Professional and Technical News at a glance

HKSA TechWatch

Hong Kong Society of Accountants
香港會計師公會

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This is the 13th Issue of TechWatch, a publication designed to alert members to topics and issues that impact on accountants and their working environment. We welcome your comments and feedback. Comments and suggestions on TechWatch should be addressed to Ms. Winnie Cheung, Senior Director, Professional & Technical Development, Hong Kong Society of Accountants (email:< commentletters@hksa.org.hk >).

This issue (and all back issues) is available online at the Society's website < http://www.hksa.org.hk/professionaltechnical/techwatch/ >.

If you would prefer to receive future issues electronically via email or in hard copy format, you may register or alter your option online at the Members Only section of HKSA web page under "Personal Profile - Publications Preferences". If you have any questions, please contact Karen Moy, Administrative Officer, Professional & Technical Department at < karen_moy@hksa.org.hk > or tel: 2287 7089.

Headlines Of This Issue

TECHWATCH

FASC Meeting - 12 February 2003

The FASC met on 12 February 2003 and discussed the following items:

- ✔ Further discussion on "power to control" provisions in SSAP 32
- ✔ The FASC's work plan for 2003
- ✔ Proposed ED/Preface - suggested amendment arising from legal opinion sought in relation to HKSA's enforcement power on non-HKSA standards
- ✔ IASC Foundation Trustees' Proposed Testing and Certification Programme
- ✔ Response to JWG re Tenth Schedule disclosures
- ✔ IASB's ED 2, Share-based Payment
- ✔ IASB's ED 3, Business Combinations
- ✔ IASB's roundtable discussions on ED/Financial Instruments

A copy of the FASC meeting summary is attached to this issue of TechWatch. The meeting summary has also been posted on the HKSA website at: < http://www.hksa.org.hk/professionaltechnical/accounting/fascupdate/ >.

HKSA Comments On The IASC Foundation Trustees' Proposed Testing And Certification Programme

The HKSA has sent a comment letter to the IASCF Trustees in response to their invitation to comment on a Proposed Testing and Certification Programme.

A copy of the comment letter has been posted on the HKSA website at < http://www.hksa.org.hk/professionaltechnical/accounting/submissions/ >.

HKSA Comments On The IASB's ED 2, Share-based Payment

The HKSA has sent a comment letter to the IASB in response to the IASB's invitation to comment on its Exposure Draft ED 2, Share-based Payment.

A copy of the comment letter has been posted on the HKSA website at <http://www.hksa.org.hk/professionaltechnical/accounting/submissions/ >.

Profits Tax Rate Change Announcement - Impact On Deferred Tax In 31 December 2002 Financial Statements

Announced in the recent Budget is a proposed increase in the corporate profits tax rate from the present 16.0% to 17.5%, effective for the 2003/04 fiscal year.

SSAP 12, "Income Taxes" (revised 2002) becomes effective for all financial statements covering periods beginning on or after 1 January 2003 and contains specific guidance on the impact of a change in tax rates but, unless that SSAP is adopted early, SSAP 12 (1987) would apply to financial statements for the year ended 31 December 2002. If SSAP 12 (1987) continues to be applied to financial statements covering periods ending before the date of the Budget announcement, an issue may arise as to how the proposed change in profits tax rates is treated in the financial statements.

Under SSAP 12 (1987) (paragraphs 12 & 48) deferred tax is computed under the 'liability method' and calculated at the rate of tax that it is estimated will be applicable when the timing differences reverse. For objectivity and consistency in the liability method, deferred tax is usually calculated at the current tax rate, unless changes in tax rates are known in advance. However, it may be unclear as to how the term, "current tax rate", is to be understood, particularly whether "current tax rate" should include tax rate announced before the approval of the relevant accounts, or that it should be restricted to tax rate announced before the balance sheet date.

