



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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## Standard Setting Developments

### Financial Reporting

#### 1. Financial Reporting Alert

This **alert** summarizes the latest financial reporting considerations for 2017 including:

- Implementation and disclosure of the possible impact of upcoming major HKFRSs;
- Reminders on Companies Ordinance provisions; and
- Common financial reporting deficiencies.

#### 2. Invitation to Comment

The Institute is **seeking comments** on the IASB Exposure Draft ED/2017/4 *Property, Plant and Equipment – Proceeds before Intended Use* (Proposed amendments to IAS 16). Comments should be submitted by 15 September 2017.

#### 3. Roundtable Discussion: Principles of Disclosure

Dramatic changes to financial reporting disclosures are being discussed. This **discussion paper** outlines possible principles to guide the way a company could present its financial reports—thus impacting not only the company, but all its stakeholders.

Let's shape the future of financial reporting together. Register for one of the upcoming roundtable discussions by e-mailing [outreachhk@hkicpa.org.hk](mailto:outreachhk@hkicpa.org.hk) your name, organization and contact details.

Roundtable Events	Date	Time
Preparers of financial reports	31 August, Thursday	4 pm – 6 pm
Users of financial reports	5 September, Tuesday	12.30 pm – 2.30 pm

#### 4. International Update

- The July **IASB Update** is now available.
- This IASB **webinar** explains how IFRS 17 *Insurance Contracts* works, and what it means for investors, with illustrative examples and Q&As.
- This **report** summarizes feedback from European investors on the proposals contained in the IASB's Discussion Paper *Principles of Disclosure*.
- This 10-minute **IASB podcast** discusses the potential introduction of new subtotals in the statement(s) of financial performance, and potential amendment to IAS 8 regarding voluntary changes in accounting policies.

### Technical Learning and Support

#### 5. New Programmes

Click on the titles below to register:

- **Workshop for audit staff and senior** (31 August to 1 September 2017)
- **Workshop on applying the Audit Practice Manual (2016 edition)** (10 September 2017)
- **Workshop for listing of an entity on the Hong Kong Stock Exchange** (September to November 2017)



## Useful Resources

### 6. 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](#)

### 7. **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

#### 8. Integrated Thinking & Reporting Helps SMEs Drive Value

International Federation of Accountants and the International Integrated Reporting Council ("IIRC") have recently published **Creating Value for SMEs through Integrated Thinking: The Benefits of Integrated Reporting**, highlights how small- and medium-sized entities ("SMEs") and the professional accountants serving them can benefit from integrated thinking and reporting.

Thinking beyond the financial elements of an organization to other key areas of value creation can help develop a better understanding of their business and provide key insights for the future.

Integrated reporting embraces the **six capitals** established by the IIRC's International Integrated Reporting Framework: financial, human, intellectual, manufactured, natural, and social and relationship. Considering each holistically, organizations can build a clearer understanding of the factors necessary to build value over the short, medium, and long term, including how the business uses and effects its resources.

### Corporate Finance

#### 9. HKEX Publishes Results of its Latest Review of Listed Issuers' Financial Reports

The Hong Kong Exchanges and Clearing ("HKEX") has recently **published** a report summarizing key findings from its review of 100 periodic financial reports released by listed issuers between February 2016 and April 2017. The **report** specially highlights the following areas:

- Providing management commentary that

is useful for investors

- Rigorous assessment on impairment of assets
- Disclosure of judgments and assumptions in determining control or significant influence
- Impact of applying key HKFRSs in issue but not yet effective
- Segment reporting
- New auditors' reporting

HKEX considers that for a financial report to be an effective communication tool, the information provided should be relevant, material and entity-specific; and issuers should consider removing irrelevant and immaterial disclosures.

Members, especially those responsible for preparing financial reports of listed issuers, are encouraged to read the report.

#### 10. HKEX Launches Enforcement Newsletter and More Director Training Webcasts

On 21 July, HKEX released its inaugural **Enforcement Newsletter**, which will be published twice a year and will include news and updates on the enforcement work undertaken by HKEX. This first issue covers the first six months of 2017 and includes:-

- Enforcement statistics for the first half of 2017;
- Disciplinary actions completed and published during the reporting period; and
- Compliance highlights from the first half of 2017, i.e., compliance issues observed during the HKEX's investigation of suspected breaches of Listing Rules.

