



TechWatch News at a glance

Issue 123 • January 2013

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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Specialist Practices, Business Members and Advocacy by:
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Financial Reporting, Auditing and Ethics

New!

1. New Technical Learning and Support Programme from January to March 2013

The New Technical Learning and Support Programme covering the period from January to March 2013 has been developed to focus on three major areas of expertise – accounting, auditing and ethics.

- TUE – Application issues on HKAS 12 *Income Taxes*
- TUE – Leaseholds revisited (latest developments in the IASB's quest to revise IAS 17)
- TUE – IFRS 9: What to expect from changes to classification, measurement & impairment
- Training for Audit Manager/Audit Staff
- Audit Practice Manual Application Workshop
- Workshop on Group Accounting
- Workshop on HKAS 36 *Impairment of Assets*
- The revised Code of Ethics for Professional Accountants
- HKFRS for Private Entities Workshop

To secure seats, please register early by completing the [registration form](#).

2. HKICPA/IASB Financial Reporting Forum

The Institute and IASB will be holding a financial reporting forum on 22 January 2013. Mr. Ochi Takatsugu, IASB board member and IASB technical staff will be discussing latest developments in leasing, financial instruments:

classification and measurement, conceptual framework and the IASB project agenda.

Details of the forum can be found in the [registration form](#).

Members' Handbook

3. Handbook Updates No. 123 & 124

- (i) **Update No. 123** includes updates on Investment Entities (amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 27 (2011) *Separate Financial Statements*).

The *Investment Entities* amendments apply to a particular class of business that qualifies as an "investment entity". This term refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

- (ii) **Update No. 124** contains improvement changes to HKSIR 400 and HKSAs.

In June 2012, the IAASB published the 2012 edition of *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (2012 Handbook) and made editorial and formatting changes in finalizing the 2012 Handbook. As part of the convergence with the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, changes have been made to the Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.

HKSRE 2400 (Revised) conforms with ISRE 2400 (Revised) issued by the IAASB in September 2012. HKSRE 2400 (Revised) aims to enhance the quality and consistency of engagements to review historical financial statements, through revised requirements and guidance addressing the responsibilities, work effort and reporting considerations of practitioners undertaking such engagements. HKSRE 2400 (Revised) is effective for reviews of financial statements for periods ending on or after 31 December 2013.

HKSIR 400 is revised to reflect the improvement changes made to paragraph 56 and the illustrative examples. There is no change to the principles in the standard. The revisions made are effective upon issuance.

Financial Reporting

4. HKICPA Financial Reporting Standards Committee

The **FRSC minutes** of the meeting held on 4 October 2012 covered the following items:

- IFRS Regional Policy Forum 2013 in Hong Kong
- IFRS Foundation Constitution – Drafting Review Separating the Role of the IASB Chair and the Executive Director
- IFRS Interpretations Committee Exposure Draft of Put Options Written on Non-Controlling Interests
- IASB Post-implementation review of IFRS 8
- Annual Accounting Update Conference 2012

5. Invitations to Comment on Consultation Documents

- (i) IASB ED of Classification and Measurement: *Limited Amendments to IFRS 9*

The Institute has issued an **Invitation to Comment** on IASB ED of *Classification and Measurement: Limited Amendments to IFRS 9*, with comments requested by **28 February 2013**.

As stated in the IASB's press release, accompanying the ED, the proposals form part of a wider project to reform accounting for financial instruments, and are part of the Classification and Measurement phase of that project. The IASB published new classification and measurement requirements for financial assets in 2009 and for financial liabilities in 2010. However, in January 2012 the IASB decided to consider limited amendments in order to:

- clarify a narrow range of application questions;
- reduce key differences with the US Financial Accounting Standards Board's tentative classification and measurement model to achieve increased comparability internationally in the accounting for financial instruments; and

- take into account the interaction between the classification and measurement of financial assets and the accounting for insurance contract liabilities.

In publishing the ED, the IASB sought to minimize changes to the requirements in IFRS 9 *Financial Instruments* and the proposed amendments are consistent with the business model-driven classification structure in IFRS 9. The ED proposes the introduction of a "fair value through other comprehensive income" measurement category for debt instruments that would be based on an entity's business model.