SSAP 9, "Events After the Balance Sheet Date", clarifies the matter. SSAP 9 paragraph 21 (h) states that "changes in tax rates or tax laws enacted or announced after the balance sheet date that have a significant effect on current and deferred tax assets and liabilities" is an example of a non-adjusting event.

The Financial Accounting Standards Committee has considered the issue and has concluded that SSAP 9 should be applied and that the change in profits tax rates announced on 5 March 2003 should be treated as a non-adjusting event for financial statements covering periods ending before that date. In such circumstances, and when the effect of the change in tax rate is of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions, in accordance with SSAP 9 paragraph 20 the financial statements should disclose the fact that there has been an announcement after the balance sheet date of a proposed change in the profits tax rate, the fact that the financial statements have not been adjusted for the proposed change and an estimate of the financial effect of the proposed change.

Audit & Assurance

The UK Bannerman Case - Recent Legal Development in relation to Auditors' Duty of Care to Third Parties

In recent years practising members have become increasingly aware of the risk of inadvertently assuming a duty of care to third parties with regard to their audit reports. Sometimes a duty of care to a third party might be assumed inadvertently as a result of action or inaction by practising members. In 1999, the Society provided guidance to practising members in the Professional Risk Management Bulletin (PRMB) "Managing the professional liability of accountants" < http://www.hksa.org.hk/professionaltechnical/riskmanagement/index.php > on the subject of limiting or excluding liability to third parties by inserting a clause in any written advice or report. This guidance is contained in paragraphs 53 to 60 of the PRMB and paragraphs 7 to 10 of Appendix I of the PRMB.

Members' attention is drawn to a recent legal judgement arising in connection with the *Royal Bank of Scotland v Bannerman Johnstone Maclay and Others (Bannerman case)* < http://www.scotcourts.gov.uk/opinionsv/mcf1807c.html > in the UK. This has highlighted the risk that a company's auditors could owe a duty of care to a lending bank if they knew or ought to have known that the bank would rely on their client's audited accounts and they did not disclaim liability. This signifies the importance of the audit report in clarifying where auditors' primary responsibilities do and do not lie.

As a result of the *Bannerman case*, guidance in the form of a Technical Release titled "The Audit Report and Auditors' Duty of Care to Third Parties" < http://www.icaew.co.uk/publicassets/00/00/04/68/0000046872.PDF > was issued in January 2003 by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW) to assist auditors in managing the risk of inadvertently assuming a duty of care to third parties in relation to their audit reports. The ICAEW Technical Release recommends auditors to include additional wording in their audit reports to protect against exposure to third party claims.

It should be noted that the court decision in the *Bannerman case* in question was a preliminary order on a legal point and is the subject of an appeal. However, even if this judgement is overturned on the basis of the particular facts of the case, the legal principle is not new and the initial finding of *Bannerman* may represent a trend in judicial thinking that may be followed by English courts and may encourage third parties to pursue claims. Given that the establishment of liability under Hong Kong law has so far tended to follow the same route in law as the UK and certain other common law jurisdictions, the Society has obtained advice from Counsel which indicates that:

a) This is a field of law in which the Hong Kong approach is likely to mirror the UK approach.

b) The ICAEW wording of disclaimer as adapted to the Hong Kong context will do well enough in Hong Kong.

c) There is no single measure capable of adoption by an auditor which will give assured protection, in all circumstances, against liability to a third party. A disclaimer, however immaculate its wording, is not a guarantee of immunity. Different combinations of fact will always have the potential to over-ride the effectiveness of the disclaimer and no amount of textual ingenuity will remove that possibility.

d) The issuance of a disclaimer has now become an essential part of the defensive measures which an auditor should put in place. Judgments in several leading cases have proceeded on the basis that the absence of a disclaimer signifies that the auditor has not taken the opportunity to declare his unwillingness to accept responsibilities beyond those which he has undertaken contractually. And this has formed part of the reasoning in favour of attaching liability.

e) Disclaimers of responsibility will be subject to the test of reasonableness.

