



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 >. Click [here](#) for past issues.

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Standard Setting Developments

Technical Learning and Support

1. Technical Learning and Support Programme April - June 2016

The Institute will run a series of technical update evenings, workshops and seminars in April to June 2016:

- [Workshop on Building an Internal Audit Function](#)
- [Workshop on Quality Control](#)
- [HKFRS for Private Entities Workshop](#)
- [TUE – Guardian Role of Professionals in Upholding Ethical Governance](#)

Register early to secure a seat. Click on the above event titles for the registration forms.

Members' Handbook

2. Handbook Updates No. 181 and 182

The Auditing and Assurance Standards Committee has embarked on a project to update the relevant auditing and assurance pronouncements for HKSAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, which is effective for assurance reports dated on or after 15 December 2015.

The following practice notes are updated for matters related to HKSAE 3000 (Revised) as well as other industry related matters.

- PN 810.1 (Revised) *Insurance Brokers – Compliance with the Minimum Requirements specified by the Insurance Authority under Sections 69(2) and 70(2) of the Insurance Companies Ordinance* and PN 810.2 (Revised) *The Duties of the Auditor of an Insurer authorized under the Insurance Companies Ordinance* in [Update No. 181](#); and

- PN 820 (Revised) *The Audit of Licensed Corporations and Associated Entities of Intermediaries* in [Update No. 182](#).

Financial Reporting

3. The Institute's Financial Reporting Standards Committee Meeting Minutes

The [minutes](#) for the FRSC meeting held on 22 February 2016 is now available and covers the following key items:

- 2016 FRSC strategic plan that includes the Institute's Standard Setting Department's new research activities that will contribute to the IASB's projects;
- The Institute's draft submissions on the IASB Exposure Drafts; and
- The FRSC's approval on the issuance of HKFRS 16 *Leases*, narrow scope amendments to HKAS 12 *Income Taxes* and Disclosure Initiative (Amendments to HKAS 7 *Statement of Cash Flows*). The issuance of the standard and amendments are expected by May 2016. The FRSC noted that the Standard Setting Department would need to assess the impact of HKFRS 16 on HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* prior to issuing HKFRS 16.

4. Institute Comments on an IASB Exposure Draft

The Institute [commented](#) on the IASB's ED/2015/9 *Transfers of Investment Property* (Proposed amendment to IAS 40) and welcomes the IASB's efforts to address the diversity in practice regarding transfers of investment properties under construction to, or from, inventories when there is a change in use.

However, the Institute is concerned that the proposed amendments do not go far enough in resolving the issue and recommends that the IASB:

- provides more guidance on how the principle of paragraph 57 of IAS 40 should

be applied from the perspective of investment properties under construction by adding examples of evidence necessary to support a change in classification; and

- clarifies that the current example provided in paragraph 57(d) of IAS 40 also applies to transfers of completed investment properties.

In addition, the Institute considers that the proposed amendments should be applied consistently with the transition provision in paragraph 85B of IAS 40. That is, the proposed amendments should be applied prospectively and entities should be permitted to apply the proposed amendment to investment properties under construction from any date before the effective date of the amendments, provided that the fair values of investment properties under construction were measured at those dates.

Ethics

5. The Institute's Ethics Committee Meeting Minutes

The [minutes](#) for the Ethics Committee meeting held on 15 December 2015 is now available and covers the following key items:

- Update on enforceable anti-money laundering guidelines;
- The IESBA SMP Committee Ethics Task Force Meeting; and
- Revisions to Ethics Circular 1.

6. Institute Comments on an IESBA Exposure Draft

The Institute [commented](#) on the IESBA's ED on Proposed Revisions Pertaining to Safeguards in the Code-Phase 1 and welcomes the IESBA's initiative to improve the clarity, appropriateness and effectiveness of the safeguards in the Code. The Institute supports the proposed amendments in the ED, which provide enhanced clarity and robust application material relating to the conceptual framework.

