



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



# TechWatch

News at a glance

Issue 171 • January 2017

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

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## Standard Setting Developments

### Member's Handbook

#### 1. Handbook Update No. 192-193

**Handbook Update No.192** relates to the new standard *Responding to Non-Compliance with Laws and Regulations* (effective from 15 July 2017).

**Handbook Update No.193** covers:

- amendments to various HKFRS standards (effective for annual reporting periods beginning on or after 1 Jan 2016);
- new HKSIR 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* guidance on the preparation of an accountant's report under the Hong Kong listing rules (effective for investment circulars dated on or after 1 July 2017); and
- new guidance on revised HKSIR 400 (Revised) *Comfort Letters and Due Diligence Meetings* (effective immediately).

### Audit & Assurance

#### 2. Institute's Auditing and Assurance Standards Committee Meeting Minutes

The **minutes** for the 361<sup>st</sup> AASC meeting held on 15 November 2016 is available.

#### 3. New Invitation to Comment

The Institute is seeking comments on the International Auditing and Assurance Standards Board's **Discussion Paper**, *Exploring the Demand for Agreed-Upon Procedures Engagement and Other Services, and the Implications for the IAASB's International Standards*. Comments are requested by 28 February 2017.

#### 4. International Updates

- The IAASB published the **2016-2017 Handbook** of International Quality Control, Auditing Review, Other Assurance, and Related Services Pronouncements.
- The IAASB's meeting on 9 December 2016 is available on **podcast**.

### Ethics

#### 5. International Update

The International Ethics Standards Board for Accountants' meeting held on 12-15 December 2016 is available on **podcast**.

### Financial Reporting

#### 6. Institute's Financial Reporting Standards Committee Meeting Minutes

The **minutes** for the 232<sup>nd</sup> FRSC meeting held on 18 October 2016 is available.

#### 7. Institute's Letter to IASB Chairman

The Institute wrote a **letter** to the IASB Chairman to seek clarification on two key areas of the IASB's recent tentative decisions on the forthcoming insurance contract standard.

#### 8. Reporting Reminders

A number of new and major accounting standards will be effective soon.

The **Financial Reporting and Auditing Alert** includes reporting reminders that members and entities should be aware of in relation to these standards.

This **document** outlines:

- Standards and Interpretations that are applicable to 31 December 2016 year ends; and
- Standards, Interpretations and Amendments that were issued but are not yet effective.

## 9. International Updates

- The IASB research forum held in October 2016 is available on [webcast](#). The forum covered discussions on *Conceptual Framework*, definition of assets and liabilities, IFRS adoption and IFRS convergence.
- The December 2016 [IASB Update](#) and [podcast](#) covers IASB's deliberations on financial instruments with characteristics of equity, *Conceptual Framework*, and primary financial statements.
- The IASB [work plan](#) as at 16 December 2016 is available. Major milestones expected in Q1 of 2017 include a research summary on Share-based Payment and a standard on Insurance Contracts. An exposure draft on the definition of materiality and a discussion paper on the principles of disclosures are expected in Q2 of 2017.
- The IASB issued several [amendments](#) to IFRS standards as a result of its Annual Improvement Project, an IFRIC interpretation and amendments to IAS 40 *Investment Property* which are effective 1 January 2017 or 2018.

### Technical Learning and Support

## 10. New Programmes and Audit Practice Manual

Click on the titles below to register:

- [TUE Session: Understanding the revised auditor's report and treatment of Key Audit Matter](#) (available on 7 February 2017)
- [Refresher Course on Current Auditing standards](#) (multiple sessions available in February 2017)
- The [HKICPA Audit Practice Manual \(2016 edition\)](#) is now available for sale. This edition includes a number of new programmes and checklists together with

revised guidance notes and sample audit files that cover the latest auditing and disclosure requirements.

### Useful Resources

## 11. 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](#)

## 12. LinkedIn

Click [here](#) to follow the LinkedIn page of the Institute's Standard Setting Department and also join in on our discussions. You will receive prompt updates on the latest standards and developments in financial reporting, auditing and ethics.

## 13. Publications

- The ICAEW's latest [paper](#) on improving audit quality using root cause analysis is now available.
- The International Valuation Standards Council released a [pre-publication draft](#) of its International Valuation Standards. The draft takes into account the feedback received on IVS exposure drafts that were available for public comment in 2016. The standards are expected to be published in 2017.
- [KPMG](#) and [PwC](#) have published HKFRS illustrative annual financial statements for the year ended 31 December 2016.