In view of the Counsel advice, members should pay attention to the following important aspects of the guidance in the ICAEW Technical Release which are relevant to Hong Kong:

a) Suggested wording for a disclaimer to be included in the audit report. An adaptation of the wording in the ICAEW Technical Release for Hong Kong incorporated companies is set out below:

   "This report is made solely to the company's members, as a body, in accordance with (section 141/section 141D) of the Companies Ordinance. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed."

   The suggested language is a form of language that may be adopted. Other wordings may also be adopted by practising members.

b) The purpose of the suggested wording is an attempt to reduce the scope for the assumption of responsibilities to third parties. Auditors' responsibilities to their clients remain unaltered and they are still required to carry out an audit of the financial statements in accordance with auditing standards.

c) When auditors include the suggested wording, it may be helpful to explain the following important points to their clients:

   - The inclusion of the new wording does not affect the auditors' obligations to their clients. In fact it clarifies that the audit is for the benefit of the company's members in accordance with the Companies Ordinance. Auditors will have the same duties and liabilities to their clients as they have always had.
   - The new wording does not mean that auditors will never agree to take on responsibilities to third parties such as lenders. All it does is make clear that auditors will only accept duties that are expressly agreed. Auditors maintain that if parties want to rely on their work then they should approach the auditors to agree expressly the scope and nature of work auditors can do for them that meet their purposes.

d) Auditors may take alternative or additional steps to communicate with third parties which are intended to have the same effect as the suggested wording in the audit report. However, if auditors consider taking these alternative or additional measures, they judge them on their practicality and efficiency, as well as their effectiveness. In doing this they consider both the completeness and the timing of the measures they propose to take.

e) If the suggested wording is included in audit reports, auditors nevertheless remain vigilant to avoid the words being overridden by actions (contemporaneous or subsequent) which are inconsistent.

f) Disclaimers of responsibility will be subject to a test of reasonableness. It is for a person seeking to rely upon the disclaimer to show it is reasonable, failing which it will be void.

g) Issuing a disclaimer of responsibility does not remove auditors' obligation to carry out an audit of the financial statements in accordance with auditing standards and auditors should therefore plan, control and record their work appropriately.

This article provides a summary of what the Society believes to be the most relevant considerations, based on advice from Counsel and with reference to the ICAEW Technical Release, but should not be regarded as a substitute for specific legal and professional advice which practising members may need to take on particular matters or engagements.

Corporate Restructuring & Insolvency

Tender For Appointment To Complete Preliminary Examination In Bankruptcy Cases

As a further update to the article on "Outsourcing of Bankruptcy Work by the Official Receiver's Office (ORO), which appeared in Techwatch No.12 (February 2003), the ORO has informed us that, according to the current timetable, an anouncement inviting tenders will be published on Friday 21 March 2003. The announcement will be published in the Government Gazette and in one Chinese-language and one English-language newspaper. It is likely that relevant information will also be posted on the ORO's website at < http://www.info.gov.hk/oro/tender/index.htm >. The appointment will be as agent of the Official Receiver (as Trustee in Bankruptcy). The scope of work, which relates to self-petitions for bankruptcy, will involve primarily conducting an interview with the bankrupt, and completing and submitting various documents to the Official Receiver, including a report in the prescribed form. Further details of the terms of the tender will be made available with the announcement inviting tenders.

Insolvency "Mini-homepage" Launched

As part of the ongoing development of the Professional & Technical section of the Society's website, a new section on insolvency matters has just been launched. The Insolvency "mini-homepage" contains the following subheadings:

1. HKSA submissions
2. Insolvency Interest Group
3. INSOL International
4. Official Receiver's Office
5. Contracting out
6. Individual voluntary arrangements
7. Insolvency education
8. Publications

The Insolvency section may be accessed at < http://www.hksa.org.hk/professionaltechnical/insolvency/index.php >.

