



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 by:
Christina Ng (Editor), Kam Leung, Daisy Xia

Advocacy and Practice Development by:
Peter Tisman (Editor), Elena Chai, Wallace Wong

Member Support by:
Mary Lam (Editor), Eddy Wong

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Standard Setting Developments

Audit & Assurance

1. Institute's Audit and Assurance Standards Committee Meeting Minutes

The [minutes](#) from the 364th meeting of the Audit and Assurance Standards Committee held on 25 April 2017 are now available.

2. Revised Auditor's Reports

The Institute's standard-setting department reports a [snapshot](#) of first year experiences with revised auditor's reports. Check out key findings from a study of auditor's reports of listed entities and feedback from an online stakeholders survey.

3. Annual Auditing Update 2017

Around 900 members attended the Annual Auditing Update 2017 "Broadening the Horizons" on 21 October. Hot topics discussed include the Institute's update on the first year of implementing the revised auditor's report, the use of data analytics in audits, understanding root cause analysis and implementing the new ethical standards on long association and non-compliance with laws and regulations.

4. International Update

This IAASB [webinar](#) discusses the proposed changes to the International Standard on Quality Control (ISQC 1) which will change the current approach to quality control for firms using the IAASB's International Standards.

Financial Reporting

5. Institute's Comment on IASB Discussion Paper

The Institute [commented](#) on the IASB Discussion Paper DP/2017/1 *Disclosure Initiative—Principles of Disclosures*.

6. Open Invitations to Comment

The Institute is seeking comments on the [IASB Exposure Drafts](#) ED/2017/5 *Accounting Policies and Accounting Estimates* and ED/2017/6 *Definition of Material*. Comments should be submitted by 15 December 2017.

7. International Updates

- The IASB published narrow-scope [amendments](#) to IFRS 9 *Financial Instruments* and IAS 28 *Investments in Associates and Joint Ventures*.
- This IASB [Investor Update](#) discusses performance measures, the new revenue standard, and other IASB project updates.
- This IFRS Foundation [case study report](#) explains how six companies have improved communication by making more meaningful disclosures in their IFRS financial statements.
- The October [IASB Update](#) and the [IASB Work Plan](#) are now available.
- New IASB staff webcasts are available now:
 - [IFRS 9 Financial Instruments](#) highlights key new disclosure requirements, which differ significantly from IAS 39;
 - [IFRS 16 Leases](#) discusses four implementation questions on lease term requirements.

Technical Learning and Support

8. New Programmes

Click on the titles below to register:

- [Annual Accounting Update 2017](#) (11 November 2017)
- [Industry Update Relating to Investment Funds](#) (21 November 2017)
- [IFRS 17 Insurance Contracts Series](#) (November to December 2017)



- [Guardian Role of Professionals in Upholding Ethical Governance](#)
(5 December 2017)

Useful Resources

9. Institute's Technical Resource Centres

Access the Institute's comprehensive resource centres:

- [New and Major Standards](#)
- [ICAEW's International Accounting, Audit and Ethics Content](#)
- [New Companies Ordinance](#)
- [HKFRS for Private Entities](#)
- [SMP and SME](#)

10. [Linked in](#)

[Join](#) the Institute's Standard Setting Department's discussions on LinkedIn, and stay up to date on key developments in financial reporting, auditing and ethics.

Advocacy and Practice Developments/Member Support

Professional Accountants in Business

11. HKEX Reports on Listed Issuers' Corporate Governance Practices

The Hong Kong Exchanges and Clearing ("HKEX") has recently **published** the findings of its latest review of listed issuers' corporate governance practices. The review analyzed the disclosures made by 1,428 issuers in their 2016 annual reports, covering the financial period from 1 January to 31 December 2016. Key findings included:-

- 34% complied with all 78 Code Provisions ("CPs") in the Corporate Governance Code and Corporate Governance Report part of the Listing Rules.
- 94% complied with 75 or more CPs.
- Nearly all complied with 70 or more CPs.
- Issuers with a larger market capitalization achieved a higher overall compliance rate than those with a smaller market capitalization.

Read the report [Analysis of Corporate Governance Practice Disclosure in 2016 Annual Reports](#) for further detail.

