



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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## Standard Setting Developments

### Members' Handbook Update

#### 1. Handbook Update No.197 – 198

**Update no. 197** contains revised PN 730 *Guidance for Auditors Regarding Preliminary Announcements of Annual Results*.

**Update no.198** contains a series of amendments arising from the publication of *Annual Improvements to HKFRSs 2014-2016 Cycle*.

### Audit & Assurance

#### 2. Technical Bulletin for Auditors on AGM

The Institute has issued revised **AATB 2 Guidance to the Auditor when Responding to Questions at an Annual General Meeting**.

#### 3. Institute comments on IAASB Discussion Paper

The Institute **commented** on the IAASB's Discussion Paper *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implication for the IAASB's International Standards*.

### Ethics

#### 4. Institute's Ethics Committee Meeting Minutes

The **minutes** for 235<sup>th</sup> Ethics Committee meeting held on 1 September 2016 is available.

### Financial Reporting

#### 5. International Updates

- The **March IASB Update** is available. Key developments include:
  - IASB considers taking a more active role in broader corporate reporting

issues and will investigate whether to update its Practice Statement Management Commentary;

- A discussion paper on Financial Instruments with Characteristics of Equity is expected to be published towards the end of 2017; and
  - IASB continues to explore presenting EBIT and management's operating performance measure, and providing guidance on the general aggregation principles.
- The **March IFRIC Update** is also available. Items that were concluded on include:
- Modifications or exchanges of financial liabilities that do not result in derecognition (IFRS 9 *Financial Instruments*);
  - Interest and penalties related to income taxes (IAS 12 *Income Taxes*);
  - Centrally cleared client derivatives (IAS 32 *Financial Instruments: Presentation*); and
  - Fund manager's assessment of significant influence (IAS 28 *Investments in Associates and Joint Ventures*).
- This **webcast** by IASB staff discusses the lease modifications requirements for lessees in IFRS 16 *Leases*, effective 1 January 2019.
- This **article** by IASB member discusses how the IASB is addressing the issues and challenges of non-GAAP performance reporting.
- This **speech** by IASB chairman discusses building trust and how the adoption of IFRS Standards will help a nation achieve its economic vision.

## Technical Learning and Support

### 6. New Programmes

Click on the titles below to register:

- [Workshops](#) on Quality Control (April to June 2017)
- [Workshops](#) on HKFRS for Private Entities (April and May 2017)
- [Introducing IFRS 16 Leases](#) (25 April 2017)
- [Guardian Role of Professionals in Upholding Ethical Governance](#) (12 June 2017)

## Useful Resources

### 7. 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](#)

### 8. [LinkedIn](#)

[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 Development/Member Support

### Professional Accountants in Business

#### 9. New CGMA Treasury Resource Helps Management Accountants

The Association of International Certified Professional Accountants and the Association of Corporate Treasurers have recently published a Chartered Global Management Accountant ("CGMA") resource, [Treasury and Cash Management Essentials](#), which provides practical guidance to help management accountants add value to the business by deepening their understanding of key treasury practices.

This interactive guide identifies key components of the modern treasury function and provides tools and resources to help management accountants expand capabilities in these areas. It also emphasizes the importance of alignment, understanding and close co-operation among the management accounting, tax and treasury functions to achieve effective decision making on investments, funding and risk strategies.

#### 10. HKEX Launches Director Training Webcasts

The Stock Exchange of Hong Kong ("HKEX") has launched the first of its director training [webcasts](#) entitled "Duties of directors and the role and functions of board committees". With emphasis on providing practical advice and tips on how to tackle challenging scenarios through real-life case studies, the webcasts are designed to enable directors to understand the responsibilities they have undertaken as directors of listed companies.

