



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@hkiipa.org.hk >. Click [here](#) for past issues.

Contents

Standard Setting Developments

Members' Handbook Updates

1. [Handbook Updates No. 207 – 209](#)

Audit & Assurance

2. [Institute's Audit and Assurance Standards Committee Meeting Minutes](#)

Financial Reporting

3. [Reminder: Financial Reporting Considerations](#)
4. [Institute's Financial Reporting Standards Committee Meeting Minutes](#)
5. [International Updates](#)

Technical Learning and Support

6. [New Programmes](#)

Useful Resources

7. [Institute's Technical Resource Centres](#)
8. [LinkedIn](#)

Advocacy and Practice Development/Member Support

Professional Accountants in Business

9. [Professional Accountants as Business Partners and Value Enablers](#)

Small & Medium Practitioners

10. [Transforming SMP Challenges into Opportunities](#)

Corporate Finance

11. [Institute Comments on HKEX Consultation on Capital Raisings by Listed Issuers](#)
12. [Institute Comments on HKEX Consultation on Delisting](#)
13. [HKEX Seeks Views on Proposed Rule Changes Relating to Aircraft Leasing Activities](#)
14. [Joint Reviews by HKMA and SFC on Managing Conflicts of Interest in Financial Groups](#)

Corporate Governance

15. [Results of the 2017 Best Corporate Governance Awards](#)
16. [Institute Comments on HKEX Consultation on a review of the Corporate Governance Code and related Rules](#)

Taxation

17. [Announcements by the Inland Revenue Department \("IRD"\)](#)

Legislation & Other Initiatives

18. [Companies Registry Launches New e-Forms to Facilitate Filing of Annual Returns and Changes in Company Particulars](#)
19. [Anti-Money Laundering Notices](#)

Useful Resources

20. [Library Resources](#)
21. [Other Publications](#)

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Standard Setting Developments

Members' Handbook Updates

1. Handbook Updates No. 207 – 209

Update No.207 relates to Accounting Bulletin 3 (Revised) *Guidance on Disclosure of Directors' Remuneration*.

Update No.208 relates to the amendments to HKFRS 12 *Disclosure of Interests in Other Entities*.

Update No.209 relates to the amendments to HKFRS 9 *Financial Instruments*.

Audit & Assurance

2. Institute's Audit and Assurance Standards Committee Meeting Minutes

The **minutes** from the 365th meeting of the Audit and Assurance Standards Committee are now available.

Financial Reporting

3. Reminder: Financial Reporting Considerations

This **alert** highlights some of the important financial reporting considerations for the preparation of annual reports for year ended 2017.

4. Institute's Financial Reporting Standards Committee Meeting Minutes

The minutes from the **237th** and **238th** meetings of the Financial Reporting Standards Committee are now available.

5. International Updates

- The **report** on the September meeting of the International Forum of Accounting Standard Setters is now available. Institute staff led and facilitated discussions on BCUCC: Mergers and

Acquisitions – The Premise for Separate Accounting Methods.

- The November **IASB Update** is now available.
- IFRS 17 *Insurance Contracts*:
 - This IASB staff **webcast** discusses its recognition and derecognition requirements;
 - This **article** outlines the top five questions investors' ask about the standard.

Technical Learning and Support

6. New Programmes

Click on the title below to register:

- **IFRS 17 Insurance Contracts Series** (December 2017 and January 2018)
- **Technical Update: Transitioning to HKFRS 9** (29 December 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 Developments/Member Support

Professional Accountants in Business

9. Professional Accountants as Business Partners and Value Enablers

Following its web meeting in September, the IFAC PAIBC published a [report](#) to share its collective knowledge, ideas, and experience regarding the role of professional accountants as business leaders and value enablers for organisations.

The main themes in the report are:

- Enterprise Performance Management
- The Role of Finance Leaders and Business Partners in Technology
- Effective Accountant Involvement in Risk Management
- Creating and Communicating Value through Integrated Reporting and Thinking
- Professional Accountancy Organizations' Support Tools
- Audit Quality and Audit Committee Effectiveness
- Professional Skepticism

Meeting highlights, outcome and recommended actions are also set out in the report.

Small & Medium Practitioners

10. Transforming SMP Challenges into Opportunities

The [2016 IFAC Global SMP Survey](#) identified key challenges many small- and medium-sized practices ("SMPs") face. In order to help SMPs addressing these challenges, IFAC has recently [published](#) a document titled "[Transforming SMP Challenges into Opportunities](#)" covering articles from the Global Knowledge Gateway which provide information, ideas and tips, as well as best practice examples from IFAC SMP Committee members, together with the range of other tools and resources available.

