



# Financial Reporting Webinar Series: Year-end Updates



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Friday, 13 December 2024

# With You Today

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# Amendments First Effective 2024

## Amendments to IFRS Standards:

- IAS 1 (2020): *Classification of Liabilities as Current or Non-Current*
- IAS 1 (2022): *Non-current Liabilities with Covenants*
- IFRS 16 *Lease Liability in a Sale and Leaseback*
- IAS 7 and IFRS 7 *Supplier Finance Arrangements*

Recap Previous Webinar [HERE](#)



## Beyond 2024

### Other Amendments:

- IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*
- IFRS 9 and IFRS 7 *Classification and Measurement of Financial Instruments*

**IFRS 18 Presentation and Disclosure in Financial Statements (replace IAS 1)**

**IFRS 19 Subsidiaries without Public Accountability**

**Equivalent HKFRSs Issued in July!**  
Recap Previous Webinar on [IFRS 18](#)



# Implications of the Current Challenging Economic Environment

## Current Economic Environment



Sluggish  
Property Market



Stable Yet Challenging  
Credit Access



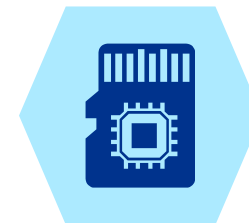
Retail  
Headwinds



Interest Rate  
Uncertainty



Volatile Stock  
Market



Growth of  
Virtual Assets

Extracted from **“Audit Focus for 2024 year-end audit”** of AFRC

Source: [https://www.afrc.org.hk/en-hk/Documents/Publications/periodic-reports/2024\\_Audit\\_Focus\\_for\\_2024\\_year-end\\_audits.pdf](https://www.afrc.org.hk/en-hk/Documents/Publications/periodic-reports/2024_Audit_Focus_for_2024_year-end_audits.pdf)



*“These conditions have significant audit implications, particularly concerning the entity’s ability to continue as a going concern, asset valuation, fair value measurement..”*

## Disclosures continued to be the regulatory focus

Additional disclosures are required when there is material impairment or impairment reversal and/or material intangible assets.

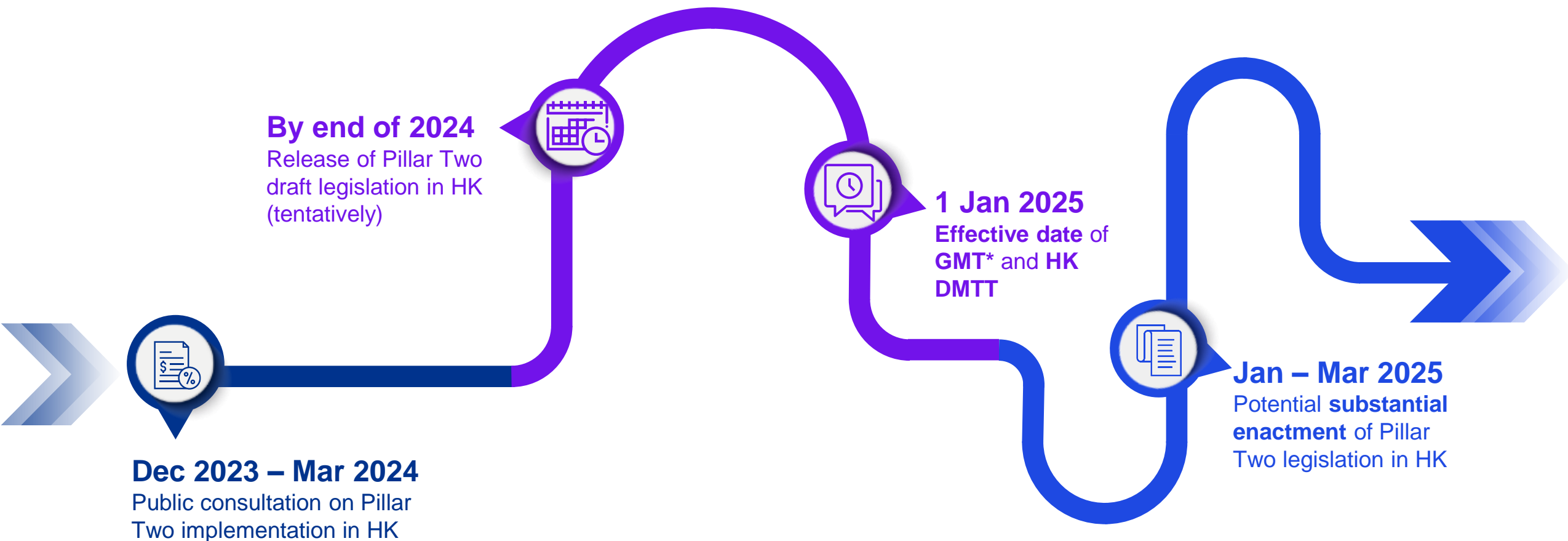
Reference material:

