



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. New Technical Learning and Support Programme from November to December 2014

The Institute will run a series of technical update evenings ("TUE"), workshops and seminars on accounting, auditing and ethics from November to December 2014 as follows:

- **TUE – Accounting for Financial Instruments – Derivatives and Compound financial instruments**
- **TUE – Accounting for Financial Instruments – Hedge accounting**
- **TUE – Overview of the new revenue standard – HKFRS 15/IFRS 15 Revenue from Contracts with Customers**
- **Joint Seminar on Investment Funds**
- **Seminar on the Audit of Licensed Corporations**
- **2014 SMP Symposium**
- **Workshop on HKAS 36 Impairment of Assets**
- **Financial Reporting Forum – Developments in IFRS**

To secure seats, please register early by completing the registration forms by clicking on the above event titles.

Click [here](#) for an indicative list of topics to be included in the technical learning and support programme from July 2014 to June 2015.

### Members' Handbook

#### 2. Handbook Updates No. 159 - 160

- (i) **Update No. 159** contains *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures*).

The amendments address an acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments will be effective from annual periods commencing on or after 1 January 2016 with earlier application permitted.

- (ii) **Update No. 160** contains *Annual Improvements to HKFRSs 2012-2014 Cycle*.

*Annual Improvements to HKFRSs 2012-2014 Cycle* is a series of amendments to HKFRSs in response to the IASB annual improvements project to make necessary, but non-urgent, amendments to HKFRSs that will not be included as part of any other project. By presenting the amendments in the form of a single document rather than as a series of piecemeal changes, the IASB aims to ease the burden of change for all concerned.

## Financial Reporting

### 3. HKICPA Financial Reporting Standards Committee

The **FRSC minutes** of the meeting held on 11 September 2014 covered the following items:

- Update on planning for the 2014 Annual AOSSG Meeting
- Meeting with a member of the IASB-FASB Revenue Transition Resource Group
- IASB Leases Project
- IASB Exposure Draft ("ED") of Investment Entities: Applying the Consolidation Exception
- Report from the Working Group on Companies Ordinance application issues on financial reporting

## Audit & Assurance

### 4. HKICPA Auditing and Assurance Standards Committee

The **AASC minutes** of the meeting held on 23 September 2014 covered the following items:

- Work Plan Status Report and Update from Working Groups
- Revised Practice Note ("PN") 900 (Revised) *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard*
- Revised HKSA 810 *Engagements to Report on Summary Financial Statements*
- Questions and Answers on auditor's report relating to the Companies Ordinance transition arrangements
- New mechanism for partially-funded projects under the Standing Committee on Language Education and Research, and auditor's reports thereon

- Discussion Paper issued by the International Integrated Reporting Council

- Participation in IAASB's projects

### 5. Invitation to Comment on Exposure Draft Practice Notes

The Institute has issued an **Invitation to Comment** on ED PN 820 (Revised) *The Audit of Licensed Corporations and Associated Entities of Intermediaries*, PN 830 (Revised) *Reports by the Auditor under the Banking Ordinance* and PN 860.1 (Revised) *The Audit of Retirement Schemes*, with comments requested by **1 December 2014**.

The AASC has embarked on a project to update the relevant auditing and assurance pronouncements for the new Hong Kong Companies Ordinance (Cap. 622) ("new CO"). As part of the project, the proposed PN 820 (Revised), PN 830 (Revised) and PN 860.1 (Revised) have been updated to align with the requirements of the new CO.

## International Meetings

### 6. International Accounting Standards Board

The IASB met on 22-24 October 2014, and discussed the following topics:

- Research Project
- Disclosure Initiative
- IFRIC Update
- Leases
- Investment Entities: Applying the Consolidation Exception
- *IFRS for SMEs: Comprehensive Review 2012/2014*
- *Conceptual Framework*
- Insurance Contracts

Click to view the IASB Update on the meeting of **22-24 October**. The IASB next meets in November 2014.