The webcast covers the following seven topics, with each explained in a 5-10 minute video:

- Considerations before joining a board

- Dealing with suspected conflict of interest situations
- The right approach when faced with complex transactions
- Information/resources available to directors and the importance of training
- The role and functions of board committees; board diversity
- Appropriate delegation
- Practical tips

### Small & Medium Practitioners

#### 11. Results of 2016 IFAC Global SMP Survey

The 2016 IFAC global SMP survey was conducted in October–November 2016 and received 5,060 responses from 164 countries, including responses from Hong Kong SMPs. The [survey results](#) were released on 15 March 2017.

The 2016 findings showed that attracting new/retaining existing staff became one of the top challenges faced by SMPs for the first time since the survey was conducted in 2011, while attracting new clients, keeping up with new regulations/standards, and pressure to lower fees remained as key challenges. As regards the anticipated impact of technology developments over the next five years, staying current with new hardware and software, as well as moving to the cloud, topped the list of technology challenges.

In addition, a significant majority of respondents recognize the value of offering business advisory and consultancy services and provide some form of these services, with corporate advisory, management accounting and human resource/employment regulations being the most common services provided.

#### 12. New e-Learning Programme on Professional Skepticism

In partnership with Chartered Accountants Australia and New Zealand, the Institute brings audit partners and managers the new online [Professional Skepticism e-Learning Programme](#). It is a pragmatic, innovative and scenario-focused course to enhance auditors' ability to apply skeptical thinking to audit work.

### Corporate Finance

#### 13. SFC Statement on Recent GEM Listing Applicants

Further to the issuance of [guideline](#) to sponsors, underwriters and placing agents involved in the listing and placing of GEM stocks and the [joint statement](#) with HKEX regarding the price volatility of GEM stocks, the Securities and Futures Commission ("SFC") has recently provided an [update and further guidance](#) regarding its regulatory approach. This includes the way in which the SFC raises concerns directly with listing applicants, sponsors, underwriters and placing agents, and takes decisions pursuant to the powers granted to it under the Securities and Futures Ordinance.

#### 14. HKMA New Webpage on Opening and Maintenance of Bank Accounts

In recent years, international efforts in combating illegal activities including money laundering, terrorist financing and tax evasion have stepped up significantly. Banks across the globe have accordingly enhanced their control measures. The account opening process is now more complex and requires longer time as compared to five or ten years ago.

On 24 March 2017, the Hong Kong Monetary Authority ("HKMA") launched a [webpage](#) and a dedicated email account [<accountopening@hkma.gov.hk>](mailto:accountopening@hkma.gov.hk) to receive comments and answer queries regarding opening and maintenance of bank accounts.

The webpage contains information about account opening and maintenance procedures, documentation and information requirements and contact details of banks. It also provides information on what banks should not do when processing account opening applications, and useful tips for reference by unsuccessful applicants.

## Taxation

### 15. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- The issues of **profits tax returns, property tax returns and employer's returns for the year of assessment 2016-17**
- **The signed agreements on automatic exchange of financial account information** with Belgium, Canada, Guernsey, Italy, Mexico, the Netherlands, Portugal and South Africa
- **The Inland Revenue (Amendment) (No. 3) Bill 2017** has been gazette. The bill expands the list of "reportable jurisdictions" of Hong Kong, in relation to the automatic exchange of financial account information
- **A Legislative Council question** on promotion of re-industrialization and development of industries
- A notice on **Block Extension Scheme for Lodgement of 2016/17 Tax Returns and a reminder to settle the second instalments of tax for the year of assessment 2015/16**
- **Tax Representatives' Corner**

## Legislation & Other Initiatives

### 16. Consultation Conclusions on Anti-money Laundering Regulation and Disclosure of Beneficial Ownership

The government has published a combined set of **consultation conclusions** following the two recent consultations on anti-money laundering ("AML") regulation and disclosure of the beneficial ownership of legal entities. (For further information, see issues 171-173 of TechWatch.) The government plans to introduce legislation to proceed with the two sets of proposals by July 2017.

