



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

Hong Kong Updates

Exchange of Views

EFRAG Board Meeting, 3 July 2018, Berlin

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About HKICPA

Established by Hong Kong Law to work in the public interest.



Financial Reporting in Hong Kong

- All companies domiciled and/or listed in Hong Kong must be audited.
- Hong Kong and foreign companies must apply HKFRS and/or IFRS Standards.
- A+H listed companies can apply China Accounting Standards for Business Enterprises.

	No. of companies
Total public companies on Hong Kong Stock Exchange	2,162
Hong Kong incorporated private companies	1,369,614
Hong Kong incorporated guarantee companies	13,607

Source: The Hong Kong Companies Registry and The Hong Kong Stock Exchange websites, January 2018

Mostly foreign and HK incorporated companies

<400 PRC incorporated companies, of which:

- 65% apply HKFRS
- 21% apply IFRS
- 14% apply CASBE

Standards Issued by HKICPA

HKFRS

- The equivalent of IFRS Standards as issued by the IASB.
- With the exception of A+H companies, all companies listed on the Hong Kong Stock Exchange are required to apply HKFRS/IFRS.

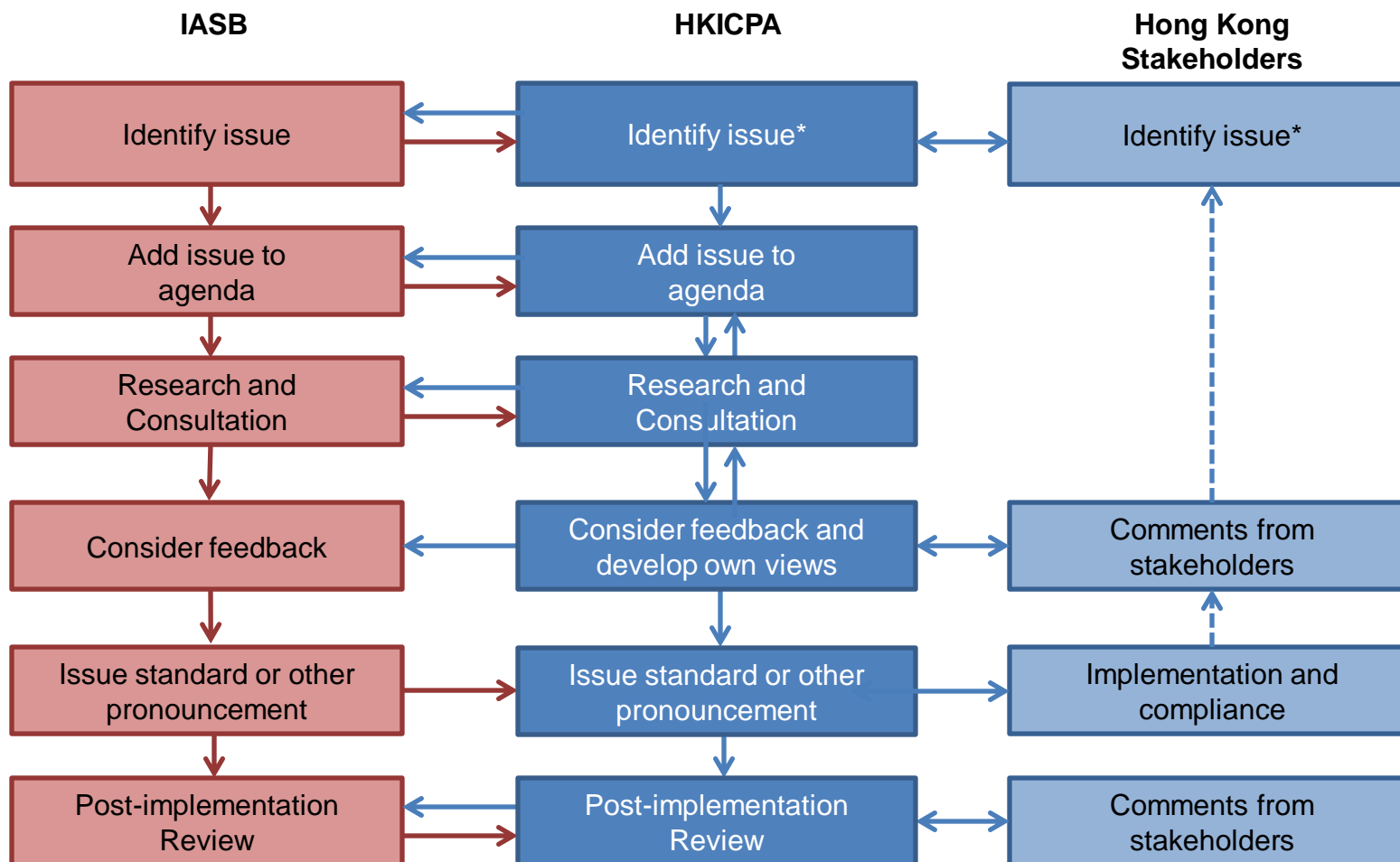
HKFRS for Private Entities

- The equivalent of IFRS for SMEs as issued by the IASB.
- Companies that do not have public accountability and that publish general purpose financial statements for external users can apply HKFRS for PE.

SME Financial Reporting Framework & Standard

- Developed by HKICPA when Hong Kong adopted IFRS in 2004.
- Applicable only to companies that do not have public accountability and meet two of the following criteria:
 - Total revenue <HK\$200 million
 - Total assets <HK\$200 million
 - <100 employees.