Listing & Securities Matters

HKSA Comments On HKEx Consultation Paper On Continuing Listing Criteria And Related Issues

The HKSA has commented on the above Hong Kong Exchanges and Clearing Limited (HKEx) Consultation Paper (November Consultation Paper) < http://www.hkex.com.hk/library/library.htm > which was issued in November 2002 and is the replacement of the withdrawn Part C of the July 2002 Consultation Paper on Proposed Amendments to the Listing Rules relating to Initial Listing and Continuing Listing Eligibility and Cancellation of Listing Procedures (July Consultation Paper). The HKSA Submission on the July Consultation Paper has been posted on the HKSA website at : < http://www.hksa.org.hk/professionaltechnical/listing/index.php >.

The November Consultation Paper seeks market views on the following areas:

- for the purposes of enhancing the quality of the market and investor confidence whether, in addition to the initial listing eligibility, the Main Board Listing Rules should contain any minimum standards for an issuer to comply with for maintaining its listing on the Exchange (Part B);

- the possible options for these minimum standards, if the answer to Part B is positive (Part C);
- alternative treatments of securities delisted from the Main Board (Part D); and
- various issues commonly associated with low-priced securities (Part E).

The HKSA Submission on the November Consultation Paper has been posted on the HKSA's website at: < http://www.hksa.org.hk/professionaltechnical/listing/index.php >.

The main points are:-

a) HKSA agrees with the requirement to have certain ongoing minimum standards for an issuer to comply with for maintaining its listing on the Exchange and that the minimum standards should be as clearly defined, transparent and objective as possible.

b) In relation to financial standards, the presence of all three indicators - consecutive losses, negative shareholders' equity and low market capitalization, should trigger remedial action to be taken by an issuer.

c) In relation to insolvency of the issuer, the over-riding criteria must be the preservation and protection of independent minority shareholders' interests so that any de-listing procedures should not commence until all avenues are fully exhausted.

d) While compulsory buy-back and compulsory winding-up have been considered as alternative treatments of securities delisted from the Main Board, the prospect of a financial restructuring or a rescue is, by far, still the preferred alternative.

e) It is appropriate to set up an alternative board for the trading of listed securities of issuers that are removed from the Main Board. Otherwise, minority shareholders will be completely disenfranchised.

f) The details of the alternative board in respect of, to whom financial information should be filed, by whom the alternative trading venue should be operated and the mode of how the trading on the alternative trading venue would operate, should be the subject of a separate consultation.

g) The HKSA does not believe that share consolidation and subdivision affect the real value of shares, and on the issue of low-priced securities, considers that it is a commercial matter best left to the board of directors of the issuer to deal with and it would not be appropriate for HKEx to request the issuer to take remedial action.

Taxation

The Budget 2003-04

The Financial Secretary (FS) delivered the Budget speech 2003-04 on 5 March 2003.

The FS stressed the importance of addressing the deficit to retain international credibility in Hong Kong's economy and financial system. In order to do this, the FS indicated that Government needs to adopt a "three-pronged approach" - boost the economy, cut expenditure and raise revenue.

More specifically, he reiterated the targets that he had set in the 2002-03 Budget, of achieving balance in the Operating and Consolidated Accounts, and reducing public expenditure to no more than 20% of GDP, by 2006-07. He envisaged that between now and 2006-07, economic growth would bring in $30 billion annually in additional revenue, another $20 billion would be generated by raising revenue and $20 billion annually would be saved by cost cutting measures.

As regards measures to cut costs, these include reducing the civil service establishment by 10% by 2006-07, reducing the civil service pay by 6% in two phases over the next two years, and adjusting social security payments downwards by 11%, some elements of which will also be effected in two phases. The target is to reduce operating expenditure to $200 billion by 2006-07.