(ii) IASB ED *Clarification of Acceptable Methods of Depreciation and Amortization*

The Institute has issued an **Invitation to Comment** on IASB ED *Clarification of Acceptable Methods of Depreciation and Amortization (Proposed Amendments to IAS 16 and IAS 38)*, with comments requested by **1 March 2013**.

As stated in the IASB's press release, accompanying the ED, IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The objective of the proposed amendments is to ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortization of items of property, plant and equipment or intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.

The issue originated from a submission to the IFRS Interpretations Committee. As a result, the Interpretations Committee recommended that the IASB should amend IAS 16 and IAS 38.

(iii) IASB ED of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Institute has issued an **Invitation to Comment** on IASB ED of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed Amendments to IFRS 10 and IAS 28)*, with comments requested by **18 March 2013**.

As stated in the IASB's press release, accompanying the ED, the objective of the proposed amendment is to address an acknowledged inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and those in IAS 28 (2011) *Investments in Associates and Joint Ventures*, in dealing with the sale or contribution of a subsidiary. The main consequence of the proposed amendment will be that a full gain or loss would be recognized on the loss of control of a business (whether it is housed in a subsidiary or not), including cases in which the investor retains joint control of, or significant influence over, the investee.

The issue originated from a submission to the IFRS Interpretations Committee. As a result, the Interpretations Committee recommended that the IASB should amend IFRS 10 and IAS 28 (2011).

(iv) IASB ED of *Acquisition of an Interest in a Joint Operation*

The Institute has issued an **Invitation to Comment** on IASB ED of *Acquisition of an Interest in a Joint Operation (Proposed Amendment to IFRS 11)*, with comments requested by **18 March 2013**.

As stated in the IASB's press release, accompanying the ED, IFRS 11 *Joint Arrangements* does not give explicit guidance on the accounting for acquisitions of interests in joint operations. The objective of the proposed amendment is to add new guidance to IFRS 11 on accounting for the

acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 *Business Combinations*.

The IASB proposes that acquirers of such interests shall apply the relevant principles on business combination accounting in IFRS 3 and other Standards, and disclose the relevant information specified in these Standards for business combinations.

The issue originated from a submission to the IFRS Interpretations Committee. As a result, the Interpretations Committee recommended that the IASB should amend IFRS 11.

(v) IVSC Discussion Paper *Investment Property*

The Institute has issued an **Invitation to Comment** on IVSC Discussion Paper ("DP") *Investment Property*, with comments requested by **1 February 2013**.

As stated in the introduction to the IVSC's DP, the increasing reliance on fair value reporting for investment property, and the growing regulatory requirement for more frequent real estate valuations, are the key trends that argue for an examination of investment property valuations.

This DP is the first stage of the IVSC's project on investment property, which is tasked with determining whether a dedicated IVS for investment property is required and, if so, to develop it and to consider the need for and develop any associated technical guidance to support the standard. The DP sets out a number of issues that the IVSC Standards Board has identified and invites responses from all those with an interest in valuation of investment property.

6. Institute Comments on Consultation Documents

(i) IVSC Discussion Paper of Valuations in the Extractive Industries

The Institute made a **submission** on the IVSC DP of Valuations in the Extractive Industries.

The Institute considered the IVSC should produce a combined standard and guidance. Though there were some differences between the classification of reserves and resources between mining and oil and gas operations, the Institute believed the underlying techniques used for the valuation were relatively consistent, subject to a standard identifying specific considerations and factors that would need to be taken into account when performing valuations for mining and for oil and gas assets.

The Institute agreed the project should extend to other assets employed in the industry and to entire businesses in the sector.

(ii) IFRS Foundation Invitation to Comment on Proposal to Establish an Accounting Standards Advisory Forum

The Institute made a **submission** on the IFRS Foundation Invitation to Comment on Proposal to Establish an Accounting Standards Advisory Forum.