## Advocacy and Practice Development/Member Support

### Professional Accountants in Business

#### 14. HKEX Publishes Review Results of Disclosure in Issuers' Annual Reports

As part of its regular regulatory activities, the Hong Kong Exchanges and Clearing ("HKEX") reviews listed companies' annual reports to monitor their compliance with the Listing Rules, corporate conduct and disclosure of material events and developments, and releases its findings and recommendations to improve transparency and promote a fair, orderly and informed market. On 25 January, HKEX **published a report** on the findings and recommendations from its review of issuers' annual reports for the financial year ended between January and December 2015.

Members, in particular preparers of listed company's annual reports, are encouraged to note the observations and recommendations discussed in the report and follow the relevant guidance to improve transparency and communication with shareholders.

### Corporate Finance

#### 15. Price Volatility of GEM Stock

On 20 January, Securities and Futures Commission ("SFC") and HKEX issued a **joint statement** regarding the price volatility of stocks listed on the Growth Enterprise Market ("GEM") as an initial step to address some of the current concerns with GEM initial public offering ("IPO") placings. They consider that some market practices may not enable an orderly, informed and efficient market for such securities to develop.

The SFC also issued a **guideline** to provide guidance to sponsors, underwriters and placing agents on the standards of conduct that is expected of them in the listing and placing of GEM IPO stocks.

The regulators states that they will make enquiries if there are concerns that the holdings of the placing securities are overly concentrated. They will, where appropriate, take action against applicants, sponsors, underwriters or placing agents who fail to have appropriate policies and procedures in place to ensure the placing is conducted in a fair and orderly manner.

### Taxation

#### 16. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- **The tax treaty** concluded between Hong Kong and Belarus and **agreement signed with Korea** on automatic exchange of financial account information in tax matters
- **A reminder** to pay tax to avoid penalty
- The notifications which remind **employers** and **taxpayers** to notify IRD if they change their postal addresses
- **Stamping Circular No. 01/2017** on Filing of Return of Stock Borrowing Transactions

#### 17. Institute's Tax-related Submissions

- The Institute submitted a set of **tax policy and budget proposals 2017-18** to the chief executive and the financial secretary, on 9 January, and held a well-attended press briefing the following day to announce the proposals.
- The Institute also responded to a government **consultation on measures to counter base erosion and profit shifting**.

### Legislation & Other Initiatives

#### 18. Public Consultation on the AML Regulatory Framework for DNFBP

The Hong Kong Government has initiated a public consultation on the anti-money

laundering ("AML") regulatory framework for designated non-financial businesses and professions ("DNFBP", including accountants). More information of the consultation can be found [here](#).

Meanwhile, details of a second, related public consultation paper, issued in conjunction with the AML public consultation, - "Enhancing Transparency of Beneficial Ownership of Hong Kong Companies" can be found [here](#).

The deadline for comment is 5 March 2017. Members who wish to submit views on these consultations via the Institute, please send them to <[apd@hkipa.org.hk](mailto:apd@hkipa.org.hk)> by 14 February.

## 19. Anti-Money Laundering Notices

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

- **Government notice 7237**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 22**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **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 [2016](#) and [2017](#).

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

### 20. 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.

### 21. Other Publications

- (i) HKEX has published:
  - Questions relating to the audit terminology used in the Rules with reference to the HKICPA new and revised Auditor Reporting Standards effective on 15 December 2016 ([FAQ No. 001-2017 to 004-2017](#))
  - **Market statistics** for the full year of 2016 and the corresponding [press release](#)
- (ii) **Companies Registry annual statistics for 2016** and the corresponding [press release](#)
- (iii) Speech on **Manager-In-Charge initiative: Fostering accountability and a compliance culture** by Julia Leung, SFC Executive Director, Intermediaries
- (iv) Welcome remarks for breakfast panel on **Positioning Hong Kong in the New World Order** by Laura Cha, Chairman of HK Financial Services Development Council made at the Asian Financial Forum 2017
- (v) Other publications:
  - **Attracting new talent to the accountancy profession** by Institute of Management Accountants



- **Cultivating innovation skills in your workforce** by Wall Street Journal
- **How to win in the age of analytics** by McKinsey & Company
- **Extra-financial reporting & data analytics** by eRevalue
- **The future of cybersecurity: Analytics and automation are the next frontier** by Deloitte
- **How to select the right cloud hosting provider** by Accounting Web
- **Start preparing now for new lease accounting rules** by CFO.com