International Meetings

7. International Accounting Standards Board

The IASB met on 15-16 March 2016 and discussed the following topics:

- Conceptual Framework;
- Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*;
- IFRS 3 *Business Combinations* - Definition of a business;
- Goodwill and Impairment; and
- The 2015 Agenda Consultation.

Click to view the [IASB Update](#) for this meeting. The IASB next meets on 18-22 April 2016.

8. IFRS Interpretations Committee

The IFRS Interpretations Committee met on 22 March 2016 and discussed the following key standards:

- IAS 12 *Income Taxes*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 28 *Investments in Associates and Joint Ventures*;
- IAS 32 *Financial Instruments: Presentation*;
- IFRS 9 *Financial Instruments*; and
- IFRIC 12 *Service Concession Arrangements*.

Click to view the [IFRIC Update](#) for this meeting. The IFRS Interpretations Committee next meets on 10-11 May 2016.

9. IASB Accounting Standards Advisory Forum

The IASB ASAF met on 7-8 April 2016 and discussed the following key topics:

- Conceptual Framework;
- Business Combinations under Common Control;
- Amendment to IFRS 4: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*; and
- Financial Instruments with Characteristics of Equity.

The Asian-Oceanian Standard-Setters Group is a member of the IASB ASAF. The Standard Setting Department conveyed its views and the views or concerns of Hong Kong stakeholders on most of the topics above to the AOSSG for representation at the ASAF meeting.

The IASB ASAF next meets on 7-8 July 2016. Click [here](#) for details of the next meeting and the meeting summary for the April 2016 meeting.

10. International Forum of Accounting Standard Setters

The IFASS met in Toronto on 4-5 April 2016 and discussed the following key topics:

- Professional Judgement and 'Terms of Likelihood' under IFRS;
- Use of Financial Information by Investors;
- Cash Flow Information; and
- Consistent implementation of IFRS by the IASB and National Standard Setters.

The Standard Setting Department and Chair of the FRSC represented the Institute at the meeting and provided the Institute's views and concerns on various topics.

11. International Auditing and Assurance Standards Board

The IAASB met on 14-18 March 2016 and discussed the following key topics:

- Professional Skepticism;

- ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*;
- ISA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*;
- Integrated Reporting;
- Data Analytics;
- Non-Compliance or Suspected Non-Compliance with Laws or Regulations; and
- Agreed-Upon Procedures.

Click to view the [meeting summary](#) for this meeting. The IAASB next meets on 20-24 June 2016.

12. International Ethics Standards Board for Accountants

The IESBA met on 14-16 March 2016 and discussed the following key topics:

- Non-Compliance with Laws or Regulations;
- Fees Initiative;
- Long Association
- Safeguards; and
- Part C of the Code of Ethics for Professional Accountants.

Click to view the [meeting summary](#) for this meeting. The IESBA next meets on 27-29 June 2016.

Useful Resources

13. Publications

PwC issued:

- an [in-depth guide to IFRS 16](#), providing observations and examples on the practical application of IFRS 16, and a

summary of the expected differences between IFRS 16 and the anticipated new U.S. GAAP guidance; and

- an **update** on IFRS, including an analysis on the current use of alternative performance measures, IFRS 9 guidance for banks, and IAS 7 implementation examples.

Deloitte published **Heads Up**, providing an overview of the FASB's new leases accounting model under Accounting Standards Update February 2016.

The IASB:

- developed a **leases implementation webpage** to provide useful guides about implementing IFRS 16; and
- published an **article** on the Disclosure Initiative suite of projects that the IASB has undertaken to improve disclosure effectiveness.

The IAASB released a **publication** highlighting audit issues arising from the shift to expected credit loss models when accounting for loan losses under IFRS 9, which will come into effect from 1 January 2018.

The European Financial Reporting Advisory Group and the Institute of Chartered Accountants of Scotland published a **study** on professional investors' views on, and use of, financial reporting information. It has particular implications for the current debate surrounding the conceptual framework for financial reporting.

Institute of Management Accountants and ACCA jointly issued a **report** to explore how accountants should get involved more closely, or even drive, the integrated reporting efforts within their organizations.