The Institute supported in principle the Foundation's move to formalize and rationalize the relationship between the IASB and National Standard-Setters onto a more logistically sustainable and compact basis. The Institute believed there would be a significant mutual benefit for both the IASB and for those standard-setters such as the Institute to be more fully and directly engaged with each other from having the Proposal put into operation.

(iii) IASB Request for Information on Comprehensive Review of the IFRS for SMEs

The Institute made a **submission** to the IASB on its Request for Information on Comprehensive Review of the IFRS for SMEs. The Institute considered SMEs in general can normally afford less resource for financial reporting as compared with

listed entities. Cost and benefit considerations are of particular importance and therefore the Institute considered that any proposed change to the IFRS for SMEs should be assessed from the perspective of SMEs in this context.

(iv) IASB Request for Information of *Post-implementation Review: IFRS Operating Segments*

The Institute made a [submission](#) on the IASB Request for Information of *Post-implementation Review: IFRS Operating Segments*. The Institute appreciated the effort of the IASB in carrying out the post-implementation review in response to the requirement introduced by the IFRS Foundation Trustees to conduct a post-implementation review of each new standard or major amendment of a standard two years after the effective date. However, the Institute considered that apart from new standards, the IASB should also look to perform in the near future a post-implementation review of certain major current standards such as IAS 36 *Impairment of Assets*.

The Institute noted that preparers in particular in Hong Kong did not have a great concern on the implementation of IFRS 8. The Institute believed the possible reason for this was that the implementation of IFRS 8 resulted in a fairly similar level of segment information disclosed compared to its predecessor IAS 14 and most constituents generally did not note any significant improvements or changes in the way they use financial reports as a result of applying IFRS 8.

(v) IVSC Discussion Paper of *the Valuation of Trade Related Property*

The Institute made a [submission](#) on the IVSC DP of *the Valuation of Trade Related Property*.

In the DP, a traded related property was defined as any type of real property designed for a specific type of business where the property value reflected the

trading potential for that business. From a financial reporting perspective, the notion that properties being held for such a special purpose as this is not recognized under IFRS. Currently, there are well established financial reporting requirements in determining the value of property or a group of assets.

It was also noted that the concept of trade related property was different from the concepts of a cash generating unit and value in use of an asset as applied under IAS 36 *Impairment of Assets*. Valuations of trade related properties were usually based on assumptions that there would be a continuation of trading by a "Reasonably Efficient Operator", with the benefit of existing licenses, trade inventory, fixtures, fittings and equipment, and with adequate working capital, while IAS 36 requires that future cash flows shall be estimated for the asset in its current condition. Given that different concepts were used in valuing cash generating units for financial reporting purposes as distinct from business valuation purposes, to prevent confusion, the Institute considered it would be helpful if the IVSC could clarify the common usage and/or meaning of the valuation of trade related property and its interaction with general purpose external financial reporting (as within scope of the IFRS) in the final standard.

Audit & Assurance

7. HKICPA Auditing and Assurance Standards Committee

The [AASC minutes](#) of the meeting held on 20 November 2012 covered the following items:

- AASC Work Plan 2012 – Status Report
- New Practice Note (PN) 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal"
- Revised HKSIR 400 "Comfort Letters and Due Diligence Meetings"

- Reply from the Office of the Privacy Commissioner for Personal Data

8. Invitations to Comment on Consultation Documents

- (i) ED HKSAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*

The Institute has issued an **Invitation to Comment** on ED HKSAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, with comments requested by **19 February 2013**.

ED HKSAE 3420 deals with reasonable assurance engagements undertaken by a practitioner to report on the responsible party's compilation of pro forma financial information included in a prospectus.

ED HKSAE 3420 explains that a compilation of pro forma financial information involves the responsible party gathering, classifying, summarizing and presenting financial information that illustrates the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at the selected date.

The proposed standard describes the steps involved in this process as including:

- Identifying the source of the unadjusted financial information to be used in compiling the pro forma financial information, and extracting the unadjusted financial information from that source;
- Making pro forma adjustments to the unadjusted financial information for the purpose for which the pro forma financial information is presented; and
- Presenting the resulting pro forma financial information with accompanying disclosures.