At the same time, HKEX also launched its second director training webcasts. This new series, entitled **Risk Management and Internal Control, ESG Reporting**, covers the following seven topics:-

- Identify and assess risks

- Control systems
- Annual and ongoing review
- Audit committee and internal audit function
- "Comply or explain" – how to do it properly?
- Managing ESG (Environmental, Social and Governance) risks – an investor's perspective
- Practical tips

Webcast speakers share the experience and perspectives they acquired from their directorships and explain each of the above topics in a 4-10 minute video.

## 11. SFC Identifies Irregularities in Private Funds and Discretionary Accounts

The Securities and Futures Commission ("SFC") issued a [circular](#) on 31 July, expressing concerns about the management of some private funds and discretionary accounts with concentrated, illiquid and interconnected investments, which were found to have irregular features. It also warns that undue concentration of illiquid or interconnected stocks may have a material adverse effect on the ability to meet investors' redemption requests.

Among the irregularities cited in the circular are:

- Discretionary account holders held sizeable concentrated stock positions in their accounts;
- Asset managers acted solely at clients' direction without exercising investment discretion;
- Related-party acquisition or disposal of listed company shares by bought and sold notes; and
- Fund investors or discretionary account holders were substantial shareholders, directors or affiliates of the listed companies invested by the funds or the discretionary accounts.

Asset managers are reminded to report to the SFC any material breach, infringement or non-compliance with the market misconduct provisions of the Securities and Futures Ordinance which they reasonably suspect may have been committed by their clients.

## Taxation

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

Members may wish to be aware of the following matters:

- The publication of [consultation report](#) on measures to counter base erosion and profit shifting by enterprises
- [Fraudulent email](#) purportedly issued by the IRD
- [List of Qualifying Debt Instruments as at 30 June 2017](#)

## Legislation & Other Initiatives

### 13. Invitation to Comment

The Institute is [seeking comments](#) on Exposure Draft Guidelines on *Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants*. Comments should be submitted by 30 September 2017.

### 14. AML Notices

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

- [Government notice 5538](#): An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- [Government notice 5773](#): An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- [Government notice 5774](#): An updated list of relevant persons has been specified under the United Nations Sanctions (Democratic People's Republic of Korea)

Regulation.

- **Specially designated nationals and blocked persons list (“SDN List”)**: The individuals and entities designated as Specially Designated Global Terrorists (“SDGT”) are identified in the SDN List. The SDGT designations include terrorist-related designations under the Executive Order 13224 and other US executive orders, laws and regulations.

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 a [report](#) on initial public offering applications, delisting and suspensions as at 31 July
- (ii) SFC has published:
  - [Fund Management Activities Survey 2016](#) and a [press release](#) which provides a summary of major findings
  - [Research Paper No. 61: Half-yearly Review of the Global and Local Securities Markets](#)
- (iii) Financial Services Reporting Council has published:
  - Paper no. 31 [Recommendations for Developing Hong Kong as an Aircraft Leasing and Financing Hub](#)

- Paper no. 32 [Proposals to Extend Offshore Private Equity Fund Tax Exemption to Hong Kong Businesses](#)
- (iv) Companies Registry [has released](#) statistics for first half of 2017
- (v) The Competition Commission has published its inaugural e-newsletter, [Competition Matters](#).
- (vi) Other publications:
  - [Redrawing the lines: FinTech’s growing influence on Financial Services](#) by PwC
  - [Risk Management: navigating change in Hong Kong](#) by KPMG China and HK Institute of Chartered Secretaries
  - [Audit: What CFOs want](#) by ICAEW
  - [How AI is reshaping the accounting industry](#) by Forbes
  - [Making technology, not talent, your first priority](#) by Journal of Accountancy
  - [Five ways to reduce employee turnover](#) by CGMA Magazine
  - [Using people analytics to drive business performance: A case study](#) by McKinsey & Company