The Government aims to raise additional revenue of $20 billion in the next four years, with $14 billion to be raised through revenue raising measures to be introduced this year. In this connection, the FS announced increases in salaries tax and changes in the marginal rates, and reductions in personal allowances, to be phased over two years, which will take taxpayers back to pre-1998-99 levels. The profits tax rate for unincorporated businesses is to be increased from 15% to 16% in two phases over the next two years, in line with the adjustments in the standard rate of salaries tax. In contrast, the corporate profits tax rate is to be increased in one go from 16% to 17.5%, with effect from 2003-04. The allowances for dependants and disabled dependants and the deduction for self-education remain unchanged. However, to give support to the population policy, the FS doubled the allowance for the third to ninth child from $15,000 to $30,000.

Increases in property tax, motor vehicle first registration tax and air departure tax were also announced as were some new taxes (see below).

Some limited tax concessions or extensions to existing concessions were made in relation to the ceiling on charitable donations and in the financial service sector (see below). There will be no increase in rates and the FS pointed out that the new rateable values, effective on 1 April, have fallen by an average of 8%. The five-year freeze on government fees and charges was lifted but discussions between the FS and Policy Bureaux on individual adjustments are still to be held.

In order for fiscal balance to be restored, some growth in the economy will also be necessary. The Government is projecting a trend GDP growth rate of 3% per annum over the period to 2006-07, which exceeds the 2.3% increase in 2003. If this growth does not occur, then more cost-cutting may be necessary if the 2006/07 targets are to be achieved. Meanwhile, the consolidated deficit for 2002-03 was expected to reach $70 billion, $24.8 billion more than the original estimate and the fiscal reserves are expected to fall to $303 billion by 31 March 2003 from $372.5 billion a year earlier.

Whilst the Society understands the need for the Government to raise additional revenue, ideally we would have preferred to see the tax increases introduced in the form of a temporary surcharge, as proposed in the Society's Budget Submission. This would have left the standard rates unchanged and helped to emphasise that the tax increases were intended to be only a short-term, temporary measure. The message should be that while the Government is taking steps to address the deficit, it remains aware of the fundamental importance of maintaining Hong Kong's competitiveness.

Against the background of continuing uncertainty in the external and domestic economy and given the size of the current deficits, which is due in part to the huge reduction in revenues from land sales, the Society also considers that it is important for the Government, in addition to cutting costs, to explore options for broadening the tax base and identifying more stable sources of revenue. Under the circumstances, it was helpful that the FS clarified in the Budget the Government's position that a goods and services tax will need to be introduced at some time in the future.

As regards the detailed proposals, other revenue-raising measures introduced by the Budget included the following:

- Increasing the rate of deeming assessable profits for certain payments such as royalties from 10% to 30%;
- Increasing the property tax rate by one percentage point to 16% over a period of two years;
- In respect of Motor Vehicle First Registration Tax, abolishing the tax exemption for accessories and for distributors' warranties, adjusting the width of tax bands and tax rates, and introducing a marginal tax rate system for private cars;
- Increasing the Air Passenger Departure Tax from $80 to $120;

- Introducing a Boundary Facilities Improvement Tax;
- Increasing the duty on exotic horse racing bets from 19% to 20%; and
- Introducing a Football Betting Duty at a rate of 50% of gross profits.

  To make up the shortage of revenue, the Government plans to sell or securitise a total of $112 billion worth of assets in the next five years.

  Some limited specific tax incentives/ concessions were announced, including the following:

- Exempting offshore funds from profits tax;
- Extending the stamp duty exemption for subscriptions to and redemptions of units in Hong Kong from unit trust funds domiciled outside Hong Kong, to unit trust funds domiciled in Hong Kong;
- Granting a 100% concession on profits tax on trading profits from qualified debt instruments with a maturity period of seven years or more, and reducing the eligible maturity period from five to three years for the application of a 50% concession;
- Extending the duty concession for ultra low sulphur diesel for another year to the end of March 2004.

