



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.

Contents

Financial Reporting, Auditing and Ethics

New!

1. New Technical Learning and Support Programme from April to June 2015

Financial Reporting

2. The Institute's Financial Reporting Standards Committee Meeting Minutes
3. Institute Comments on IASB ED

Ethics

4. The Institute's Ethics Committee Meeting Minutes

International Meetings

5. IASB
6. IFRS Interpretations Committee
7. IASB ASAF
8. IAASB
9. IESBA

Useful Resources

10. Publications

Comment Due Dates

Advocacy and Practice Development/ Member Support

Professional Accountants in Business

11. Report of the Government's Working Group on Intellectual Property Trading

Small & Medium Practitioners

12. IFAC Global SMP Survey: 2014 Results

Corporate Finance

13. HKEx Review of Listed Issuers' Annual Reports to Monitor Rule Compliance

Taxation

14. Announcements by the Inland Revenue Department

Legislation & Other Initiatives

15. Anti-Money Laundering Bulletin (Revised)
16. Anti-Money Laundering Notices

Useful Resources

17. Library Resources
18. Other Publications

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Financial Reporting, Auditing and Ethics

New!

1. New Technical Learning and Support Programme from April to June 2015

The Institute will run a series of technical update evenings, workshops and seminars on accounting and auditing from April to June 2015 as follows:

- [Workshops on a successful listing in Hong Kong](#)
- [HKFRS for Private Entities Workshops](#)
- [Workshop for Audit Staff](#)
- [Workshop for Audit Manager](#)
- [Audit Practice Manual Application Workshop](#)
- [Workshop on Quality Control](#)
- [TUE – Environmental, Social and Governance Reporting](#)
- [TUE – Guardian Role of Professionals in Upholding Ethical Governance](#)

To secure seats, please register early by completing the registration forms (accessible by clicking on the above event titles).

Financial Reporting

2. The Institute's Financial Reporting Standards Committee Meeting Minutes

The [minutes](#) for the FRSC meeting held on 10 February 2015 is now available and covers the following key items:

- Meeting schedule for 2015
- Proposed work plan for 2015
- IASB Exposure Drafts

- Report from the Companies Ordinance Working Group

3. Institute Comments on IASB ED

The Institute [commented](#) on the IASB Exposure Draft ("ED") ED/2014/5 *Classification and Measurement of Share-based Payment Transactions* (proposed amendments to IFRS 2).

The Institute is grateful for the IASB's efforts to reduce diversity in practice, and supported the amendments to IFRS 2 *Share-based Payment* as proposed in the ED.

While the Institute agrees with prospective application of the amendments proposed in the ED by having considered the efforts required for retrospective application, the Institute recommended that the IASB should provide guidance on how to apply the proposed amendments prospectively.

Ethics

4. The Institute's Ethics Committee Meeting Minutes

The [minutes](#) for the EC meeting held on 5 December 2014 covered the following items:

- Status Report on Ethics Committee Work Plan
- Observations of the Committee Deputy Chairman on the November 2014 meeting of the IFAC SMP Committee's Ethics Task Force
- IESBA ED on *Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles*
- IESBA Consultation Paper on *Improving the Structure of the Code of Ethics for Professional Accountants*
- Proposed Revision of Part D of the Code in response to the new Companies Ordinance

International Meetings

5. International Accounting Standards Board

The IASB met on 17-19 March 2015, and discussed the following topics:

- Leases
- Research Update
- Disclosure Initiative
- Revenue from Contracts with Customers – Issues emerging from Transition Resource Group discussions
- Conceptual Framework
- Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value
- Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging
- Insurance Contracts

Click to view the [IASB Update](#) for this meeting. The IASB next meets on 27-30 April 2015.

6. IFRS Interpretations Committee

The IFRS Interpretations Committee met on 24 March 2015, and discussed issues related to the following standards:

- IAS 12 *Income Taxes*
- IAS 19 *Employee Benefits*
- IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*

- IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Click to view the [IFRIC Update](#) for this meeting. The IFRS Interpretations Committee next meets on 12-13 May 2015.

7. IASB Accounting Standards Advisory Forum

The IASB ASAF met on 26-27 March 2015 and discussed the following key topics:

- Financial Instruments with Characteristics of Equity
- Conceptual Framework
- Leases
- Disclosure Initiative
- Equity Method of Accounting
- Insurance Contracts
- Post-implementation Review of IFRS 3
- Revenue from Contracts with Customers
- Business Combinations Under Common Control

The Asian-Oceanian Standard-Setters Group (represented by the Institute) is a member of the IASB ASAF.

The IFRS ASAF next meets on 16-17 July 2015. Click [here](#) for details of the July meeting and the meeting summary for the March 2015 meeting.