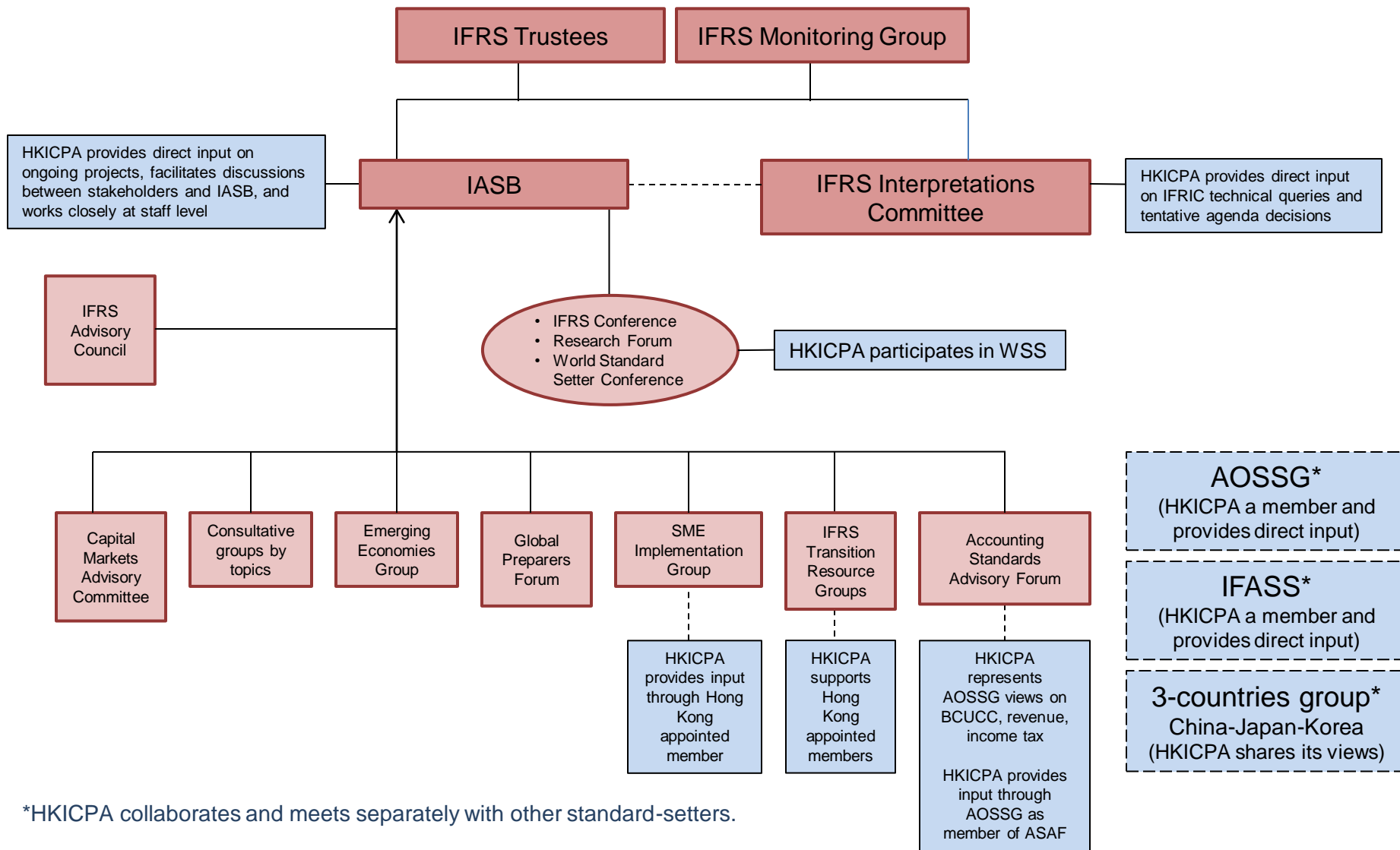
Standard-Setting Process



*Technical issues may be identified in the following manner:

- Regular meetings with key stakeholder groups (academics, investors, preparers, practitioners and regulators);
- Committee and Advisory Panel members share emerging issues;
- Stakeholders directly communicating with SSD staff;
- Formal SS consultation documents.

Influencing Globally



*HKICPA collaborates and meets separately with other standard-setters.

Focus Areas

Research and supporting the development, implementation and application of standards, in particular...

Topics that have a prevalent impact to Hong Kong

Topics that require significant judgement in Hong Kong

Topics that relate to the fundamentals of financial reporting

Adopting IFRS 17 Hong Kong's Journey

IASB Consultation

- Requested comments
- Public roundtable, Advisory Panel input
- HKICPA views

IASB Deliberations

Continued industry outreach and IASB staff discussions

IFRS 17
Published
May 2017

- Cost-benefits analysis
- More outreach: preparers & investors
- Insurance & securities regulators input

HKFRS 17
Published
Jan 2018

- Letter to IASB
- Letter to preparers, forums
- Implementation Support Group

IFRS 17 Issues So Far

Contract boundary

Coverage units for
insurance contracts
with investment
element

Level of aggregation—
too granular

IT & HR

*Access our Implementation Support Group materials [here](#).

There seems to be common issues across jurisdictions—what can we do collectively to meet our common objectives of having one global insurance standard while ensuring preparers can reasonably apply the standard?