In line with the Society's suggestion in its Budget Submission to encourage private donations in the present economic downturn, the FS has proposed to raise the existing ceiling for tax-exempted donations to approved charitable organisations from 10% of assessable income/ profits to 25%.

The 2003-04 Budget speech may be accessed and downloaded at the Government website at < http://www.budget.gov.hk/2003/eng/speech.htm >.

Comment Key Dates

Date	Subject
15 March 2003	Hong Kong Invitation to Comment on IASB Exposure Draft: ED 3, "Business Combinations", which has been posted on the IASB website at: < http://www.iasb.org.uk/docs/ed03/ed03.pdf >. The ED is accompanied by the IASB's Basis for Conclusions < http://www.iasb.org.uk/docs/ed03/ed03-bc.pdf >, draft illustrative examples < http://www.iasb.org.uk/docs/ed03/ed03-ie.pdf > and proposed revisions to IAS 36, "Impairment of Assets" and IAS 38, "Intangible Assets" < http://www.iasb.org.uk/docs/ed03/ed03-ias3638.pdf >. The Hong Kong Invitation to Comment has been posted on the HKSA website at: < http://www.hksa.org.hk/professionaltechnical/accounting/exposuredraft/ >. (IASB deadline: 4 April 2003)
Please send comments to < commentletters@hksa.org.hk >	

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Mr. Stephen Chan, Deputy Director (Ethics & Assurance)

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Appendix

Financial Accounting Standards Committee
Meeting summary - February 2003

The Society's Financial Accounting Standards Committee (Committee) met on 12 February 2003.

Present at the Committee's meeting were: Messrs. Roger Best (Chairman), Carlson Tong (Deputy Chairman), Paul F. Winkelmann (Deputy Chairman), Edward K.F. Chow, William Crowe, Raphael Ding, Tommy Fung, Robert Gibson, Nigel Reid, Stephen Taylor, Bernard Wilkinson, Patrick L.T. Wong, Ms. Susanna Lau, Olivia Cheung, Ms. Winnie Cheung (HKSA Senior Director), Mr. Simon Riley (HKSA Deputy Director, Accounting) and Ms. Elsa Ho (HKSA Assistant Director, Accounting).

The Chairman welcomed Messrs. Carlson Tong, William Crowe, Raphael Ding, Patrick L.T. Wong, and Ms. Susanna Lau to their first meeting as members of the Committee. The Committee expressed gratitude to the retiring members, Messrs. Bernard Wilkinson, Billy Chan, Charles Grieve, Andrew Williamson, Ms. Sheila Pattle, and Prof. Judy Tsui, for their support and contribution to the Committee.

The Committee also noted that representation onto the Committee is in the process of being invited from the HK Association of Banks, HK Federation of Insurers, HK General Chamber of Commerce, HK Institute of Directors, HK Investment Funds Association, HK Monetary Authority, the HKSA's Financial Management Committee, a CFO/CAO of another HSI company, and a tertiary education institution.

The Committee discussed the following items:

- ✔ Further discussion on "power to control" provisions in SSAP 32
- ✔ Work plan for 2003
- ✔ Proposed ED/Preface - suggested amendment arising from legal opinion sought in relation to HKSA's enforcement power on non-HKSA standards
- ✔ IASC Foundation Trustees' Proposed Testing and Certification Programme
- ✔ Response to JWG re Tenth Schedule disclosures
- ✔ IASB's ED 2, Share-based Payment
- ✔ IASB's ED 3, Business Combinations
- ✔ IASB's roundtable discussions on ED/Financial Instruments

Further discussion on "power to control" provisions in SSAP 32

The Committee further considered the issues of:

- Whether "dominant influence" would give rise to a "power to control"; and
- Whether control required evidence of a legally enforceable agreement.

The Committee discussed whether there is a general consensus in the application of SSAP 32 paragraph 14, particularly in terms of which factors, when present, would suggest that an entity that has a single-largest but less than 50% shareholder becomes a subsidiary. The Committee also discussed the nature of "control" in the context of joint ventures in the People's Republic of China.

