



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

Members Handbook Update

1. Handbook Update No.204 – 205

Update No.204 relates to the issuance of Hong Kong (IFRIC) Interpretation 23 *Uncertainty over Income Tax Treatment*.

Update No.205 relates to the amendments to HKAS 1 *Presentation of Financial Statements*; HKAS 7 *Statement of Cash Flows*; and HKAS 12 *Income Taxes*.

Ethics

2. Institute's Comment on IESBA Exposure Draft

The Institute **commented** on the IESBA Exposure Draft *Proposed Application Material Relating to Professional Skepticism and Professional Judgment*.

3. International Update

This joint IAASB, IESBA and IAESB **publication** covers observations and potential ways to enhance professional skepticism.

Financial Reporting

4. Letter to IASB Chairman

The Institute **wrote** to the IASB Chairman to express concerns and provide recommendations regarding two tentative IASB decisions on the Definition of a Business.

5. Institute's Comment on IASB Exposure Draft

The Institute **commented** on the IASB Exposure Draft ED/2017/2 *Improvements to IFRS 8 Operating Segments*.

6. International Updates

- These IASB webinars give an overview of
 - **the core measurement requirements for insurance contracts**; and
 - **the optional simplified accounting for insurance contracts with short coverage periods**.
- This **IASB webcast** discusses the disclosure requirements for lessees under IFRS 16 *Leases*.
- This Global Public Policy Committee **paper** aims to help those charged with governance to effectively evaluate the quality of an auditor's response to risks of material misstatement posed by estimates of expected credit losses.

Technical Learning and Support

7. New Programmes

Click on the titles below to register:

- **Workshop on HKFRS 15 Revenue from Contracts with Customers**
(14 September and 20 September 2017)
- **Workshop for listing of an entity on the Hong Kong Stock Exchange**
(September to November 2017)

Useful Resources

8. 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**

9. **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 Developments/Member Support

Corporate Finance

10. Institute Comments on New Board and GEM Review Consultations

As reported in **TechWatch no. 176** (item 14), Hong Kong Exchanges and Clearing ("HKEX") **released a consultation** to seek public feedback on a package of proposals to enhance Hong Kong's listing framework, improve market quality and attract a broader range of companies to come to list in Hong Kong.

As indicated in its **submission** (a summary is provided in the **press release**), the Institute welcomes the current review of Hong Kong's listing regime to identify areas where the regime could be strengthened and expanded in order to meet the evolving needs of investors and issuers and enhance Hong Kong's competitiveness as a global capital centre.

The Institute has no objection, in principle, to the establishment of a New Board to attract potential issuers which do not fit into the current listing regime and to HKEX exploring the feasibility of permitting companies with different voting right structures to be listed in Hong Kong. However, more considerations should be given when determining whether to restrict the New Board to any particular industries. In addition, investor protection to safeguard the interests of ordinary shareholders should be upheld in order not to compromise the core values of Hong Kong as an international financial centre.

The Institute also considers that HKEX should provide a clear roadmap and mechanism of how a listed issuer could migrate its listing from one board to another, when the characteristics of an issuer have changed due to growth and development.

11. HKEX Updates Guidance to Help Improve Listing Document Quality and Clarity

With the aim of improving the quality and clarity of listing documents, HKEX has updated two Guidance Letters - [HKEX-GL86-16](#) and [HKEX-GL56-13](#).

HKEX-GL86-16 changes

➤ New recommended page limits

HKEX has adopted a recommended 20-page limit for each of the "History and Development" and "Applicable Laws and Regulations" sections of listing documents. This is in addition to the recommended 10-page limits for the "Summary and Highlights" and "Industry Overview" sections.

➤ Possible suspension of vetting

HKEX may exercise its discretion to suspend vetting for listing applications submitted after 11 September 2017 if:

- the listing document does not comply with the recommended page limits for specific sections; or
- information in the "Summary and Highlights" section is almost entirely copied-and-pasted from other sections, or does not contain explanation of material fluctuation of key financial data.

If vetting is suspended, the applicant must redraft relevant sections of the listing document to fully comply with HKEX-GL86-16 for vetting to resume. Suspension of vetting is not a return or rejection of the application so there is no need to upload the revised Application Proof onto the HKEXnews website and the initial listing fee will not be forfeited.