8. International Auditing and Assurance Standards Board

The IAASB met on 16-20 March 2015 and discussed the following key topics:

- Disclosures
- Quality Control

- Outsourcing (Audit Delivery Models)
- Special Audit Considerations Relevant to Financial Institutions
- Group Audits
- Integrated Reporting
- Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations
- ISA 810 *Engagements to Report on Summary Financial Statements*
- Agreed-Upon Procedures
- International Forum of Independent Audit Regulators Report on 2014 Survey of Inspection Findings

The IAASB next meets on 29 April 2015. Click [here](#) for details of the April meeting and the meeting summary for the March meeting.

9. International Ethics Standards Board for Accountants

The IESBA next meeting is on 13-15 April 2015. Click [here](#) for details of the April meeting.

Useful Resources

10. Publications

PwC issued the following publications:

- (i) A [guide](#) to discuss measurement of joint operations
- (ii) A [guide](#) to address implementation issues on IAS 23 *Borrowing Costs*
- (iii) A [guide](#) to discuss disclosure requirements contained in IFRS 9 *Financial Instruments* for expected credit loss
- (iv) A [detailed guide](#) for performing impairment reviews of non-financial assets
- (v) A [Q&A](#) about key considerations in classifying fair value measurements

- (vi) [Illustrative financial statements](#) with updated disclosures required under the new Companies Ordinance.

KPMG issued a [summary](#) of newly effective and forthcoming standards.

The Institute issued [Quality Assurance Report 2014](#).

Comment Due Dates

Comments to the Institute on the following ED is due by:

8 May 2015: IASB ED/2015/1 *Classification of Liabilities* (proposed amendments to IAS 1)

Advocacy and Practice Development/ Member Support

Professional Accountants in Business

11. Report of the Government's Working Group on Intellectual Property Trading

With the growing importance of intellectual property ("IP"), the government is committed to developing Hong Kong into a premier IP trading hub. A Working Group on IP Trading was set up by the government in 2013 to examine the overall strategy for propelling Hong Kong's development on the IP front. The working group has recently released [a report](#) with recommendations on measures to further develop Hong Kong as an IP trading hub in the region. [Chinese version](#) of the report is also available online.

The [28 recommended measures](#) fall under four strategic areas, namely, enhancing the IP protection regime; supporting IP creation and exploitation; fostering IP intermediary services and manpower capacity; and pursuing promotion, education and external collaboration efforts.

[Hong Kong – The IP Trading Hub](#) website has been set up to promote Hong Kong as an IP trading hub and facilitate various stakeholders in conducting IP trading in Hong Kong.

Small & Medium Practitioners

12. IFAC Global SMP Survey: 2014 Results

As reported in [TechWatch no. 148](#) (item 12), the International Federation of Accountants ("IFAC") released the [key findings from its 2014 IFAC Global SMP Survey](#), which showed that keeping up with regulations and standards and attracting new clients were the two greatest challenges facing small and medium practitioners ("SMPs") worldwide, while rising costs and economic uncertainty were the top two challenges facing small and medium enterprise clients.

A full [report](#) of the survey results is now available. It includes a summary of overall insights and notable highlights by region and size of practice.

Corporate Finance

13. HKEx Review of Listed Issuers' Annual Reports to Monitor Rule Compliance

On 27 March, Hong Kong Exchanges and Clearing ("HKEx") [announced](#) the publication of [a report](#) on the findings and recommendations from its annual review of listed issuers' annual reports, for the financial years ended between December 2013 and November 2014, to monitor their compliance with the listing rules, corporate conduct and disclosure of material events and developments.

A majority of the areas reviewed were subjects of [previous reviews](#). Improvement in the disclosures in annual reports and a reduction in cases involving possible material breaches of the listing rules were noted. The report also highlighted areas where issuers could continue to improve their disclosures.

Members, in particular directors and those responsible for preparing annual reports of listed issuers, are encouraged to take note of and act on the observations and recommendations discussed in the report and follow the relevant guidance.

Taxation

14. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- [The signed fourth protocol](#) to the Arrangement for Avoidance of Double Taxation between the Mainland and Hong Kong
- [The Gazette](#) about the Inland Revenue (Amendment) Bill 2015, seeking to amend the Inland Revenue Ordinance (Cap. 112) by extending profits tax exemption for offshore funds to private equity funds.