The Committee noted that the IASB has a project on consolidation and the definition of control. For the purpose of communicating any concerns there may be on the topic to the IASB, the Committee agreed to conduct research on practical examples of difficulties encountered in applying with consistency the provisions in IAS 27 (SSAP 32) and IAS 31 (SSAP 21).

Committee's work plan for 2003

The Committee considered its work plan for 2003 and agreed that, subject to certain amendments, the work plan be published in The Hong Kong Accountant and on the HKSA website.

Proposed ED/Preface - suggested amendment arising from legal opinion sought in relation to HKSA's enforcement power on non-HKSA standards

In August 2002 the Committee considered a proposed ED/ Preface to SSAPs that was based on the IASB's recently finalised Preface. Release of the exposure draft was delayed pending a legal opinion in relation to HKSA's enforcement power on non-HKSA standards.

The Committee considered the legal opinion received in relation to HKSA's enforcement power over non-HKSA standards, in particular a proposal to include two paragraphs at the end of the proposed ED/Preface regarding compliance with other standards. These paragraphs would give effect to the HKSA Council's specification of professional standards applicable under the Professional Accountants Ordinance and, accordingly, would permit the HKSA to initiate disciplinary action against an HKSA member for an alleged breach of such (non-HKSA) standards.

The Committee considered that a redrafting of the two paragraphs would be necessary in order to give effect to the recommendation made in the legal opinion and in order to align the requirements applying to non-HKSA standards with the requirements applying to HKSA standards as set out in paragraphs 17 to 21 of the proposed ED/Preface (concerning HKSA members' obligation to observe SSAPs or justify departures). The Committee requested that the Secretariat develop draft replacement wording and to consult with the lawyer in this regard before proceeding to finalise the ED/Preface for consultation.

IASC Foundation Trustees' Proposed Testing and Certification Programme

The Committee finalised its consideration of a comment letter in response to the IASC Foundation Trustees' consultation paper on the proposed testing and certification programme. The comment letter will be made available on the HKSA website at < http://www.hksa.org.hk/professionaltechnical/accounting/submissions/index.php > after 28 February 2003 when the IASC Foundation Trustees' comment period expires.

Response to JWG re Tenth Schedule disclosures

The Committee finalised its consideration of a response to the Joint Working Group (JWG) concerning the JWG's suggestions to build in six specific Tenth Schedule disclosures into the SSAPs. The response generally indicates that there is no need to include the suggested disclosures in SSAPs as they would either be covered by future SSAPs or be better suited to the requirements of a MD&A.

IASB's ED 2, Share-based Payment

The Committee continued its deliberation of an initial draft comment letter on ED 2. The Committee agreed that a sub-group would convene prior to the end of February to consider comments received on the Committee's Invitation to Comment and to finalise the Society's comment letter to the IASB.

The Committee also noted that the CPD seminar on share-based payment originally scheduled for 23 January 2003 had been postponed to 20 March 2003.

IASB's ED 3, Business Combinations

The Committee undertook an initial review of a draft comment letter on ED 3 and agreed to further consider the letter at its next meeting.

IASB's roundtable discussions on ED/Financial Instruments

The Committee noted that Mr. Charles Grieve would be representing the HKSA at the forthcoming IASB roundtable discussions on the proposed revisions to IAS 32 and IAS 39.

Date of Next Meeting

The Committee's next meeting is scheduled to be held on 12 March 2003.

This meeting summary is provided for the information and convenience of those who wish to follow the Committee's deliberations. Except where indicated otherwise, all conclusions reported are tentative and may be changed at future meetings.

The IASB publishes summaries of its meetings and projects. These can be found on the IASB's website at < http://www.iasb.org.uk >.

The Committee welcomes comments on its technical agenda. Please e-mail us at < commentletters@hksa.org.hk >.