

Condensed Summary Of Coronavirus March 2020

The coronavirus outbreak has significant on various area and parties in Hong Kong. It has brought great challenges in government budget, tax measures, auditing, annual reporting and financial statements.

An limited number of unknown Respiratory Disease was detected and informed the World Health Organisation (“WHO”) in December 2019. On 7 January 2020, Mainland authorities identified a novel coronavirus(“COVID-19”) is found to be the causative agent.

Impact on accounting and auditing

Events after reporting period	Regarding the financial statements for the year ended 31 December 2019, the outbreak of coronavirus and the relevant subsequent events should generally be accounted for as non-adjusting events under HKAS 10 Events after the Reporting Period .
<HKAS 10 - Events after the Reporting Period>	An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.
<HKSA 560 - Subsequent Events>	However, an entity shall disclose the nature and its financial effect of non-adjusting events if they are material. If the financial effect is difficult to be estimated, HKAS 10 requires a statement that such an estimate cannot be made. Auditors may also consider the impact of events after the reporting (HKSA 560) on asset valuation/impairment assessment and management’s disclosures of relevant risk.



Impact on accounting and auditing (continued)													
<p>Going Concern <HKAS 1 (Revised) - Presentation of Financial Statements></p> <p><HKSA 570 (Revised) Going Concern></p>	<p>The coronavirus outbreak has caused a significant impact on the economic activity and business operation. When preparing financial statements, management is required to make an assessment of an entity's ability to continue as a going concern.</p> <p>Auditor consider whether the going concern assumption is still appropriate, and whether there are material uncertainties that may cast significant doubt on the ability to continue as a going concern. The following factors should be considered:</p> <ul style="list-style-type: none"> (i) Liquidity and financial ability, and terms of loan covenants; (ii) All available information about the future at least (but not limited to) twelve months from the end of the reporting period. (iii) History of operations and access to financial resources. (iv) Depending on the circumstances, a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. 												
<p>Accounting estimates and measurements</p>	<p>As the events associated with coronavirus outbreak should be non-adjusting events generally. However, the impairment and fair value of assets/liabilities should be adjusted if there are other events beyond the scope of coronavirus outbreak that directly or indirectly existed at the end of the reporting period (adjusting events).</p> <p>Managements and auditors should consider the following Accounting estimates and measurements:</p> <table border="1" data-bbox="384 1093 1268 1794"> <tbody> <tr> <td data-bbox="384 1093 644 1151">HKAS 2 Inventories</td> <td data-bbox="652 1093 1268 1151">The measurement of net realisable value of inventories.</td> </tr> <tr> <td data-bbox="384 1158 644 1249">HKAS 16 Property, Plant and Equipment</td> <td data-bbox="652 1158 1268 1249">The determination of remaining useful life and residual value of assets</td> </tr> <tr> <td data-bbox="384 1256 644 1379">HKAS 36 Impairment of Assets</td> <td data-bbox="652 1256 1268 1379">The measurement of recoverable amounts and assessing whether an indication of impairment exists for non-financial assets.</td> </tr> <tr> <td data-bbox="384 1386 644 1541">HKAS 37 Provisions, Contingent Liabilities and Contingent Assets</td> <td data-bbox="652 1386 1268 1541">The measurement of liabilities including provisions for onerous contracts.</td> </tr> <tr> <td data-bbox="384 1547 644 1639">HKFRS 9 Financial Instruments</td> <td data-bbox="652 1547 1268 1639">The measurement of expected credit losses.</td> </tr> <tr> <td data-bbox="384 1646 644 1794">HKFRS 13 Fair Value Measurement</td> <td data-bbox="652 1646 1268 1794">The fair value measurement of assets and liabilities, which should reflect current market conditions, and the assumptions of market participants, as of the measurement date.</td> </tr> </tbody> </table>	HKAS 2 Inventories	The measurement of net realisable value of inventories.	HKAS 16 Property, Plant and Equipment	The determination of remaining useful life and residual value of assets	HKAS 36 Impairment of Assets	The measurement of recoverable amounts and assessing whether an indication of impairment exists for non-financial assets.	HKAS 37 Provisions, Contingent Liabilities and Contingent Assets	The measurement of liabilities including provisions for onerous contracts.	HKFRS 9 Financial Instruments	The measurement of expected credit losses.	HKFRS 13 Fair Value Measurement	The fair value measurement of assets and liabilities, which should reflect current market conditions, and the assumptions of market participants, as of the measurement date.
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Impact on accounting and auditing (continued)	
Implication for the auditor's report	<p>Auditors may also consider the implications for the auditor's report to form their opinion:</p> <ul style="list-style-type: none"> (i) Revisit the Key Audit Matters ("KAM") to be disclosed in the auditor's report and see if any need to be updated to reflect new responses (Refer to HKSA 701 Communicating KAM in the Independent Auditor's Report); (ii) Depending on the circumstances, consider whether to include a separate section "Material Uncertainty Related to Going Concern" in the auditor's report (refer to HKSA 570 Going Concern); (iii) Depending on the resolution of accounting and auditing matters due to the impact of coronavirus outbreak, consider whether to express a modified opinion (refer to HKSA 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report); and (iv) Other information that accompanies the financial statements may include additional discussion of risks associated with the coronavirus outbreak, consider whether there is a material inconsistency between this other information and the financial statements and report (refer to HKSA 720 (Revised), The Auditor's Responsibilities Relating to Other Information).
Reference	<p>HKICPA – Alert – Issue 32 - Impact of Coronavirus Outbreak on Audits and Auditors: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/Financial-Reporting-Auditing-and-Ethics-Alert/alert32a.pdf</p> <p>HKICPA – Alert – Issue 33 - Financial reporting implications of coronavirus: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/Financial-Reporting-Auditing-and-Ethics-Alert/alert33a.pdf</p>