## 7. IFRS Interpretations Committee

The IFRS Interpretations Committee next meets in November 2014. Click [here](#) for details.

## 8. IFRS Accounting Standards Advisory Forum

The IFRS ASAF next meets in December 2014. Click [here](#) for details and previous meeting summary.

## 9. International Auditing and Assurance Standards Board

The IAASB next meets in December 2014. Click [here](#) for details and previous meeting summary.

## 10. International Ethics Standards Board for Accountants

The IESBA next meets in January 2015. Click [here](#) for details and previous meeting summary.

## Useful Resources

## 11. Publications

- (i) [Deloitte](#) and [EY](#) illustrative financial statements and [EY](#) disclosure checklist for 2014 year-end
- (ii) [Deloitte](#) and [EY](#) update on upcoming changes in IFRS
- (iii) BDO [update](#) on equity method in separate financial statements
- (iv) Zhonghui Anda [update](#) on sale or contribution of assets between an investor and its associate or joint venture

## Comment Due Dates

**14 November 2014:** IASB ED of *Recognition of Deferred Tax Assets for Unrealized Losses* (Proposed Amendments to IAS 12 *Income Taxes*)

**1 December 2014:** ED PN 820 (Revised) *The Audit of Licensed Corporations and Associated Entities of Intermediaries*, PN 830 (Revised) *Reports by the Auditor under the Banking Ordinance* and PN 860.1 (Revised) *The Audit of Retirement Schemes*

**5 December 2014:** IASB DP of *Reporting the Financial Effects of Rate Regulation*

**5 December 2014:** IASB ED of *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Proposed Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and *Illustrative Examples for IFRS 13*)

## Advocacy and Practice Development/ Member Support

### Small & Medium Practitioners

#### 12. 2014 IFAC Global SMP Survey

Small and Medium Practitioners ("SMPs") are encouraged to participate in the [2014 IFAC Global SMP Survey](#), which should take less than 10 minutes to complete and will be closed on **15 December 2014**.

The survey is intended to take a snapshot of key issues facing SMPs, track key trends and developments, and gain an understanding of the specific challenges and opportunities faced by SMPs and small and medium-sized entities globally. Through this opportunity, SMPs can provide their invaluable insights to help IFAC better understand and address SMPs' needs and challenges.

### Corporate Finance

#### 13. Institute Comments on HKEx Consultation on Disclosure of Financial Information

As reported in [TechWatch no. 143](#) (item 18(i)), Hong Kong Exchanges and Clearing ("HKEx") published a [consultation paper](#) to seek views on proposed changes to the Listing Rules relating to disclosure of financial information with reference to the new CO and Hong Kong Financial Reporting Standards, and some minor/housekeeping amendments.

As indicated in its [submission](#), the Institute agreed to the proposed changes, and provided comments on the drafting of some of the rules for purposes of clarity.

#### 14. SFC Reminds Market Participants to Comply with Short Position Reporting

The Securities and Futures Commission ("SFC") has identified deficiencies and shortcomings since the implementation of the Securities and Futures (Short Position Reporting) Rules

("Rules") in 2012. These include:

- lateness in filing reports on short positions due to oversight or delays arising from change of personnel or overseas public holidays
- reports filed by agents appointed by some market practitioners to report short positions on their behalf were inaccurate or late
- obvious errors in the reports, indicating that reportable short positions were not properly checked before submission

SFC [reminds](#) market participants that they should have measures in place to ensure accurate and timely reporting of short positions, and it will continue to take appropriate action in respect of any failure to comply with the Rules.

### Restructuring and Insolvency

#### 15. ORO Circulars

The Official Receiver's Office ("ORO") has issued [Circular no. 9/2014](#) - Report to be filed by the Official Receiver under section 205 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32).

In addition, circulars issued in 2014 are now available at [www.oro.gov.hk](http://www.oro.gov.hk) > Publications > [ORO Circulars for Insolvency Practitioners](#).