Taxation

12. Announcements by the Inland Revenue Department ("IRD")

Members may wish to be aware of the following matters:

- The publication of [Departmental Interpretation and Practice Notes No. 54](#) on taxation of aircraft leasing activities
- [The Chief Executive's plan](#) to diversify Hong Kong's economy and create more opportunities for the city

- A **tax summit** held to formulate forward-looking tax policies and foster economic development, and the remarks made by the Financial Secretary
- **A Legislative Council question** on measures to cool down residential property market
- Hong Kong and Switzerland entered into **an agreement** on automatic exchange of financial account information in tax matters
- Notices on **business registration**, and **changes of addresses**
- **Fraudulent emails purportedly from the IRD**
- **Stamp Duty statistics (September 2017)**
- **List of Qualifying Debt Instruments as at 30 September 2017**
- **IRD annual report 2016-17**

Legislation & Other Initiatives

13. Institute Comments on AML/CFT Bill and Companies Bill 2017

The Institute issued a **submission** to the Legislative Council on the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Bill 2017 and the Companies (Amendment) Bill 2017 on 23 October 2017, and the Institute's chief executive attended a Bills Committee meeting on 30 October 2017. The submission indicates support for legislative measures to minimise the risk of abuse of Hong Kong's financial system by money launderers or terrorists. While the Institute believes that anti-money laundering legislation more tailored towards accountants and other "designated non-financial business and professions" would be preferable, the submission notes that amending the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap.615) should be workable, as long as sufficient clarity and refinements regarding concepts, terminology and scope are provided. At the same time, the submission also draws attention

to possible regulatory gaps and proposes various technical and drafting changes.

As regards the Companies (Amendment) Bill 2017, the Institute considers that, in principle, enhancing the transparency of company ownership and control will help Hong Kong to comply with its international obligation to implement the Recommendations of the Financial Action Task Force. Meanwhile, the submission also seeks more clarity on certain provisions and raises several technical and drafting points.

14. Anti-Money Laundering Notices

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

- **Government notice 7412**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 7654**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Legal notice 151**: The United Nations Sanctions (Libya) Regulation 2011 (Amendment) Regulation 2017 has been published in the Gazette.
- **Specially designated nationals and blocked persons list**, published by the U.S. Treasury's Office of Foreign Assets Control. More details on the **Resource Centre of the Treasury**.

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

15. 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.

16. Other Publications

(i) HKEX has published:

- New listing decisions on:
 - Whether a company would be deemed as a connected person of a listed issuer under Listing Rule ("LR") 14A.19 in view of certain relationships between the company and the listed issuer's parent company ([HKEX-LD111-2017](#))
 - Whether a listed issuer would have sufficient operations or assets under LR 13.24 after a proposed major disposal ([HKEX-LD112-2017](#))
 - Whether additional requirements would be imposed on a listed issuer's proposed disposal of its original business under LR 2.04 ([HKEX-LD113-2017](#))
 - Whether HKEX would consider a listed issuer to be no longer suitable for listing ([HKEX-LD114-2017](#))
- Updated guidance on issues related to "controlling shareholder" and related Listing Rules implications ([HKEX-GL89-16](#))
- [Report](#) on initial public offering applications, delisting and suspensions as at 31 Oct

(ii) SFC has published:

- Takeovers Bulletin [issue no 42](#)
- [Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading](#) requiring licensed/ registered persons engaged in internet trading to implement 20 baseline requirements to enhance cybersecurity resilience and to reduce and mitigate hacking risks

➤ [Keynote speech](#) by Ashley Alder, Chief Executive Officer at 8th Pan Asian Regulatory Summit

➤ [Keynote speech](#) by Thomas Atkinson, Executive Director, Enforcement Division at 8th Pan Asian Regulatory Summit

(iii) [Companies Registry Annual Report 2016-17](#)

(iv) Other publications:

➤ [The Greater Bay Area Initiative: A survey on key drivers for success](#) by KPMG China and the Hong Kong General Chamber of Commerce

➤ [New Opportunities for the Guangdong-Hong Kong-Macau Bay Area](#) by PwC

➤ [The CFOs' guide to technology roadmapping](#) by IMA and ACCA

➤ [Accountants' role in managing AI disruption](#) by Journal of Accountancy

➤ [Big data, analytics, AI and the finance professional](#) by CGMA Magazine

➤ [Blockchain will transform audit – Get ready now](#) by Withum+

➤ [How to break through the gravitational pull of your legacy organization](#) by McKinsey & Company

➤ [Improving communication to attract new talent](#) by COGEP

➤ [STUDY: The traditional '9-5 job for life' is out](#) by CFO Innovation

➤ [Young leaders: Five things we learnt on next generation leadership](#) by ICAS