Research on BCUCC

Our research shows ~5 BCUCCs per month in groups of listed companies (2013-2015). ~90% of listed companies apply a version of predecessor method.

What have we done so far?

- Public consultation on the review of HKICPA merger accounting guideline – findings to be published soon.
- Research on the history and evolution of 'predecessor method' – presented at 2017 AOSSG Annual Meeting.
- A study on investor's perspectives on the substance of M&As with third parties vs M&As under common control – joint effort with OIC staff, findings presented at 1H 2018 IFASS and to be presented at ASAF.
- Ongoing outreach with Hong Kong and PRC preparers and investors on IASB Board and staff tentative thinking.

Other Research

FICE

- To understand HK instruments and whether they are unique
- desktop research, stakeholder outreach
- monitoring wider corporate reporting initiatives and responding to consultations

Better Communication

- To understand investor needs, and preparer and regulator challenges
- Considering how to make a meaningful change in reporting quality
- desktop research, stakeholder outreach
- monitoring wider corporate reporting initiatives and responding to consultations

SME reporting

- To review and revise if improvement is needed
- stakeholder outreach focussed on banks and tax office needs
- SME standard in other jurisdictions

Cryptocurrencies

- Early stage fact-finding, education and discussions with interested parties
- No plans to issue standard but a staff paper may be inevitable as starting point

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