The proposed standard also explains that the practitioner performs procedures to assess whether the applicable criteria used by the responsible party in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The resulting pro forma column reflects the proper application of those adjustments to the unadjusted financial information.

ED HKSAE 3420 conforms with ISAE 3420 issued in December 2011 by the International Auditing and Assurance Standards Board and includes additional local explanations provided in the footnotes and Appendices 2 – 4 as set out in paragraph 37.

The Institute issued Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 *Accountants' Reports on Pro Forma Financial Information in Investment Circulars* in March 2006.

The AASC, having considered the similarity between ISAE 3420 and HKSIR 300, proposes to elevate the following guidance relating specifically to the Hong Kong Main Board and GEM Listing Rules from HKSIR 300 into HKSAE 3420:

- Appendix 2 – Summary of the Hong Kong Main Board Listing Rules and GEM Listing Rules with guidance elevated from the body of HKSIR 300 relating to the Listing Rules reflected as "Additional Guidance".
- Appendix 3 – An Example Reporting Accountant's Report based on ISAE 3420 Illustrative Practitioner's Report and tailored for reporting under Hong Kong Main Board and GEM Listing Rules.

- Appendix 4 – Elevated from Appendix 2 of HKSIR 300.

It is the intention of the AASC to withdraw HKSIR 300 when HKSAE 3420 becomes effective.

- (ii) ED Revised Practice Note 620.2 *Communication between the Auditor and the Insurance Authority*

The Institute has issued an [Invitation to Comment](#) on ED Revised Practice Note 620.2 *Communication between the Auditor and the Insurance Authority*, with comments requested by **20 January 2013**.

The AASC has embarked on a project, with assistance from the Institute's Insurance Regulatory Liaison Group, to align the extant Practice Notes ("PN") with the development of the auditing and assurance pronouncements issued. As part of the project, the proposed revised PN 620.2 has been updated to align with the clarified HKSAAs and current drafting conventions.

Ethics

9. Institute Comments on IESBA ED

The Institute made a [submission](#) to the IESBA on its ED on Responding to a Suspected Illegal Act.

The Institute acknowledged that it was of paramount importance for the accountancy profession to accept the responsibility to act in the public interest and a professional accountant's responsibility was therefore not exclusively to satisfy the needs of an individual client or employer. However, the Institute had substantial concerns on whether the proposals would result in the imposition of fair and equitable requirements to professional accountants, especially in the absence of adequate statutory protection for whistle-blowers. The Institute understood that such statutory protection was not commonplace around the world.

The proposed requirements might also create the impression that a professional accountant was a "policeman" or "informant" and this might jeopardize the relationship between professional accountants and their clients or employers and promoted mutual mistrust. For the professional accountants in business, this could directly affect their competitiveness as compared with someone other than a professional accountant. Without appropriate statutory whistle-blowing protections in place, the Institute also considered it may not be equitable to impose requirements, to the extent proposed, to professional accountants where comparable requirements were absent for lawyers, engineers, medical practitioners and other professionals.

International Meetings

10. International Accounting Standards Board

The IASB met on 13-17 December 2012, and discussed the following topics:

- Conceptual Framework
- Recognition of Deferred Tax Assets for Unrealized Losses
- IFRIC Update
- Accounting for Macro Hedging
- Financial Instruments: Impairment
- Insurance Contracts
- Revenue Recognition
- Recoverable amount disclosures for Non-Financial Assets
- Bearer biological assets
- Rate-regulated Activities

Click to view the IASB Update on the meeting of [13-17 December](#). The IASB next meets in January 2013.

11. IFRS Interpretations Committee

The IFRS Interpretations Committee next meets in January 2013. Click [here](#) for details.

12. International Auditing and Assurance Standards Board

The IAASB next meets in February 2013. Click [here](#) for details and previous meeting summary.

13. International Ethics Standards Board for Accountants

The IESBA next meets in March 2013. Click [here](#) for details and previous meeting summary.