Corporate Finance

11. Institute Comments on HKEX Consultation on Capital Raisings by Listed Issuers

The Institute made a [submission](#) to Hong Kong Exchanges and Clearing ("HKEX") on the consultation proposals to address potential abuses relating to large scale deeply discounted capital raising activities and specific issues concerning capital raising and share issuance transactions.

12. Institute Comments on HKEX Consultation on Delisting

The Institute issued a [submission](#) responding to HKEX's proposals to improve the effectiveness of the delisting framework under the Main Board and the Growth Enterprise Market Listing Rules. The proposals aim to address the issue of prolonged suspension of trading in issuers' listed securities, in the interest of maintaining market quality and reputation. The Institute's submission, among other things, seeks specific arrangements for companies with long-suspended shares that are undergoing a restructuring.

13. HKEX Seek Views on Proposed Rule Changes Relating to Aircraft Leasing Activities

HKEX has recently published a [consultation paper](#) on proposed Listing Rule changes to exempt aircraft leasing activities from the specific disclosure and shareholders' approval requirements applicable to notifiable transactions. The proposed exemption applies to acquisitions, disposals and finance leases of aircraft by listed issuers that are actively engaged in aircraft leasing with aircraft operators and whose principal activities are in that area, subject to the fulfilment of certain conditions and alternative disclosure requirements.

The deadline for responding to the consultation paper is 22 December 2017.

14. Joint Reviews by HKMA and SFC on Managing Conflicts of Interest in Financial Groups

On 24 November, the Hong Kong Monetary Authority (“HKMA”) and the Securities and Futures Commission (“SFC”) jointly issued a [circular](#) highlighting observations from their recent joint thematic reviews on the potential conflicts of interest arising from the sale of in-house products by registered institutions and licensed corporations within a single financial group. The reviews mainly focused on internal controls and compliance.

The circular reminds intermediaries about the regulators’ expected standards in respect of conflicts of interest and provides examples of good practices in areas including client order execution and disclosure, product due diligence and discretionary portfolio management mandates. Specifically, senior management are expected to manage risks on a group basis, assess the robustness and effectiveness of systems and controls holistically, and ensure compliance with all applicable legal and regulatory requirements across the group.

Corporate Governance

15. Results of the 2017 Best Corporate Governance Awards

The Best Corporate Governance Awards 2017 (“Awards”) were successfully concluded with the presentation ceremony held at a luncheon on 30 November. The guest of honour was Secretary for Financial Services and the Treasury, Mr. James Lau.

The results of the 2017 Awards were announced at a media briefing held on 29 November. Only one diamond award was given out this year - to CLP Holdings Ltd., in the Hang Seng Index (“HSI”) Category, as the judges considered that, while there were companies with a high standard of governance in other categories, there was still a gap between those categories and the very best in the HSI. The Institute was pleased to be able to announce a number of first-time awardees this year (denoted by* in the list below), including Swire Properties and Hang Lung Properties.

In [his speech](#), James Lau noted that “the Hong Kong Government, the Stock Exchange of Hong Kong (SEHK) and the regulators have sought to encourage companies to conduct their business in a sustainable, ethical and socially responsible manner instead of simply eyeing profits in the short term. ESG disclosure requirements have already been incorporated into the listing rules as mandatory disclosure requirements for all companies listed on the SEHK, regardless of their place of incorporation. SEHK has also held numerous training seminars on ESG with a wealth of information available on their website. These materials include practical steps and tools to guide issuers through the process of preparing an ESG report. The Securities and Futures Commission has also issued the Principles of Responsible Ownership, which intend to assist institutional investors to determine how best to meet their ownership responsibilities”.

This year, the category for non-Hang Seng Index mid-small market capitalization companies was divided into two separate categories – one for medium market capitalization companies and another for small cap companies. The aim is to encourage both small- and medium-sized companies to improve their CG by providing more relevant benchmarks for each. While the judges identified some impressive winners in the medium market cap category, they were not able to find any winners in the small market cap category. While small cap companies generally have more limited resources, the judges considered that it is in their interests to develop good CG practices. They are often growth companies which will benefit if they build up a reputation for good CG, with a long-term objective of attracting a committed investor base and reducing their cost of funds as they grow.

More than 700 annual reports and sustainability/corporate social responsibility reports of listed companies and public sector/not-for-profit organizations were reviewed in this year’s Awards. In addition, around 650 websites were visited to identify potential candidates for the new commendations for website CG information.