- [HKEX Review of Issuers’ Annual Reports \(2023\)](#) (Paragraphs 25 and 65)



Source: [https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Exchanges-Review-of-Issuers-Annual-Disclosure/rdiar\\_2023.pdf](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Exchanges-Review-of-Issuers-Annual-Disclosure/rdiar_2023.pdf)

# Pillar Two - Hong Kong Implementation Timeline



\* CbCR safe harbour available for fiscal years beginning on or before 31 December 2026 but excluding a fiscal year ending after 30 June 2028

# Implementation of Pillar Two Global Minimum Tax

## In Hong Kong, when is the legislation considered to be “substantively enacted” for the purposes of IAS 12?



Following the Hong Kong legislative process, a bill or law in Hong Kong is enacted only when it has been signed and promulgated by the Chief Executive. To our knowledge, there is no history of a Chief Executive returning bills passed by LegCo (i.e. after Third Reading) for reconsideration since the establishment of the HKSAR. **For the purpose of accounting for income taxes, the Financial Reporting Standards Committee (FRSC) of the HKICPA considers a bill to be substantively enacted after passing the Third Reading (“substantive enactment date”).** This is because the legislative procedures after the Third Reading appear to be a formality, and based on all the facts available to date, the FRSC considers there is usually reasonable certainty that a bill will be passed in law after the Third Reading.



[HKICPA Q&A on Income Taxes Q1](https://www.hkicpa.org.hk/en/Tools/FAQ/Standards/HKFRS/HKAS-12-Income-Taxes)

Source: <https://www.hkicpa.org.hk/en/Tools/FAQ/Standards/HKFRS/HKAS-12-Income-Taxes>

What if the legislation is substantively enacted after the reporting date but before the financial statements are authorised for issue?



**Provide disclosure as non-adjusting event in accordance with IAS 10.21**

### Additional Materials:

- Click [here](#) or scan the QR code for the article and talkbook for Pillar Two income tax.
- [Digital Gateway - KPMG BEPS 2.0 Tracker](#)



# Disclosure Requirements - Pillar Two Global Minimum Tax

## IAS 12 Disclosure Requirements

When the relevant Pillar Two tax rules **have been in effect**, the amount of current tax expense recognised.

The fact that the exception to recognising and disclosing information about deferred tax related to Pillar Two income taxes has been applied.

Qualitative and quantitative information about the estimated exposure when the relevant Pillar Two tax rules **have been enacted** or **substantively enacted but not yet effective**.

## Illustration in the 2024 Illustrative Financial Statements (note 6(c))

### (c) Pillar Two income taxes

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") for a new global minimum tax reform applicable to large multinational enterprises. Certain jurisdictions in which the group operates have implemented Pillar Two income tax legislation based on this framework, and those Pillar Two income tax laws became effective on 1 January 2024.

Consequently, the group has become liable to Pillar Two income tax for the first time and has recognised a related current tax expense of \$1,164,000 for the year ended 31 December 2024 (2023: nil). The Pillar Two income taxes are levied on Subsidiary X under the new tax laws in [jurisdiction A] which introduced a domestic minimum top-up tax effective from 1 January 2024.