Listed Company Obligations	
Result announcement	<p>The Hong Kong Stock Exchange ("Exchange") will not normally suspend trading of the securities of an issuer if the issuer is able to publish a preliminary results announcement but without agreement with auditors by 31 March 2020.</p> <p>However, issuer should include the following statements in its results announcement:</p> <ul style="list-style-type: none"> (i) A statement to the effect that the results have not been agreed with its auditors; (ii) An explanation for the lack of agreement with auditors and where available, the expected date that the result may be agreed with auditors; and (iii) whether the result have been agreed with the audit committee and if there is disagreement, details of the disagreement.

Listed Company Obligations (continued)	
Postpone the Publication of its Annual Report	<p>the Exchange may waive the requirements and allow a later publication date case by case based on the particular circumstances of the issuer and the information it obtained during the consultation process.</p> <p>The Exchange will consider, among others, the financial information the issuer is able to publish before 31 March 2020 and the effect of the coronavirus outbreak on the particular issuer.</p>
Blackout Period	<p>Although the issuer may publish preliminary results announcement without auditors' agreement on/before 31 March 2020, the blackout period will be extended until issuer releasing the audited financial results (or an announcement confirming that the released results have not been agreed with auditors)</p>
Size Tests	<p>Issue may refer to the preliminary results announcement without auditors' agreement to calculate size tests ratio (i.e. assets ratio, profit ratio and revenue ratio). However, issuer is required to recalculate such ratios by using audited financial results once they are available.</p>
Annual General Meeting ("AGM")	<p>According to Hong Kong Companies Ordinance, issuer is required to hold the AGM within six months and directors to lay the issuer's annual financial statements at its AGM within the period of six months after the end of the financial year.</p> <p>In addition, Main Board Rule 13.46(1) Note 2 & GEM Rule 18.03 Note 3 also require Hong Kong Issuers to lay accounts within six months of its financial year end. The Exchange will not grant any waiver that would result in contravention with the company laws.</p>
Webcast or video conference for AGM	<p>The Listing Rule do not impose requirement on the format for the AGM. Issuer should consider the use of technology(e.g. webcast, video conference) to maximize shareholder participation. However, issuers should clearly explain whether or not shareholders attending the general meeting by webcast at a remote site are allowed to vote and if so, how to vote.</p> <p>Further the Exchange's Guide on General meeting, please refer to https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Practices-and-Procedures-for-Handling-Listing-related-Matters/gm_guide.pdf?la=en</p>
Reference	<p>Frequently asked questions on the Joint Statement in relation to Results Announcements in light of Travel Restrictions related to the Severe Respiratory Disease associated with a Novel Infectious Agent (Joint Statement):</p> <p>https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Joint-Statement-with-SFC/faqs_jointstate.pdf</p>

On 26 February 2020, the Financial Secretary proposed the following concessionary measures in HKSAR Government Budget 2020/21 in order to support enterprise, smoothen livelihoods and stimulate the economy from the impact of Coronavirus outbreak, all of which is subject to the scrutiny by Legislative council.