Comment Due Dates

Comment to the Institute on the following consultation document by:

16 April 2016: IFAC's IAASB Invitation to Comment *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Controls and Group Audits*

Specialist Practices, Business Members and Advocacy

Professional Accountants in Business

14. HKEx Revamps Environmental, Social and Governance Webpage

Hong Kong Exchanges and Clearing ("HKEx") has revamped its [Environmental, Social and Governance \(ESG\) webpage](#) to give listed issuers updated guidance on ESG reporting.

As previously announced by HKEx, the amendments to the ESG Reporting Guide (Appendix 27 to the Main Board Listing Rules and Appendix 20 to the Growth Enterprise Market ("GEM") Listing Rules) will come into effect in two phases:

- the rule amendments and the upgrade of the General Disclosures in the Guide from recommended to "comply or explain", as well as the revised recommended disclosures, have come into effect for issuers' financial years commencing on or after 1 January 2016; and
- the upgrade of the key performance indicators in the "Environmental" subject area of the Guide from recommended to "comply or explain" will come into effect for issuers' financial years commencing on or after 1 January 2017.

The webpage sets out practical steps, tools and reporting guidance aimed at helping issuers to start ESG reporting under the revised Guide.

15. MMT Proceedings Against Late Disclosure of Inside Information

The Securities and Futures Commission ("SFC") has recently commenced two proceedings in the Market Misconduct Tribunal ("MMT") against listed companies and their senior executives for failing to disclose price sensitive information as soon as reasonably practicable, as required under part XIVA of the Securities and Futures Ordinance.

Read the SFC press releases for detail and the notices to the MMT setting out the grounds for commencing the MMT proceedings.

[Case 1 press release](#) and [notice to the MMT](#)

[Case 2 press release](#) and [notice to the MMT](#)

Corporate Finance

16. HKEx Publishes Listing Committee Report 2015

HKEx has [published](#) its [Listing Committee Report 2015](#), a review of the committee's work in upholding market quality last year and an overview of the committee's policy agenda for 2016 and beyond. The [Listing Committee](#), which consists of 27 independent members and HKEx chief executive as an ex-officio member, oversees the Listing Department, provides policy advice to HKEx on listing matters, takes decisions of material significance for listing applicants, listed issuers and the individuals concerned, and acts as a review body.

In 2015, the committee considered 112 listing applications. The committee also considered it necessary to adopt a more robust delisting policy for long suspended companies. Having noted that the current GEM regime has been in operation for around seven years, and taking into account the new sponsor regime which came into effect in late 2013, a review of GEM has also been included in the committee's policy agenda for 2016 and beyond.

17. Consultation Conclusions on Principles of Responsible Ownership

On 7 March, the SFC [published consultation conclusions](#) on the Principles of Responsible Ownership, which aim to provide guidance on how investors should fulfill their ownership responsibilities in relation to investments in Hong Kong listed companies. [TechWatch no. 149](#) (item 17) provides further details about the consultation.

Having considered all the respondents' comments, the SFC has decided to introduce the proposed principles with minor changes, removing references to individual and retail

investors from the principles. The principles, which are voluntary, are intended to apply to investors who invest money or hold shares on behalf of clients or stakeholders to whom they are accountable.

The SFC will monitor the application of the principles to determine whether amendments or other changes may be necessary.

Taxation

18. 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 11 March 2016. Among the items discussed at the meeting, the following are highlighted for members' attention:

(i) Filing deadlines

The IRD confirmed the due dates for lodging profits tax returns for the year of assessment 2015-16. These are highlighted for members' attention:

Accounting date	Extended due date	Further extended due date (if opting for e-filing)
"N" Code	3 May 2016 (no extension)	17 May 2016
"D" Code	15 August 2016	29 August 2016
"M" Code	15 November 2016	29 November 2016
"M" Code (current year loss cases)	1 February 2017	1 February 2017 (same as paper returns)

(ii) Font size for schedules supporting the return

The IRD expressed its appreciation for support from members of the Institute in observing its request to comply with the **preferred format** for supporting documents filed with the profits tax returns. The IRD again appealed to members for assistance in adopting a reasonable font size (size 11 or above) in those documents.

19. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- **The gazette** about the Inland Revenue (Amendment) (No.2) Bill 2016, seeking to implement the concessionary revenue measures proposed in the 2016-17 Budget
- **A circular letter** to tax representatives on the Block Extension scheme for lodgement of 2015/16 tax returns
- **A reminder** to pay the second instalments of tax for the year of assessment 2014/15
- **The issues** of profits tax returns, property tax returns and employer's returns for the year of assessment 2015-16
- **A LegCo question** on Special Stamp Duty, Buyer's Stamp Duty and Doubled Ad Valorem Stamp Duty
- **Tax Representatives' Corner**

Legislation & Other Initiatives

20. Waiver of Business Registration Fees for Companies

The business registration fee payable in respect of the following will be reduced by HK\$2,000:

- (i) an application for company incorporation and business registration made in the period from 1 April 2016 to 31 March 2017; and

- (ii) a non-Hong Kong company that commences business between 1 April 2016 and 31 March 2017.

Applicants are still required to pay the levies for the Protection of Wages on Insolvency Fund. Please refer to the [Inland Revenue Department](#) website and the [business registration fee & levy table](#) for details.

21. COMPAG Issues 2014-15 Report

The Competition Policy Advisory Group ("COMPAG") has issued its [17th annual report](#), outlining its work during 2014-15.

22. Anti-Money Laundering Notices

Members may wish to note the following notices and publications in relation to AML/CFT:

- [Government notice 1004](#): An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- [Government notice 1187](#): An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- [Government notice 1341](#): An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- [Government notice 1478](#): An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Democratic People's Republic of Korea) Regulation.
- [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/CFT, 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

23. 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.

24. Other Publications

- (i) HKEx has published:
 - New listing decisions in relation to:
 - Whether a listed issuer (excluding its interest in the subsidiary proposed to seek a separate listing on the HKEx) could rely on the unrealized fair value gains on investment properties to meet the profit requirement under Rule 8.05(1)(a) ([HKEx-LD93-2016](#))
 - Whether a listed issuer's proposed subscription for an interest in an investment fund would be a reverse takeover ([HKEx-LD94-2016](#))
 - Whether a listed issuer's proposed acquisition of an interest in a company holding inventories and production facilities from the owner would be a reverse takeover ([HKEx-LD95-2016](#))
 - Whether a listed issuer's proposed acquisition of a company that it proposed to acquire from the vendor would be a reverse takeover ([HKEx-LD96-2016](#))

- Whether a listed issuer would have sufficient operations or assets under Rule 13.24 after a major disposal (three decisions: [HKEx-LD97-2016](#); [HKEx-LD98-2016](#); [HKEx-LD99-2016](#))
 - Updated [country guide on Japan](#)
 - [HKEx Fact Book 2015](#), which presents statistics from HKEx's securities and derivatives markets and the London Metal Exchange, includes market highlights in 2015 and a section on the history of Hong Kong's securities and derivatives markets since the late 1800s.
 - [Report](#) on initial public offering applications, delisting and suspensions (as at 31 March)
- (ii) SFC has published [Financial Review of the Securities Industry](#) for the year ended 31 December 2015.
- (iii) The Financial Services Development Council has published a report entitled [Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong](#), which looks at different potential approaches for Hong Kong to regulate equity crowdfunding and underlines the importance of adopting appropriate initiatives to facilitate its development. It further opines that the policy choice will necessarily involve striking a balance between innovation and entrepreneurship on the one hand and investor protection on the other.
- (iv) Other publications:
- [How can SMPs brand themselves more effectively](#), Richard Shuback, LLC
 - [Chinese Cities of Opportunity 2016 study report](#), PwC
 - [China Outlook 2016](#), KPMG
 - [The FinTech revolution is here. Are Asia's CFOs ready to do battle?](#), CFO Innovation
 - [High tech meets low finance](#), The Economist
 - [Why frontline workers are disengaged](#), McKinsey & Company