### Taxation

#### 16. Announcements by the Inland Revenue Department and Other Tax Matters

Members may wish to be aware of the following matters:

- [The signed tax agreement](#) between Hong Kong and South Africa
- [The updated Stamp Office Interpretation and Practice Notes \("SOIPN"\) No. 1 \(Revised\)](#) on stamping of agreements for sale and purchase of immovable property, and the issue of [SOIPN No.8](#) on Ad Valorem Stamp Duty

- The gazetting of **two orders** on avoidance of double taxation agreements
- The **notice** on the notification of change of address

## Legislation & Other Initiatives

### 17. Competition Commission Consults on Guidelines under the Competition Ordinance

The Competition Commission is consulting on six sets of **draft guidelines**, including guidelines on the main rules under the Competition Ordinance, the First and Second Conduct Rules and the Merger Rule. The deadline for submissions is **10 December 2014**.

### 18. Anti-Money Laundering

Members may wish to note the following notices and publications in relation to combating money laundering/terrorist financing ("AML"):

- **Government notice 5775**: A list of relevant persons has been specified under the United Nations Sanctions (Côte d'Ivoire) Regulation 2014
- **Legal notice 114**: The United Nations Sanctions (Côte d'Ivoire) Regulation 2014 has been published in the Gazette
- **Legal notice 115**: The United Nations Sanctions (Democratic People's Republic of Korea) (Amendment) Regulation 2014 has been published in the Gazette
- **High-risk and non-cooperative jurisdictions**: In October, the Financial Action Task Force ("FATF") issued two documents:
  - **FATF public statement**, identifying jurisdictions with strategic AML/CFT deficiencies that pose risk to the international financial system
  - **Improving global AML/CFT compliance: on-going process**, identifying jurisdictions with strategic

AML/CFT deficiencies, for which they have developed an action plan with the FATF

- **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 AML, 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

### 19. Library Resources

**Featured titles** and **new books** for members' reference 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.

### 20. Other Publications

- (i) HKEx has published:
  - Updated guidance on
    - accounting and disclosure requirements for acquisitions of subsidiaries and businesses conducted during or after the trading record period; and stub period comparatives (**HKEx-GL32-12**)
    - confirmations required on the accountants' report, pro forma financial information and profit forecast in application proofs and subsequent draft listing documents (**HKEx-GL58-13**)

- consents for placing of shares to connected clients who will hold the shares on behalf of independent third parties ([HKEx-GL75-14](#))
  - Updated listing decision on
    - whether the inclusion of unaudited financial information of the acquired group (comprising the income statement, balance sheet, statement of changes in equity and cash flow statement) in the listing document of a listing applicant should be allowed ([HKEx-LD43-2](#))
  - Revisions to frequently asked questions:
    - [series 23](#) – Disclosure of a new applicant’s unaudited net profits/ losses after its track record period in a listing document
    - [series 5](#) – Rule amendments relating to GEM Review
  - [Report](#) on initial public offering applications, delisting and suspensions (as at 31 October)
- (ii) SFC has published:
- [Takeovers and Mergers Panel decision](#) on the application by the independent non-executive directors of China Oriental for a review of the Takeovers Executive's decision relating to whether a mandatory offer obligation had arisen for Mittal Steel Holdings AG, and the [press release](#) which summarizes the case
  - [speech](#) by Ashley Alder, SFC's CEO, about the factors that drive international and mainland China policy priorities in Hong Kong
- [speech](#) by Mark Steward, SFC's executive director (enforcement), on cross-border regulation, especially enforcement and cross-boundary enforcement in the proposed Shanghai-Hong Kong Stock Connect scheme
  - [speech](#) by Alexa Lam, SFC's deputy CEO and executive director (investment products, International and China), on financial innovations – prospects for the asset management industry
- (iii) Other publications:
- [Supporting global economic growth and resilience: IFAC recommendations to G-20 2014](#) by IFAC
  - [Reflections on corporate longevity](#) by McKinsey & Company
  - [Should your firm take the shotgun or rifle approach to marketing](#) by AICPA