

JURISDICTIONAL PROFILE: **Hong Kong SAR**

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This Profile provides information about the application of IFRS® Accounting Standards (Standards) in Hong Kong SAR. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact permissions@ifrs.org.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Hong Kong Institute of Certified Public Accountants (HKICPA)
Role of the organisation	<p>As one of two Special Administrative Regions of China (the other being Macao), Hong Kong has its own legal system, including its own legal framework for developing accounting standards.</p> <p>The HKICPA is the only body authorised by law to promulgate standards relating to financial reporting, auditing, ethics and sustainability disclosures for professional accountants in Hong Kong pursuant to Section 18A of the Professional Accountants Ordinance (Chapter 50).</p>
Website	www.hkicpa.org.hk/en/
Email contact	standardsetting@hkicpa.org.hk

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	Hong Kong Financial Reporting Standards (HKFRS) have been converged with International Financial Reporting Standards (IFRS Accounting Standards) starting with annual reporting periods commencing from 1 January 2005.
Additional comments provided on the adoption status?	HKFRS contain wording identical to the equivalent IFRS Accounting Standards except for the transitional provisions in a few standards that were converged initially with effect from 1 January 2005. These transitional provisions were changed to provide the transition from the requirements in the previous HK GAAP. Since 1 January 2005, all HKFRS issued have the same effective dates and transitional provisions as IFRS Accounting Standards.
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?	Companies whose securities trade in a public market are required to use HKFRS (which are converged with IFRS Accounting Standards), with the following exceptions: <ul style="list-style-type: none"> certain companies incorporated outside Hong Kong but domiciled in Hong Kong are permitted to use either HKFRS or IFRS Accounting Standards as issued by the IASB. companies incorporated in the Chinese mainland are permitted to use either HKFRS or China Accounting Standards for Business Enterprises.
If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?	See above.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	See above.
Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes. See section above.

For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?

Hong Kong incorporated companies whose securities do not trade in a public market are required to apply HKFRS, unless those companies are eligible to apply HKFRS for Private Entities or Hong Kong Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME-FRF & SME-FRS). Companies incorporated outside Hong Kong are permitted to use either HKFRS or IFRS Accounting Standards.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting Standards for such companies in the future?

Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements?

Yes, foreign companies whose securities are publicly traded in Hong Kong are permitted to report under IFRS Accounting Standards.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases?

Permitted.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

Annual accounts of a foreign company that is publicly traded in Hong Kong are required to conform with financial reporting standards acceptable to the Stock Exchange of Hong Kong Limited (Exchange), which are normally:

1. HKFRS, which are converged with IFRS Accounting Standards; or
2. IFRS Accounting Standards.

An overseas issuer that has a secondary listing on the Hong Kong Stock Exchange may prepare its accounts in conformity with Generally Accepted Accounting Principles in the United States of America (US GAAP).

Where the Exchange allows annual accounts to be drawn up otherwise than in conformity with HKFRS or IFRS Accounting Standards, the annual accounts will be required to conform with financial reporting standards acceptable to the Exchange. In such cases, the Exchange will normally require the annual accounts to contain a reconciliation statement setting out the financial effect of the material differences (if any) from either HKFRS (which are converged with IFRS Accounting Standards) or IFRS Accounting Standards. The suitability of alternative overseas financial reporting standards depends on whether there is any significant difference between the overseas financial reporting standards and IFRS Accounting Standards, and whether there is any concrete proposal to converge or substantially converge the overseas financial reporting standards with IFRS Accounting Standards. A list of alternative overseas financial reporting standards that are considered comparable to HKFRS (which are converged with IFRS Accounting Standards) or IFRS Accounting Standards is published on the Exchange's website. This list is amended from time to time.

IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies?	Hong Kong Financial Reporting Standards (which are converged with IFRS Accounting Standards).
The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:	Hong Kong Financial Reporting Standards (if the company uses HKFRS) or IFRS Accounting Standards (if the company is incorporated outside Hong Kong and uses IFRS Accounting Standards as issued by the IASB).
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?	Yes.
Are IFRS Accounting Standards incorporated into law or regulations?	No. Financial reporting standards issued by the HKICPA are recognised as authoritative under Hong Kong law.
If yes, how does that process work?	
If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	<p>The HKICPA's due process procedures are as follows:</p> <ol style="list-style-type: none"> 1. HKFRS are developed through a due process that involves members and assurance practitioners of the HKICPA, listed companies in Hong Kong, the Exchange, regulatory and legal authorities, academics and other interested individuals and organisations. 2. The HKICPA Financial Reporting Standards Committee (FRSC) decides on major projects and work priorities. The FRSC identifies potential agenda items for which timely guidance can be provided. Due process for projects may involve any or all of the following steps, which are conducted by the FRSC except for those that note otherwise: <ol style="list-style-type: none"> (a) identifying and reviewing all the issues associated with an exposure draft or a draft interpretation issued by the IASB for possible adoption in Hong Kong or any other topics and considering the application of the <i>Conceptual Framework for Financial Reporting</i> to the issues, if needed. (b) studying pronouncements of the IASB and other standard-setting bodies and accepted industry practices about the issues. (c) forming an advisory group to give advice to the FRSC on the project. (d) publishing for public comment a consultation document or a draft interpretation. If the IASB issues a consultation document or a draft IFRIC Interpretation, the FRSC issues an invitation to comment in Hong Kong on that IASB consultation document or

draft IFRIC Interpretation. Invitations to comment include a request for comment before the comment deadline imposed by the IASB so as to allow the FRSC a reasonable time to consider the comments before making a submission to the IASB.

- (e) publishing within an exposure draft a basis for conclusions.
- (f) considering all comments received within the comment period on the consultation documents and draft interpretations and those received in response to the Hong Kong invitation to comment on the IASB documents and, when appropriate, preparing a comment letter to the IASB.
- (g) following publication of the finalised IFRS Accounting Standard or IFRIC Interpretation, considering the changes made, if any, by the IASB and adopting the finalised IFRS Accounting Standard or IFRIC Interpretation in Hong Kong with the same effective date.
- (h) approving a standard or an interpretation, including that converged with the equivalent IFRS Accounting Standard or IFRIC Interpretation. The Council of HKICPA (Council) provides this approval.
- (i) publishing within a standard a basis for conclusions, if appropriate, explaining how the conclusions were reached and giving background information that may help users of HKFRS to apply them in practice. If a standard is converged with IFRS Accounting Standards, the FRSC publishes within the standard the IASB Basis for Conclusions with an explanation of the extent to which Council agrees with the IASB Basis for Conclusions so as to enable users to understand any changes made to the IFRS Accounting Standard.

3. On occasion, the FRSC may consult and raise issues specific to Hong Kong proactively with the IASB.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

No.

If yes, what are the changes?

Not applicable.

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

Hong Kong adopted IFRS 1 *First-time Adoption of International Financial Reporting Standards* as HKFRS 1 effective 1 January 2005. Companies that had been using HKFRS prior to 1 January 2005 did not apply HKFRS 1. Companies that have switched from another GAAP to HKFRS on or after 1 January 2005 have applied HKFRS 1.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language?

No.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards? Not applicable.

APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs? Yes. It is called the HKFRS for Private Entities.

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration? Not applicable.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard? Yes, originally. However, in 2015 the IASB amended the *IFRS for SMEs* Accounting Standard so that the 2015 version of the *IFRS for SMEs* Accounting Standard reflects Hong Kong's modification in full.

If the jurisdiction has made any modifications, what are those modifications? Hong Kong modified Section 29 on income taxes within the *IFRS for SMEs* Accounting Standard, to conform to the requirement of IAS 12 *Income Taxes* with respect to using the ordinary income tax rate or capital gains tax rate to measure deferred taxes relating to property.

Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so? All are permitted.

For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use? In addition to the HKFRS for Private Entities, SMEs are permitted to use HKFRS or, if they are incorporated outside Hong Kong, to use IFRS Accounting Standards as issued by the IASB. Additionally, a Hong Kong incorporated company that fulfils the qualifying criteria for the reporting exemption in the Hong Kong Companies Ordinance has the option to use the Hong Kong Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME-FRF & SME-FRS).

Other comments regarding use of the *IFRS for SMEs* Accounting Standard? None.