



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



# TechWatch

News at a glance

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TechWatch updates you on technical developments in financial reporting, auditing, ethics, regulation and business. The Institute welcomes your comments, emailed to < [commentletters@hkicpa.org.hk](mailto:commentletters@hkicpa.org.hk) >. Click [here](#) for past issues.

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## Financial Reporting, Auditing and Ethics

**New!**

### 1. Technical Learning and Support Programme in March and April 2013

The Technical Learning and Support Programme in March and April 2013 includes the following Technical Update Evenings ("TUE") and workshops:

- TUE – Guardian Role of Professionals in Upholding Ethical Governance
- TUE – A checkpoint on new and revised financial pronouncements as at 31 December 2012
- TUE – Common application issues on HKFRS
- Workshops for Group Accounting
- HKFRS for Private Entities Workshop

To secure seats, please register early by completing the [registration form](#).

### Financial Reporting

### 2. Invitations to Comment on Consultation Documents

- (i) IVSC Exposure Draft ("ED") *Amendments to the International Valuation Standards*

The Institute has issued an [Invitation to Comment](#) on IVSC ED *Amendments to the International Valuation Standards*, with comments requested by **28 March 2013**.

As stated in the introduction to the ED, a number of minor changes are now required to update the standards to reflect subsequent IVS publications or other changes that impact upon them. Also, work on other IVSC Projects has brought to light a few instances where the existing IVSs could be improved by making minor

alterations to remove ambiguity or better illustrate a principle.

- (ii) IVSC Discussion Paper ("DP") *Valuation of Liabilities*

The Institute has issued an [Invitation to Comment](#) on IVSC DP *Valuation of Liabilities*, with comments requested by **28 March 2013**.

As stated in the introduction to the DP, preliminary investigations have established a lack of guidance specifically relating to the valuation of liabilities. Within the field of financial reporting, the IASB's IFRS 13 *Fair Value Measurement* specifically includes liabilities within its scope, but stipulates that specific assumptions be made that are directed at achieving a consistent accounting measurement of liabilities. Some of these assumptions, for example when a transfer has to be assumed even where fulfilment or cancellation are more likely or that in the absence of quoted prices a liability is to be valued from the perspective of the counterparty holding the corresponding asset, may or may not be appropriate when establishing the value of a liability for purposes other than financial reporting. The IVSC therefore considers that there is a need for standards or guidance on the valuation of liabilities in a wider context.

This DP is the first stage of the project. It sets out a number of issues that the IVSC has identified and invites responses from all those with an interest in valuation of liabilities, including, valuation providers, liability holders, investor groups, professional bodies and those with a regulatory role that is impacted by valuation.

### Audit & Assurance

### 3. HKICPA Auditing and Assurance Standards Committee

The [AASC minutes](#) of the meeting held on 18 December 2012 covered the following items:

- AASC Work Plan 2012 – Status Report
- HKSRE 2400 (Revised) *Engagements to Review Historical Financial Statements*
- HKSAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*
- Revised HKSIR 400 *Comfort Letters and Due Diligence Meetings*
- Revised Practice Note 620.2 *Communications between the Auditor and the Insurance Authority*
- Development of guidance on long form report

## International Meetings

### 4. International Accounting Standards Board

The IASB met on 18-22 February 2013, and discussed the following topics:

- Conceptual Framework
- Fair Value Measurement: unit of account
- IFRIC Update
- Annual improvements 2010-2012
- Financial Instruments: Hedge accounting
- Leases
- Insurance Contracts
- Revenue Recognition
- Matters arising from the IFRS Interpretations Committee
- IAS 41 *Agriculture*: Bearer Biological Assets
- Guide for micro-sized entities in applying the IFRS for SMEs
- Rate-regulated Activities

Click to view the IASB Update on the meeting of [18-22 February](#). The IASB next meets in March 2013.

### 5. IFRS Interpretations Committee

The IFRS Interpretations Committee next meets in March 2013. Click [here](#) for details.