HKEX-GL56-13 changes

➤ Possible return of listing application

If fundamental issues in a GEM listing application, such as the applicant's business model or operations, are not clearly

understandable after two rounds of comments from HKEX, it may be evidence that the listing application disclosure is not substantially complete and HKEX may return the application.

The updated [Guidance Letters](#) are available on the HKEX website.

Sponsors are reminded of their duty to conduct proper due diligence and assist the applicants in preparing replies to comments from the Listing Department. They also have to be prepared to answer questions at Listing Committee and GEM Listing Approval Group hearings. Unresponsive or unclear answers to comments or questions may result in a return or rejection of the listing application.

Restructuring and Insolvency

12. Institute Comments on Open-ended Fund Companies Rules and Code

The Institute issued a [submission](#) responding to the consultation paper on the Securities and Futures (Open-ended Fund Companies) Rules and Code on Open-ended Fund Companies (OFC). The submission suggests that more should be said as to how the provisions on creditors' voluntary windings up under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) would be applied to OFCs. Drafting changes are also proposed in relation to some of the provisions on audits of OFCs.

13. Official Receiver's Office Tender Notice

The Official Receiver's Office (ORO) has issued a tender notice for taking up of appointments as provisional trustees under section 12(1A) of the Bankruptcy Ordinance. More details are available on the [ORO website under "Tender Notices"](#).

Taxation

14. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- Advancing Ruling Cases **No. 61** and **No. 62**, on amalgamation
- **Stamp Duty statistics (July 2017)**
- **Hong Kong and Saudi Arabia enter into tax pact**

Legislation & Other Initiatives

15. Members' Consultation on Draft Guidelines on Anti-Money Laundering

Members are reminded that the Institute is seeking views on **draft Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for members of the Institute** ("Guidelines"). The Guidelines will be applicable to member practices and members working in practices. They will also be relevant for members working in the trust or company service provider sector ("TCSP"), particularly members who are proprietors, partners or directors of TCSP entities.

The government recently introduced **a bill** into the Legislative Council to amend the **Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance** (Cap. 615)("AMLO"). The bill implements some of the main Financial Action Task Force **Recommendations**, the international standards on AML, as these apply to "designated non-financial businesses and professions ('DNFBPs')", including accountants, lawyers and TCSPs. It extends to DNFBPs a number of the statutory requirements under AMLO, which currently apply only to financial institutions, in particular the requirements on customer due diligence and record keeping.

Although, in principle, TCSPs will be required to be licensed, and subject to supervision, by the Registrar of Companies, the Institute understands that, where the proprietors, partners or directors of a TCSP entity are members of the Institute, the Institute will also have a role in regulation.

Under AMLO, as amended by the bill, the Institute and other regulatory bodies will be empowered to issue guidelines to their members to facilitate their members' compliance with the new requirements.

Against this background that the Institute has issued a consultation draft of Guidelines, aimed at facilitating members' compliance with the AMLO (as it is expected to be amended), as well as with existing statutory requirements relating to suspicious transaction reporting and other matters.

Comments on the consultation draft should be supported by specific reasoning and should be submitted in written form on or before **30 September 2017**.

16. Anti-Money Laundering Notices

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

- **Government notice 6235**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **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

17. 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.

18. Other Publications

- (i) HKEX has published:
 - Updated guidance on disclosure requirements for substantially complete Application Proofs; and publication of

Application Proofs and Post Hearing Information Packs on the HKEX website ([HKEX-GL56-13](#))

- Updated guidance on producing simplified listing documents relating to equity securities for new applications ([HKEX-GL86-16](#))
- a [report](#) on initial public offering applications, delisting and suspensions as at 31 Aug

(ii) SFC has published:

- [Quarterly Report](#) for April to June 2017 and the relevant [press release](#)

(iii) Other publications:

- [Integrated thinking & reporting requires trusted advisors: Guiding your SME clients](#) by IFAC SMP Committee
- [Survey on ESG Reporting of Hong Kong Listed Companies 2017](#) by BDO
- [Annual study of listed companies' performance in relation to internal control and risk management](#) by PwC
- [Internal audit in the age of data analytics](#) by ICAEW
- [8 ways to leverage technology for better client relationships](#) by The CPA Journal
- [Blockchain might remake accounting. The opportunities are huge](#) by Business Learning Institute
- [6 traits of leading finance functions](#) by CGMA Magazine
- [China's digital economy: A leading global force](#) by McKinsey & Company