Useful Resources

14. Publications

The following are recent publications on various topics:

- (i) [Work plan](#) by IASB
- (ii) [IFRS Outlook](#) on Development on leases project and analysis on SEC staff's final report on IFRS by Ernst & Young
- (iii) [HKFRS Update](#) on Amendments to HKFRS 1 by RSM Nelson Wheeler
- (iv) [Reminder](#) on Effective dates of IFRS by KPMG
- (v) [Comparison](#) between IFRS and US GAAP by Ernst & Young
- (vi) [Guide](#) on Fair value measurement by Ernst & Young
- (vii) [Article](#) on Standard for limited assurance review engagements by IFAC

Comment Due Dates

11 January 2013: IVSC ED *The Valuation of Forests*

11 January 2013: IVSC ED *Valuation Uncertainty*

16 January 2013: IASB ED of *Annual Improvements to IFRSs 2011-2013 Cycle*

20 January 2013: ED Revised Practice Note 620.2 *Communication between the Auditor and the Insurance Authority*

23 January 2013: ED PN 750 *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal*

1 February 2013: IVSC Discussion Paper *Investment Property*

15 February 2013: IFAC's IAASB ED ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and The Auditor's Report Thereon*

19 February 2013: ED HKSAE 3420 *Assurance Engagements to Report on the compilation of Pro Forma Financial Information Included in a Prospectus*

22 February 2013: IASB ED *Equity Method: Share of Other Net Asset Changes*

28 February 2013: IASB ED of *Classification and Measurement: Limited Amendments to IFRS 9*

1 March 2013: IASB ED *Clarification of Acceptable Methods of Depreciation and Amortization (Proposed Amendments to IAS 16 and IAS 38)*

18 March 2013: IASB ED of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed Amendments to IFRS 10 and IAS 28)*

18 March 2013: IASB ED of *Acquisition of an Interest in a Joint Operation (Proposed Amendment to IFRS 11)*

Specialist Practices, Business Members and Advocacy

Corporate Finance

15. Consultation Conclusions on Regulation of IPO Sponsors

On 12 December, Securities and Futures Commission ("SFC") published [consultation conclusions](#) on proposals concerning initial public offering ("IPO") sponsors. [TechWatch no. 116](#) (item 11) and [no.118](#) (item 16) contain further details about the consultation and the Institute's submission, respectively.

Taking into account respondents' comments, the SFC has refined a number of original proposals while adopting most of the key reforms, which aim to ensure that sponsors thoroughly understand any company aspiring to list in Hong Kong before a listing application is made.

A summary of the important aspects of the reforms are set out in SFC's [news release](#).

16. CPSS-IOSCO Publish a Disclosure Framework and Assessment Methodology for Their Principles for Financial Market Infrastructures

The Committee on Payment and Settlement Systems ("CPSS") and the International Organization of Securities Commissions ("IOSCO") have produced a publication entitled, [Principles for financial market infrastructures: disclosure framework and assessment methodology](#).

The disclosure framework is intended to promote consistent and comprehensive disclosure by financial market infrastructures ("FMIs") in line with the requirements of the "Principles for Financial Market Infrastructures" ("PFMIs"), which are the new international standards for payment, clearing and settlement systems. It will be used by FMIs to provide information about their activities, risk profile and risk management practices and will thus support

sound decision-making by FMIs and their stakeholders.

The assessment methodology provides guidance to external assessors at the international level for monitoring and assessing observance with the PFMIs and a baseline for national authorities to assess observance of the principles by the FMIs. It may also serve as a useful tool for FMIs' self-assessments of their observance of the PFMIs and for self-assessments of regulators, supervisors, and overseers of the way they discharge their own responsibilities.

Corporate Governance

17. Consultation Conclusions on Board Diversity

On 13 December, Hong Kong Exchanges and Clearing Limited ("HKEx") published [consultation conclusions](#) on board diversity ("BD"). [TechWatch no. 122](#) (item 19) contains further details about HKEx's consultation and the Institute's submission.

Having received broad support to promote board diversity within listed issuers, HKEx has decided to implement new measures. In brief, the measures include a Code Provision ("CP") which requires the issuer to have a BD policy, and disclose the policy or its summary in the issuer's corporate governance report, along with any measurable objectives for implementing the policy and progress on achieving those objectives. In addition, a note is added under the CP to clarify how the HKEx intends diversity to be understood. The measures will be effective on 1 September 2013.

