) income and expenses arising from investments in associates and joint ventures that do not form part of the entity's main business activities would be classified in the investing category, but not in the operating category, in the statement of profit or loss under IFRS 18.

An unrestricted fair value option

Some respondents agreed with the alternative views in the ED that there is no clear conceptual basis for restricting the fair value option for investments in associates and joint ventures to particular entities. They questioned why entities whose main business activity is investing in particular assets are permitted to elect the fair value option, while other entities are not, particularly when such investments are not required to form part of that main business activity. In their view, the proposed amendments could introduce financial reporting bias.

Notwithstanding these concerns, given the urgency of addressing the issue before IFRS 18 becomes effective, these respondents supported the proposed amendments as an interim improvement. They also recommended that the IASB consider introducing an unrestricted fair value option in the future. In light of this feedback, we suggest that the IASB take into account the feedback received on the ED when considering whether this matter should be addressed as part of its future standard-setting activities.

Work undertaken by HKICPA in forming its views:

In response to this ED, the HKICPA:

a) issued an Invitation to Comment on the ED on 20 February 2026 to its members and other stakeholders;
b) sought input from its Business Combinations and Reporting Entity Advisory Panel and Insurance Advisory Panel, which mainly comprise technical and industry experts from accounting firms;
c) conducted a targeted outreach to a former auditor and technical expert; and
d) developed its views through its Financial Reporting Standards Committee, having reflected on its respondents' views. The Committee comprises preparer representatives from various industry sectors, regulators, as well as technical and industry experts from small, medium and large accounting firms.

If you have any questions regarding the matters raised in this letter, please contact Katherine Leung (katherineleung@hkicpa.org.hk), Associate Director of the Standard Setting Department.

Sincerely,

Cecilia Kwei
Director of Standard Setting