HKSAR Government Budget 2020/21		
One-off tax concession	Tax reduction of 100% in profits tax and salaries tax payable for 2019/20, subject to a ceiling of HK\$20,000.	
Concession to private equity funds	Establish a limited partnership regime and provide tax concession for carried interest issued by private equity funds to attract them to domicile and operate in Hong Kong.	
Exchange trade fund	Waiver of stamp duty on stock transfers paid by the Exchange Traded Fund (“ETF”) market markers when creating and redeeming ETF units in Hong Kong.	
Government Rate	Residential properties	Waiver of the Rates for 2020/21, subject to a ceiling of HK\$1,500 per quarter.
	Non-domestic properties	Waiver of the Rates for 2020/21, subject to a ceiling of HK\$5,000 per quarter in the first two quarters, and HK\$1,500 per quarter in the remaining two quarters.
Business Registration Fees	Waiver of Business Registration Fees for one year (2020/21). Please refer to Business Registration Fee and Levy Table for details: https://www.ird.gov.hk/eng/pdf/brfee_table.pdf	
Annual return registration fee	Waiver of registration fees for company annual returns for 2 years (2020/21 & 2021/22). Please refer to Major Fees under Company Ordinances for details: https://www.cr.gov.hk/en/services/fees.htm	
Electricity charges	Electricity charges for non-residential account: subsidy 75% of charges for four extra months, subject to a monthly ceiling of HK\$5,000.	
Water and sewage	Water and sewage charges of non-domestic households: waive 75% of charges for four extra months, subject to a monthly ceiling of HK\$20,000 and HK\$12,500, respectively.	

HKSAR Government Budget 2020/21 (Continued)

Cash allowance	10,000 cash payout to Hong Kong permanent residents aged 18 or above.
Concessionary low-interest loan	<p>A concessionary low-interest loan under the SME Financing Guarantee Scheme, which 100% guarantee will be provided by the Government. It will be open for application for 6 months. Maximum loan of HK\$2 million with repayment period up to 36 months. Moratorium on principal repayment for first 6 months.</p> <p>The eligible enterprises should have been operating for at least three months as at end-December 2019, and have suffered at least a 30% decline in sales turnover in any month since February 2020 compared with the monthly average of any quarter in 2019. An interest rate of the Prime Rate -2.5% per annum. All guarantee fee will be waived.</p>
Reference	<p>The 2020-21 budget: https://www.budget.gov.hk/2020/eng/index.html</p> <p>The HK budget highlights leaflet: https://www.budget.gov.hk/2020/eng/pdf/Budget2020_eng.pdf</p> <p>Loan Guarantee under SME Financing Guarantee Scheme: https://www.info.gov.hk/gia/general/202002/26/P2020022600506.htm</p>

Relief Measure: Conditional waiver of surcharges for instalment settlement of demand notes for the Year of Assessment 2018/19

4 December 2019, HKSAR Government announced a further relief measure on tax payment to deal with prevailing economic condition and the financial difficulties that some taxpayers might be facing. For Installment plan (maximum period of one year) approved by the IRD allowing taxpayers in financial difficulties for settlement of Salaries Tax, Profits Tax and Personal Assessment demand notes issued between December 2019 and December 2020 for the Year of Assessment 2018/19. No surcharge is imposed during the instalment plan.

The IRD will grant instalment plans of different duration taking into account individual taxpayer's financial position. Instalment plans are generally granted for a duration of 6-month or less. Only in special circumstances will the instalment plans be granted for a longer duration but they are generally not longer than 12 months. Provided that all the instalments are duly settled in accordance with the approved instalment plan, no surcharge will be imposed for a maximum period of one year counting from the due date of the demand note.

However, if payments are not made according to the approved instalment plan, the instalment arrangement and conditional waiver of surcharges will be cancelled. The surcharges will be imposed as follow:

Surcharge of late settlement of tax payment without installment plan or cancelled installment plan	
	Rate of surcharge
Overdue within 6 months	Not exceeding 5% on unpaid tax amount
Overdue over 6 months	Not exceeding 10% on (i) unpaid tax amount and (ii) unpaid 5% surcharge

The Summary of IRD forms and supporting document for the Relief Measure on conditional waiver of surcharges for instalment settlement			
Applicant	Individuals / Sole Proprietorships	Partnerships	Corporations
Application form	IR1360 (Y/A 2018/19)	IR1360A (Y/A 2018/19)	IR1360B (Y/A 2018/19)
Information / documents required:			
➤ Concrete payment proposal	✓	✓	✓
➤ Copies of bank statements / passbooks for the latest 3 months	✓	✓	✓
➤ Details of income and expenditure for the latest 3 months	✓	✓	✓
➤ Debts repayment details	N/A	✓	✓
➤ Management accounts for the latest 3 months (including profits and loss account and balance sheet)	N/A	✓	✓
➤ Cash flow position and forecast	N/A	N/A	✓
Reference	IRD Frequently Asked Questions - Relief measure on conditional waiver of surcharges for instalment settlement of demand notes for the Year of Assessment 2018/19: https://www.ird.gov.hk/eng/faq/cws.htm GovHK - Application for Paying Tax by Instalments: https://www.gov.hk/en/residents/taxes/taxfiling/consequences/applicationip.htm		

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