Click HKEx's [news release](#) for further information.

Taxation

18. Institute Issues Proposals for the 2013-14 Budget and Policy Address

The Institute issued a tax policy and budget proposals [submission \(Chinese summary\)](#) to the chief executive ("CE") and the financial secretary on 31 December 2012 and conducted

a **media briefing** to explain the proposals on 10 January 2013, ahead of the new CE's first policy address on 16 January. Representatives from 20 media organizations, including 11 print, five electronic, three on-line media and one newswire, attended the briefing.

Given the proximity and the likely linkages between the policy address and the budget in 2013, the submission draws attention to the need to take a more strategic look at Hong Kong's tax policies and system, in addition to implementing detailed budgetary measures. The focus of the submission is on improving Hong Kong's overall business competitiveness and support for SMEs and on helping families and lower income groups. It also recommends measures to improve quality of life for the community generally.

19. LegCo Question on Private Hospitals Operated by Charitable Bodies

In response to a LegCo **question** on whether the tax-exempt private hospitals were still eligible for tax exemption, or whether their activities have deviated from their charitable objects, the secretary for financial services and the treasury explained that nine of them are operated by seven charitable bodies which are currently tax-exempt bodies under section 88 of the Inland Revenue Ordinance. He further supplemented that the Inland Revenue Department ("IRD") from time to time conducts reviews of tax-exempt charitable bodies to verify if they are still in compliance with the legal requirements. The IRD believes that section 88 serves the dual purposes of granting appropriate tax exemption for various types of charitable bodies and protecting revenues.

20. Announcements by the IRD

(i) Gazetted Bills

- Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012

The above **Amendment Bill**, which provides a taxation framework for some common types of Islamic bonds (sukuk)

to put them on an equal footing with conventional bonds, was gazetted on 28 December. Click to read the **legislative council brief** and the related **IRD news** on the Bill's consultation conclusions for further information.

➤ Stamp Duty (Amendment) Bill 2012

The Stamp Duty (Amendment) Bill 2012 was **gazetted** on 28 December. Briefly, the Bill aims to implement the new demand-side management measures to address the overheated property market. Click also to read the related IRD news on **Buyer's Stamp Duty** and amended **Special Stamp Duty**.

(ii) Transport and Housing Bureau Response to Property Developers

A **statement** was issued by the Transport and Housing Bureau ("THB") after meeting with the Real Estate Developers Association of Hong Kong. THB explained that companies whose shareholders are all Hong Kong permanent residents will not be exempted from the Buyer's Stamp Duty, except for the acquisition or transfer of a residential property between associated companies.

(iii) Whether Branch Remittance Tax in France is Exempted under the Agreement for the Avoidance of Double Taxation between Hong Kong and France

Clarification has been sought from France that a Hong Kong resident corporation is exempted from branch remittance tax on its income earned in France under the double taxation agreement between the two regions. **Click** to see more information.

(iv) Tax Payers Reminded to Pay Promptly

A **notice** was issued in late December 2012 to remind taxpayers to pay their tax on time. Taxpayers failing to do so will face recovery actions from the IRD.

(v) Stock Borrowers Reminded to File Returns

Stamping circular no. 1/2013 reminds borrowers under stock borrowing and lending agreements registered with Stamp Office of their obligation to filing a six-monthly return of stock borrowing transactions. The return for the period ending 31 December 2012 is due by 31 January 2013.

(vi) Employers Reminded to Notify IRD of Change of Address

"Employers' Returns of Remuneration and Pensions" (BIR56A) will be issued on 2 April 2013. In the meanwhile IRD has reminded employers to notify the department of any change of postal address. [Click](#) to see the IRD's notice.

Legislation & Other Initiatives

21. Institute Submits Views on Subsidiary Legislation for Implementation of the New Companies Ordinance

As reported in [TechWatch no.121](#) (item 23), on 2 November, the government launched the **second phase** of a two-phase public consultation on the subsidiary legislation to facilitate implementation of provisions in the **new Companies Ordinance** ("CO").