The consultation conclusions indicate that no significant changes will be made to most of the main consultation proposals. However, the proposed registers of beneficial ownership, referred to as registers of people with significant control ("PSC registers"), which unlisted Hong Kong companies will be required to keep, will be accessible only to competent authorities and not, as previously proposed, also to members of the public. In addition, information on PSC registers will need to be retained for six years only and not ten years as originally proposed.

As regards the conclusions of the consultation on the regulation of AML, the proposals remain that the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615, "AMLO") will be amended to require designated non-financial businesses and professions to comply with statutory customer due diligence and record-keeping requirements. Relevant professional bodies will be empowered to regulate their own members for AML compliance and to issue guidelines applicable to their members. The Registrar of Companies will become the regulator and licensing authority for trust and company services providers ("TCSPs"). As regards concerns expressed about the proposed 90-day transitional period for TCSPs to move to licensing regime, it is now proposed to add a provision in the legislation such that an

applicant will be deemed to be operating with a licence from the time that it files an application with the Companies Registry. In other words, applicants need only ensure that they file their applications within the transitional period. Furthermore, that period will be extended from 90 days to 120 days.

## 17. Enhancements of IRIS Online Services

The Land Registry has enhanced its Integrated Registration Information System ("IRIS") online services since 25 March 2017. The enhancements include supporting bilingual inputs for search by street name and development name, and provision of date picker feature. Please click [here](#) for more details.

## 18. AML Notices

Members may wish to note the following notices and publications in relation to AML/ Combating the Financing of Terrorism ("AML/ CFT"):

- **Government notice 1085:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 1086:** An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Afghanistan) Regulation 2012.
- **Government notice 1203:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Consolidated processes and procedures for mutual evaluations and follow-up (universal procedures):** FATF has conducted the assessments of countries' effective implementation of the 2012 FATF Recommendations in accordance with the 2013 Assessment Methodology.

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

### 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
    - Documentary requirements and administrative matters for Collective Investment Schemes applications ([HKEX-GL79-14](#))
    - Sponsor's due diligence on non-disclosure of confidential information in the listing document ([HKEX-GL21-10](#))
    - Interim guidance on pre-initial public offering ("IPO") investments ([HKEX-GL29-12](#))
    - Pre-IPO investments ([HKEX-GL43-12](#))
    - Pre-IPO investments in convertible instruments ([HKEX-GL44-12](#))
  - **Country Guide on Israel**
  - **Listing Committee Report 2016**, which provides a review of the work of the Listing Committee in upholding market quality in 2016 and an overview of its

policy agenda for 2017 and beyond.  
Click [here](#) for the role and mode of  
operation of the Listing Committee.

- **Report** on IPO applications, delisting and suspensions (as at 31 Mar)
- (ii) SFC has published:
- **Issue no. 40 of Takeovers Bulletin**, which reminds all parties to take necessary steps to maintain confidentiality of information prior to the announcement of a firm intention to make an offer, and introduces a requirement for monthly update announcements to be issued on possible whitewash transactions and in the situation of delay in dispatching shareholder documents
  - **Keynote speech** at the Companies Registry Corporate Governance Roundtable by Ashley Alder, Chief Executive Officer
  - A synopsis of a presentation entitled **Recent Trends in Corporate Conduct – An SFC Angle** by Brian Ho, Executive Director of Corporate Finance Division
- (iii) The Competition Commission has published its inaugural e-newsletter, **Competition Matters**.
- (iv) Other publications:
- **Navigating Principles-based Standards in Financial Reporting** – IFAC
  - **Building Trust through Agreed-Upon Procedures** – IFAC
- **Audits improve business performance** – Accounting Today
  - **PwC keeps job counting Oscar ballots** – Accounting Today
  - **Economic Conditions Snapshot, March 2017: McKinsey Global Survey results** – McKinsey & Company
  - **How P&G and American Express Are Approaching AI** – Harvard Business Review
  - **Using Blockchain to Keep Public Data Public** – Harvard Business Review
  - **Start-ups won't save the economy. But 'scale ups' could** – World Economic Forum