### 6. International Auditing and Assurance Standards Board

The IAASB next meets in April 2013. Click [here](#) for details and previous meeting summary.

### 7. International Ethics Standards Board for Accountants

The IESBA next meets in March 2013. Click [here](#) for details and previous meeting summary.

## Useful Resources

### 8. Publications

The following are recent publications on various topics:

- (i) [IASB's disclosure survey results](#) by IASB
- (ii) [Speech](#) on consistent application of IFRS by IASB Chairman Hans Hoogervorst
- (iii) [Report](#) on financial statements review programme by HKEx
- (iv) [Update](#) on standards and interpretations for early adoption for 2012 year-end by BDO
- (v) [Article](#) on IFAC interview on timesheet and value pricing by IFAC
- (vi) [Publication](#) on fair value implications for real estate sector by Ernst & Young
- (vii) New standard on joint arrangements:
  - [Practical guide](#) by PwC – Classification of joint arrangements
  - [Practical guide](#) by PwC – Joint arrangements: a new approach to an age-old business issue

- (viii) [Update](#) on investment entities amendments by RSM Nelson Wheeler
- (ix) [Press release](#) on Memorandum of Understanding between IASB and IIRC

### Comment Due Dates

**18 March 2013:** IASB ED of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed Amendments to IFRS 10 and IAS 28)*

**18 March 2013:** IASB ED of *Acquisition of an Interest in a Joint Operation (Proposed Amendment to IFRS 11)*

**28 March 2013:** IVSC ED *Amendments to the International Valuation Standards*

**28 March 2013:** IVSC DP *Valuation of Liabilities*

**15 April 2013:** IFAC's IAASB Consultation Paper *A Framework for Audit Quality*

## Specialist Practices, Business Members and Advocacy

### Corporate Finance

#### 9. Ruling of the Takeovers and Mergers Panel on Chain Principle Offer

The Takeovers and Mergers Panel ("Panel") has ruled that an obligation under the Takeovers Code to make a chain principle offer for Greenheart Group Limited will be triggered upon the implementation of the proposed restructuring of Sino-Forest Corporation, which is in severe financial difficulties. The Panel also decided that a waiver of any such mandatory offer obligation would not be available.

Read the [Panel's decision](#) for details.

#### 10. HKEx Recruits Listing Committee Candidates

Hong Kong Exchanges and Clearing ("HKEx")'s Listing Nominating Committee is seeking applications from individuals interested in serving on the Listing Committee and the Growth Enterprise Market Listing Committee. Appointments will be for a term of twelve months commencing in May 2013. [The Listing Committee Report 2011](#) provides further information about the role of the Listing Committee and its mode of operation.

In order to achieve a balance of membership, the Listing Nominating Committee is interested in receiving applications from individuals who would be representing the views of listed issuers, market practitioners (including lawyers, accountants, corporate finance advisers and Exchange Participants) and investors. Applicants should have an understanding of the Listing Rules and the context in which listing decisions are made.

Applications should be submitted on or before 16 March 2013. Read the [press release](#) for details.

## 11. HKEx to Introduce After-Hours Futures Trading on 8 April

HKEx will introduce After-Hours Futures Trading ("AHFT") in Hong Kong. Starting from 8 April, Hang Seng Index and H-shares Index futures will be available for trading from 5 pm to 11 pm (after-hours trading) in addition to the current regular trading sessions: 9:15 am to 12 noon and 1 pm to 4:15 pm. Read the [press release](#) for key arrangements.

HKEx indicates that it will monitor the development of AHFT and review the trading and clearing operations and risk management arrangements for AHFT six months after the implementation.