It was highlighted previously that, under the Companies (Revision of Financial Statements and Reports) Regulation, it is proposed to introduce a criminal sanction for auditors who omit certain information from an auditor's report on revised financial statements. This mirrors the offence under section 408 (originally clause 399) of the new CO in relation to omissions from an auditor's report. In the [submission](#), the Institute expresses serious concerns about the proposal, and recommends that the proposed offence be withdrawn. It further suggests that, if such an offence is considered to be necessary, the Administration should propose amendments to the primary legislation to afford all stakeholders a full opportunity to have their views heard and to suggest any changes that they consider necessary or desirable.

The Institute's [submission](#) also draws attention to a number of practical and drafting issues, and seeks additional information to improve clarity and understanding.

22. Companies Registry Update

(i) Abolition of Hong Kong company nominal value of shares

One of the major changes that will be implemented upon expected commencement of the new CO, in 2014, is the abolition of nominal value of shares. Companies Registry ("CR") has issued [external circular no. 7/2012](#) and [frequently asked questions](#) to provide information on this subject.

(ii) Specifications of a document delivered to CR for registration

The Registrar of Companies has exercised the power conferred on her under the CO to specify the requirements of a document delivered in paper form and part of a document delivered in the form of CD-ROM or DVD-ROM for registration under the CO. A [notice](#) in this respect was gazetted on 21 December.

The following information pamphlets have been updated/produced:

- [Information on Presenting Documents to the Companies Registry](#) (update)
- [Requirements for Documents Delivered in Paper Form](#) (new)

The filing tips on the [Submission of paper documents](#) page on the CR website has also been updated.

Useful Resources

23. Library Resources

[Featured titles](#) and [new books](#) of reference value to members 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.

24. Other Publications

The following articles/publications on topical issues may be of interest to members:

(i) HKEx has published:

- Guidance on (i) unrealized fair value gains on valuation of biological assets for the purpose of trading record and profit requirements under Rule 8.05(1)(a); (ii) disclosure requirements for IPO applicants with biological assets and (iii) due diligence work expected to be performed by sponsors and other professional advisers on biological assets ([HKEx-GL46-12](#)). This supersedes paragraphs 17 and 18 of Listing Decision [HKEx-LD66-1](#) published in April 2009.
- Two updates of listing decisions in relation to
 - whether, if in the conduct of its business in the PRC, a listing applicant was a party to a number of contract-based structures between or among itself, its PRC subsidiaries, the registered owners (i.e., PRC nationals and controlling shareholder of the listing applicant) and companies owned by the registered owners, this would render the applicant unsuitable for listing, due to legal issues associated with the contractual arrangements ([HKEx-LD43-3](#)) (updated in Nov 2011, Aug, Nov and Dec 2012)
 - whether, and under what circumstances, HKEx should allow a new listing applicant to dispense with the filing of placee lists with respect to its IPO shares sold in

public offers outside Hong Kong? ([HKEx-LD48-4](#)) (updated in Dec 2012)

- [Report](#) on IPO applications, delisting and suspensions (as at 31 December)
- [Market statistics](#) for 2012 (up to 14 December) and relevant [highlights](#)

(ii) SFC has published:

- [Quarterly report](#) which summarizes SFC's key regulatory developments in July – September 2012
- Findings of a [Survey on Sale of Non-exchange Traded Investment Products](#) for the year ended 31 March 2012, which shows the overall market structure and the major types of investment products sold by licensed corporations to individual investors in Hong Kong
- [Issue no. 23 of Takeovers Bulletin](#), which reminds financial advisers to an offeror to reconfirm with the offeror at the document stage that there would be sufficient financial resources available to satisfy full acceptance of the offer; and the SFC may vet the ancillary documents to a Code transaction if they contain material new information with Code implications

(iii) Articles on corporate governance by Deloitte:

- [2012 Proxy season: looking ahead to 2013](#)
- [The board's role in aligning strategy with risk](#)
- [Asia Pacific economic outlook – China, Japan, Malaysia, and Thailand](#)