The group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

Other jurisdictions in which the group operates are in the process of implementing their Pillar Two income tax legislation. Therefore, it is possible that the group may be subject to additional Pillar Two income taxes in those jurisdictions. [In [xxx] 2024 the Hong Kong SAR Government amended the Inland Revenue Ordinance to introduce a domestic minimum top-up tax which will take effect from the year ended 31 December 2025. If the new tax laws had been applied in 2024, the profits relating to the group's operations in Hong Kong would be subject to the minimum top-up tax as the applicable effective tax rate is lower than the minimum tax rate of 15%. For the year ended 31 December 2024, such profits amounted to \$107,299,000 and the average effective tax rate applicable to those profits was 13%.]<sup>147, 148, 149</sup>

# Update on Hong Kong Land Leases

## Background

Under the current land policy adopted since 1997, non-renewable leases may, upon expiry, be extended **at the sole discretion of the HKSAR Government** for a term of 50 years without payment of an additional premium but annual government rent will be charged.

Effective from 5 July 2024:

[Extension of Government Leases Ordinance](#) (Cap. 648)#.

Source: [https://www.landsd.gov.hk/doc/en/lease-ext/lease\\_ext\\_leaflet\\_e.pdf](https://www.landsd.gov.hk/doc/en/lease-ext/lease_ext_leaflet_e.pdf)



## Update

The Ordinance allows the HKSAR Government (via the Land Department) to grant the lease extension by batch through publication of Extension Notices in the Gazette, 6 years before the expiry of each batch of leases.

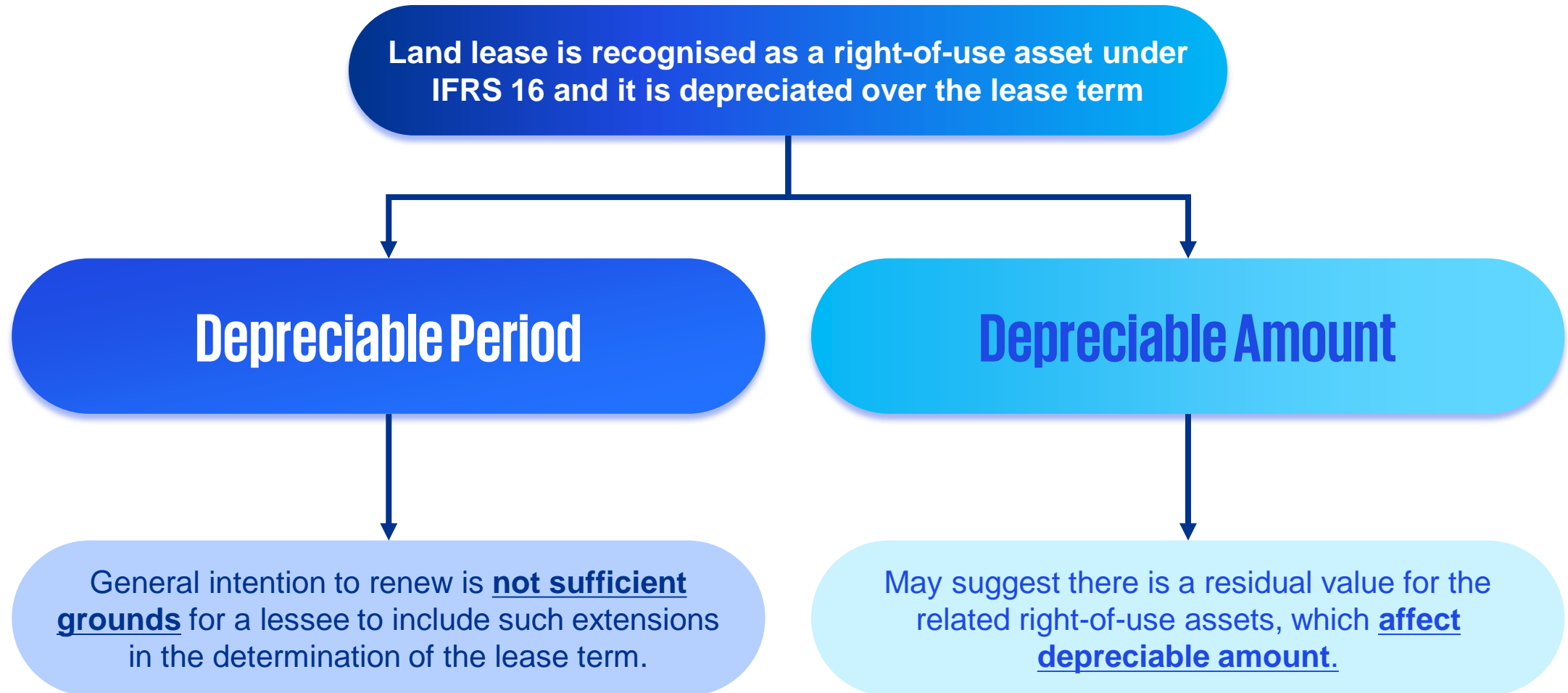
That means the Government will publish the Extension Notice at the end of 2024, covering leases expiring in 2031. The notice published at the end of 2025 will cover leases expiring in 2032, and so on.