### Taxation

## 12. Annual Meeting with the Inland Revenue Department

The annual meeting between representatives of the Institute's Taxation Faculty Executive Committee and the Inland Revenue Department ("IRD") took place on 1 February 2013. Among the items discussed at the meeting, the following are highlighted for members' attention:

### (i) Filing deadlines for 2012-13

The IRD confirmed the following due dates for lodging profits tax returns for the year of assessment 2012-13:

Accounting date	Extended due date	Further extended due date (for electronic filing)
"N" Code	2-May-13 (no extension)	16-May-13
"D" Code	15-Aug-13	29-Aug-13
"M" Code	15-Nov-13	29-Nov-13
"M" Code (current year loss cases)	4-Feb-14	4-Feb-14 (same as paper returns)

### (ii) Block extension of individuals tax return for persons employed by the same entity

It has been the policy of the IRD not to grant a long period of extension because the IRD has a tight schedule for its assessment and collection programme. For represented cases not involving sole proprietorship business accounts, a block extension would be granted to end of June or early July. For those involving sole proprietorship business accounts (irrespective of accounting date), extension would be granted to end of September or early October. Tax representatives should plan ahead to meet the deadlines.

Requests for further extension of time beyond the normal extension date for filing the Individuals Tax Return would not be granted, except in exceptional circumstances. Applications for further extension should be made on a case-by-case basis. Requests for further block extension will not be acceded to. If the reasons or exceptional circumstances are the same for employees of a particular company, the request for further extension could be made by way of a list.

### (iii) Applications for advance ruling

The IRD advised the following:

- The ruling system is designed to clarify the tax treatment of arrangements under serious contemplation but not those which are hypothetical or speculative.
- In processing an application for advance ruling, the IRD in general would rely on the information supplied in the application. The IRD have indicated that, in some recent applications, it has come to their attention that certain statements made in the applications are not up-to-date, do not reflect the full picture, or are otherwise incomplete or incorrect. The IRD, therefore, asks applicants to make every effort to ensure the completeness and correctness of the information supplied in advance ruling applications,

so that resources can be efficiently utilized.

- Before making an application for an advance ruling, applicants should ensure that they are in possession of all relevant information. Applicants should provide all the relevant information in the application and make ready and timely clarifications if the assessor requests.

### 13. Budget 2013-14

The financial secretary delivered the 2013-14 budget speech on 27 February. The Institute said that the first budget proposal of the new administration showed progress in the right direction but more could be done to boost Hong Kong's competitiveness. The Institute also supported the budget measures that were in line with Institute's recommendations, such as the increased child allowance from HK\$63,000 to \$70,000, the rates waiver, and the electricity subsidy.

The Institute hosted a lively budget forum on the evening of budget day, with speakers, legislative council member Kenneth Leung, HKUST's Prof. Francis T. Lui, and the taxation faculty budget subcommittee convenor, Wilson Cheng. Taxation faculty executive committee chair, Florence Chan, was the moderator.

Click for the:

- [Full budget speech](#) and [highlights](#)
- [Summary of the tax measures](#)
- Institute's [reaction](#) and [budget proposals](#)

### 14. Double Taxation Agreement

The Hong Kong Mexico DTA came into effect on 7 March. Click to read the [announcement](#).

## Legislation & Other Initiatives

### 15. Trust Law (Amendment) Bill 2013

The [Trust Law \(Amendment\) Bill 2013](#) was gazetted on 8 February and was introduced into

the Legislative Council ("LegCo") for first reading on 20 February. The bill, which aims to facilitate effective administration of trusts through enhancing trustees' default powers, seeks to amend two major ordinances of the trust law regime in Hong Kong, namely, the Trustee Ordinance (Cap 29) and the Perpetuities and Accumulations Ordinance (Cap 257), while providing for appropriate checks and balances so that trustees will exercise the new default powers properly.

The bill, if passed, will increase the competitiveness of Hong Kong's trust services industry and attract settlers to set up trusts in Hong Kong. This, in turn, will enhance Hong Kong's status as an international asset management centre.

Read the [LegCo Brief](#) for further details.