The full list of winners of the 2017 Awards is as follows:

HSI Category

Diamond – CLP Holdings Limited
Gold – Hong Kong Exchanges and Clearing Limited

Non-HSI (Large Market Capitalization) Category

Gold – Hysan Development Company Limited
Special Mention – Swire Properties Limited*

Non-HSI (Medium Market Capitalization) Category

Platinum – The Hongkong and Shanghai Hotels, Limited
Gold – Li & Fung Limited
Gold – Pacific Basin Shipping Limited

H-share Companies and Other Mainland Enterprises Category

Platinum – Lenovo Group Limited
Gold – COSCO SHIPPING Ports Limited

Public Sector/Not-for-profit Category

Platinum – Airport Authority Hong Kong
Gold – Mandatory Provident Fund Schemes Authority
Gold – Securities and Futures Commission

Sustainability and Social Responsibility Reporting ("SSR") Awards

Winner – CLP Holdings Limited (HSI Category)
Winner – Airport Authority Hong Kong[#] (Public Sector/Not-for-profit Category)
Special Mention – Swire Properties Limited* (Non-HSI (Large Market Capitalization) Category)

[#] The first full SSR award for a public sector organisation

Commendations on Internal Control and Risk Management

Hang Lung Properties Limited*

Commendations on Board and Audit Committee Operation and Functioning

Prudential Plc.

Commendations on Website Corporate Governance Information

China Telecom Corporation Limited
COSCO SHIPPING International (Hong Kong) Co., Ltd.
Hospital Authority

The **Judges' Report** contains commentaries on the winners' CG practices, general observations by the judges, references to recent local and international CG developments, as well as other background information.

16. Institute Comments on HKEX Consultation on a review of the Corporate Governance Code and related Rules

HKEX published consultation papers on a **review of the Corporate Governance Code and related listing rules** and also **proposed changes to documentary requirements relating to listed issuers**. The Institute recently issued a **submission** on the first consultation paper, which covers issues relating to independent non-executive directors and board diversity.

Taxation

17. Announcements by the Inland Revenue Department ("IRD")

Members may wish to be aware of the following matters:

➤ **Comprehensive Avoidance of Double Taxation Agreements with Latvia and Pakistan** came into effect on 24 November

➤ Legislative Council questions on:

- **Measures** to boost innovation and technology development
- **Measures** to attract companies located outside Hong Kong to establish operations in Hong Kong
- **Imposing restrictions** on the purchase of residential properties to curb speculation

➤ **Stamp Duty statistics (November 2017)**

Legislation & Other Initiatives

18. Companies Registry Launches New e-Forms to Facilitate Filing of Annual Returns and Changes in Company Particulars

On 27 November, the Companies Registry launched five new e-forms at "CR eFiling" mobile app to enable registered users of the e-Registry to submit Annual Returns (Form NAR1) and changes of company particulars (Forms ND5, ND7, ND8 and NSC1) via "CR eFiling" using smartphones and mobile devices.

Read [Companies Registry External Circular No. 6/2017](#) for detail.

19. Anti-Money Laundering Notices

Members should note the following notices and publications in relation to Anti-Money Laundering/Combating the Financing of Terrorism ("AML/CFT"):

- **Government notice 7845:** An updated list of relevant persons has been specified under the United Nations Sanctions (Sudan) Regulation 2013.
- **Government notice 8956:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **High-risk and non-cooperative jurisdictions:** In November, the Financial Action Task Force ("FATF") issued two documents:
 - **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 which have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF.

- **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

20. 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.

21. Other Publications

- (i) HKEX has published:
 - New listing decisions on:
 - Whether a listed issuer had a sufficient level of operations or sufficient assets to meet Main Board Rule 13.24 ([HKEX-LD115-2017](#)) and ([HKEX-LD116-2017](#))
 - Whether a listed issuer (excluding its interest in a subsidiary wishing to seek a separate listing on the Exchange) could meet the new listing requirements of Chapter 8 of the Main Board Rules ([HKEX-LD117-2017](#))
 - **Report** on initial public offering applications, delisting and suspensions as at 30 Nov
 - **Press release** on results of annual review of trading-fee tiers for stock options

(ii) SFC has published:

- **Quarterly report** for the period from July to September 2017 and the **press release**
- **Process Review Panel Report 2016-2017**
- **Keynote address** at WFC Global Conference of Central Securities Depositories 2017 by Keith Lui, SFC Executive Director, Supervision of Markets

(iii) Other publications:

- **The state of the deal: M&A trends 2018** by Deloitte
- **6 Tips for Effectively Managing M&A Communications** by FTI Consulting
- **Will External Audits Vanish in the Blockchain World?** by Kumar & Raj Chartered Accountants
- **The neglected art of risk detection** by McKinsey & Company
- **Enhancing Audit with Technology** by Edie Bailly
- **Stop scaring away your future leaders** by Journal of Accountancy
- **A Practical Guide to Emerging Technology** by Financial Executives International Daily
- **How to move beyond financial expertise to strategic leadership: Grab a shovel** by Business Learning Institute