Impact on  
ROU Assets

# These are leases for general commercial, residential or industrial uses, but exclude short term tenancies and special purpose leases.



# Update on Hong Kong Land Leases

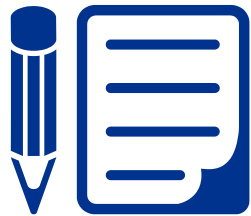


# Share Buy-Back by HK Listed Issuers

## Amendments to Listing Rules Relating to Treasury Shares (effective 11 June 2024)

Source: [https://en-rules.hkex.com.hk/sites/default/files/net\\_file\\_store/Update\\_145\\_Attachment.pdf](https://en-rules.hkex.com.hk/sites/default/files/net_file_store/Update_145_Attachment.pdf)

- ◆ Remove the requirement to cancel repurchased shares;
- ◆ Govern the resale of treasury shares in the same manner as the issue of new shares;
- ◆ Add safeguards to mitigate the risks of market manipulation and insider dealing.



## Guidance Letter on Automatic Share Buy-Back Programs Issued in October 2023 (updated in June 2024)

Source: [https://en-rules.hkex.com.hk/sites/default/files/net\\_file\\_store/GL117\\_23.pdf](https://en-rules.hkex.com.hk/sites/default/files/net_file_store/GL117_23.pdf)

- ◆ Set out the framework for granting a waiver to allow issuers' automatic share buy-back programs;
- ◆ Highlight the criteria that the Exchange will apply in assessing an issuer's share buy-back program and waiver application.



# Financial Obligations to Repurchase its Own Shares



## Case Study

Company A undertook an **automatic** share buy-back arrangement and engaged a broker to purchase its own shares totalling up to HK\$1 billion in the coming year.



Entity A



Broker



Public Market



## Poll

Does Entity A recognise a financial liability as a result of the automatic buy-back arrangement?

- Yes
- No
- It depends

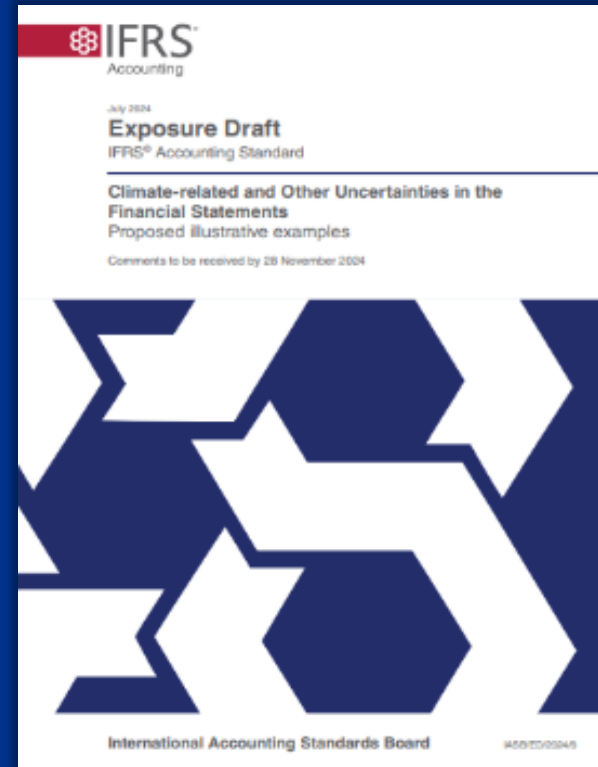
# Climate-Related and Other Uncertainties