### 16. Joint Narcotics Division and Institute Seminars Held on Anti-money Laundering

The Narcotics Division, Hong Kong SAR Government and the Institute jointly organized two seminars for members of the Institute, in February (one each in English and Chinese) on anti-money laundering/combating terrorist financing ("AML/CFT"). To read the presentation slides on the topics covered at the seminars, please click the links next to each topic.

- AML and CFT – aligning with the international standards ([English](#), [Chinese](#))
- Suspicious transaction reporting: legal obligations and protection, statistics and case examples ([English](#), [Chinese](#))
- Experience sharing session ([English](#), [Chinese](#))

### 17. Latest Notices on AML/CFT

Members may wish to note that the following notices and publications in relation to combating money laundering/terrorist financing:

- [Government notice 554](#): An updated list of relevant persons and entities has been

specified under the United Nations Sanctions (Iran) Regulation.

- **Government notice 555:** An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Democratic People's Republic of Korea) Regulation.
- **Financial action task force (FATF) public statement:** Draws attention of its members (Hong Kong has been a member since 1990) on the risks of transactions involving Iran, Democratic People's Republic of Korea, Ecuador, Ethiopia, Indonesia, Kenya, Myanmar, Nigeria, Pakistan, São Tomé and Príncipe, Syria, Tanzania, Turkey, Vietnam and Yemen.
- **Improving global AML/CFT compliance: on-going process:** Draws the attention of FATF members to jurisdictions with deficiencies that pose money laundering/terrorist financing risks in the international financial system.
- **Methodology for assessing technical compliance with the FATF recommendations and the effectiveness of AML/CFT systems:** FATF has issued new methodology which sets out how the FATF will determine whether a country is sufficiently compliant with the 2012 FATF standards and whether its AML/CFT system is working effectively.
- **US executive order 13224:** The list relating to “Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism”.

For more AML-related circulars from the office of the commissioner of insurance, click [here](#).

For more background information on the current law in Hong Kong relating to anti-money laundering, see the Institute’s [Anti-money Laundering Bulletin 1](#), “Requirements on anti-money laundering, anti-terrorist financing and related matters”, and the [supplement](#) on suspicious transaction reporting.

## Useful Resources

### 18. Library Resources

**Featured titles** and **new books** of reference value to members are now available.

In addition, members can [login](#) to the **e-Library** and access e-journals and e-books on a wide range of business subjects.

### 19. Other Publications

The following articles/publications on topical issues may be of interest to members:

- (i) HKEx has published:
  - updated **frequently asked questions** on amendments relating to new listing rules for mineral companies effective 3 June 2010 (updated on 4 Feb)
  - a new series of **frequently asked questions** on rule requirements relating to notifiable transactions, connected transactions, mineral companies, issues of securities and corporate governance code
  - Listing decisions in relation to:
    - whether a listing applicant had adequate rights under the production sharing contracts which gave it sufficient influence in decisions over the exploration for and/or extraction of crude oil ([HKEx-LD50-2013](#))
    - whether NI 51-101 is an acceptable reporting standard under Rule 18.32 ([HKEx-LD51-2013](#))
  - A guidance letter in relation to cornerstone investment – no direct or indirect benefits to cornerstone investors other than guaranteed allocation at IPO price ([HKEx-GL51-13](#))

- a **letter** to issuers and market practitioners explaining listing rule implications arising from adoption of Hong Kong Financial Reporting Standard 10/ International Financial Reporting Standard 10
  - **Report** on IPO applications, delisting and suspensions (as at 28 February)
  - **Cash Market Transaction Survey 2011/12** shows continued diversity of investors in Hong Kong's securities market. Key findings are set out in the **press release**
- (ii) Securities and Futures Commission has published a **Quarterly Report** which summarizes its key regulatory developments in October – December 2012
- (iii) Articles on corporate governance by Deloitte:
- **Audit committee brief – understanding the CFO and CIO dynamic**
  - **The talent-intelligent board: the essential resource**
  - **Framing the future of corporate governance**