- **A reminder** to pay the second instalments of tax for the year of assessment 2013/14
- **A letter** to tax representatives about the Block Extension Scheme for lodgement of 2014/15 tax returns
- **Tax Representatives' Corner**
- **A Legislative council question** on collection of stamp duties and land premium
- **A press release** about the issuance of tax returns for 2014-15.
- **Business registration fee & levy table**
- **Applications for exemption from payment of the business registration fee** can now be made online

Legislation & Other Initiatives

15. Anti-Money Laundering Bulletin (Revised)

A revised version of **Anti-Money Laundering Bulletin 1** ("Bulletin") has been posted on the Institute's website. The Bulletin draws members' attention to Hong Kong legislation and international developments on anti-money laundering and counter-terrorist financing ("AML/CTF"). It sets out recommended good practices and other information, which may assist members to fulfil their ethical and legal obligations in relation to AML/CTF and to avoid inadvertent involvement in such activities. However, it is not intended to provide legal advice to members and, in case of doubt, members should consider seeking legal advice.

The revised version replaces the original edition of July 2006. The latest version highlights the importance, not only of suspicious transaction reporting, but also of conducting effective customer due diligence and record keeping, in line with international standards; the information in the Bulletin has been re-ordered and some of the more detailed information has been moved to an appendix; a contents page has been added, links to websites and documents have been updated and some key links have been incorporated into the main text.

While the Bulletin is aimed primarily at members in practice, it may also be informative and useful for members in business.

16. Anti-Money Laundering Notices

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

- **The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Amendment of Schedule 2) Notice 2015** came into operation on 1 April 2015, allowing financial institutions to continue relying on certain specified intermediaries to carry out customer due diligence measures until 31 March 2018 .
- **Government notice 1838**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 1839**: An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Eritrea) Regulation.
- **Government notice 1840**: An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Somalia) Regulation.
- **Government notice 2455**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 2594**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 2595**: A list of relevant persons and entities has been specified under the United Nations Sanctions (Liberia) Regulation 2015.
- Legal notices **69 & 70**: The United Nations Sanctions (Liberia) Regulation 2015 and the United Nations Sanctions (Liberia) Regulation 2014 (Repeal) Regulation were

made under the United Nations Sanctions Ordinance.

- The Financial Action Task Force ("FATF") has issued the following notices:
 - **FATF public statement**, identifying jurisdictions with strategic AML/CFT deficiencies that pose risk to the international financial system.
 - **Improving global AML/CFT compliance: on-going process**, identifying jurisdictions with strategic AML/CFT deficiencies, for which they have developed an action plan with the FATF.
 - **FATF report on financing of the terrorist organization Islamic State in Iraq and the Levant**, analysing how it generates and uses its funding.
- **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 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 initial public offering ("IPO") cases – white and yellow application forms and other application forms for designated subscribers and "How to Apply for Hong Kong Offer Shares" section in a prospectus (**HKEx-GL64-13**)
 - **general meetings**
 - **distribution of dividends and other entitlements**
 - **pre-vetting requirements and selection of headline categories for announcements**
 - **Revisions to frequently asked questions series 1, 7, 8, 15, 17, 19, 26, 28** in light of minor/housekeeping listing rule amendments effective 1 April 2015
 - **HKEx Fact Book 2014**, which presents a wide range of statistics from HKEx's and its subsidiaries' markets. It also includes noteworthy HKEx-related events in 2014 and a section on the history of Hong Kong's securities and derivatives markets since the late 1800s.
 - **Report** on IPO applications, delisting and suspensions (as at 31 March)
- (ii) SFC has published:
 - **Report of the Survey on Hedge Fund Activities of SFC-licensed Managers/Advisers**, which shows that Hong Kong's hedge fund assets under management reached a record high in 2014. Major findings are summarized in the **press release**

- **Issue no. 32 of Takeovers Bulletin**, which highlights the Takeovers and Mergers Panel's recent decision on a case in relation to breach of mandatory offer requirement, and revisions to Practice Note 2 in relation to profit forecasts
 - **Opening remarks at SFC's media luncheon**, by Ashley Alder, SFC's chief executive officer
 - **Fighting On the Frontline: An Update**, by Mark Steward, SFC's executive director (Enforcement), delivered at the 3rd Annual US-China Legal Summit
- (iii) **Process Review Panel Report 2013-2014 for the SFC** shows the panel's observations and recommendations made during the review of 59 cases in 2013-2014 in various areas of the SFC's work
- (iv) Other publications:
- **Chinese Cities of Opportunity** by PwC
 - **Competing priorities: Are CAE and audit committee priorities in sync?** by Grant Thornton
 - **The Principal Behind the Scene: A Discussion of the Agent-Principal Relationship under the Prevention of Bribery Ordinance** by ONC Lawyers
 - **Governance: Issues and opportunities for private companies** by Deloitte LLP
 - **Perspectives on the long term** by McKinsey & Company
 - **Smaller practices flag up advisory as growth area** by Accountancy Age