## Connectivity Between Financial Statements and Sustainability Statements Continued to be a Focus of Regulator

*“...ESMA continues to call for consistency and connectivity between the information related to climate risks and opportunities included in financial statements, the information included in the sustainability statement or elsewhere in the management report. In particular, ESMA notes that issuers (in particular those most exposed to climate matters) may need to disclose in their financial statements the fact that certain climate-related matters presented in the management report have no effect on their financial statements and explain why this is so (e.g. if an issuer’s financial statements are expected to be influenced by a lack of understanding of how the issuer’s transition plan has affected its financial position and financial performance)...”*

European common enforcement priorities for 2024 corporate reporting

Source: [https://www.esma.europa.eu/sites/default/files/2024-10/ESMA32-193237008-8369\\_2024\\_ECEP\\_Statement.pdf](https://www.esma.europa.eu/sites/default/files/2024-10/ESMA32-193237008-8369_2024_ECEP_Statement.pdf)



The IASB has published an **Exposure Draft** illustrating how to apply existing requirements in IFRSs to report the effects of climate-related and other uncertainties in financial statements.

Source: <https://www.ifrs.org/content/dam/ifrs/project/climate-related-other-uncertainties-fs/iasb-ed-2024-6-climate-uncertainties-fs.pdf>



See ISSB’s related webcast [here](#)

# Webinar Dates and Topics for 2025



- **March – TBC**
- April – Sustainability Reporting Developments
- June – Interim Reporting Updates
- August – ISSB’s Activities Updates
- October – Accounting for GHG Emissions
- December – Year-end Updates

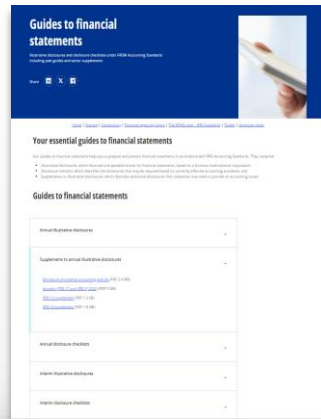


For more details and access to our webinar series:

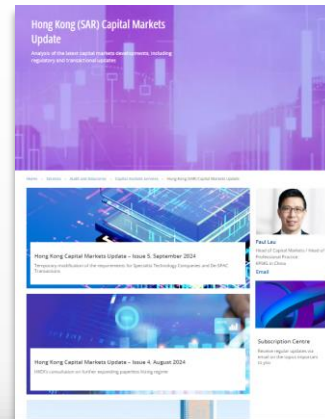
<https://home.kpmg/cn/en/home/services/audit/ifrs-news/financial-reporting-webinar-series.html>



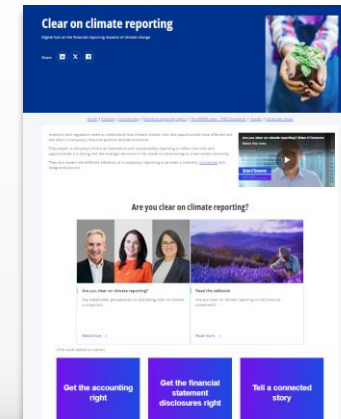
## Guides to Financial Statements



## Hong Kong (SAR) Capital Markets Update



## Clear on Climate Reporting



# Speaker Contacts



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**Thank You!**







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