



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

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Standard Setting Developments

Members' Handbook Updates

1. Handbook Updates No. 200 – 201

Update No. 200 relates to amendments to the *Hong Kong Financial Reporting Standard for Private Entities*.

Update No. 201 relates to revisions made to PN 860.1 (Revised 2017) *The Audit of Retirement Schemes*.

Ethics

2. Institute's Comment on IESBA Exposure Drafts

The Institute commented on the following IESBA exposure drafts:

- [Proposed Revisions Pertaining to Safeguards in the Code – Phase 2 and Related Conforming Amendments](#);
- [Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice](#); and
- [Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2](#).

3. New Invitation to Comment

The Institute is seeking comments on the [IESBA's exposure draft](#) relating to professional skepticism and professional judgment. Comments are requested by 23 June.

Financial Reporting

4. Institute's Financial Reporting Standards Committee Meeting Minutes

The [minutes](#) of the 235th meeting of the Financial Reporting Standards Committee held on 28 March are now available.

5. New Invitation to Comment

The Institute is seeking comments on the [IASB Request for Information Post-implementation Review – IFRS 13 Fair Value Measurement](#). Comments are requested by 15 August.

6. Literature Review on IFRS 13

The IASB is calling for applications to undertake a literature review on the effect of implementing IFRS 13 *Fair Value Measurement*. Click [here](#) to learn how to apply.

7. International Updates

- The May [IASB Update](#) is now available.
- The IASB has issued IFRS 17 *Insurance Contracts* which is effective on 1 January 2021. This [IASB video](#) introduces the new standard. A range of [implementation materials](#) are also available.
- For those who have not caught up on the new standard IFRS/HKFRS 9, this 5 minute [IASB video](#) explains the background for IFRS 9's new loan loss accounting requirements, how it contributes to financial stability, and its impact on regulatory capital requirements.

Technical Learning and Support

8. New Programmes

Click on the titles below to register:

- [Refresher Course on Current Financial Reporting Standards](#) (2,4 and 8 July 2017)
- [TUE session on application issues of IFRS 15](#) (7 July 2017)
- [Workshop on HKAS 36 Impairment of Assets](#) (29 July 2017)

Useful Resources

9. 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](#)

10. [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

11. Developing a Future-Ready Profession for Accountants in Business

Following on the IFAC Professional Accountants in Business Committee meetings in 2016, the committee has recently [issued a report](#) that shares the knowledge, ideas, and experience of the committee on developing a future-ready profession.

The main themes in the [report](#), and in the meeting it flows from, are:

- digital disruption and rapid cognitive business development;
- the continued evolution of the profiles of finance leadership and accountants in business;
- effective risk management;
- how integrated reporting can lead to better reporting outcomes; and
- how the new media landscape is changing the way we communicate.

Corporate Finance

12. Takeovers Panel's TVB Ruling on Whitewash Waiver and Disclosure of Shareholding Structure

On 10 May, the Takeovers and Mergers Panel issued its decision and ruled that a waiver of the obligation to make a mandatory general offer ("Whitewash Waiver") for the shares of Television Broadcasts Limited under the Takeovers Code should be granted, subject to conditions, in relation to a share buy-back offer under the Share Buy-backs Code and related matters.

A summary of the ruling is set out in the Securities and Futures Commission ("SFC") [press release](#), while details are contained in the [Panel's decision](#).

13. SFC Guidance on Corporate Transactions and Use of Valuations

The SFC has become increasingly concerned that some listed companies are acquiring assets at unreasonably high prices or selling assets which are substantially undervalued, and these transactions might harm shareholders' interests. As regards valuations in corporate transactions, the SFC has recently issued:

(i) [Guidance note](#) on directors' duties

It reminds directors that they are the guardians of a listed company's assets and must act in good faith in the interests of the company and its shareholders as a whole. They should not accept blindly and unquestioningly financial forecasts, assumptions or business plans provided to them, and should:

- exercise due and reasonable care, skill and diligence when considering, proposing or approving corporate transactions;
- carry out independent due diligence regarding the asset or target company;
- take all reasonable steps to verify the accuracy and reasonableness of material information that is likely to affect any valuation.

(ii) [Circular](#) to financial advisers

It makes clear that where financial advisers are appointed by a listed company, they should comply with all applicable requirements under the Corporate Finance Adviser Code of Conduct. They should not rely solely on representations made by the directors, their delegates or any third party. Financial advisers need to conduct their own assessment and undertake reasonableness checks on the forecasts, assumptions, qualifications and

methodologies of any valuation and should draw to the attention of the directors if any forecasts or assumptions appear to be unrealistic.

(iii) [Statement](#) on the liability of valuers for disclosure of false or misleading information

Valuers are expected to exercise the degree of skill and care ordinarily exercised by reasonably competent members of the profession. They should not knowingly or recklessly accept any assumptions that are not reasonable and fair. Valuers may be liable if the valuation report contained materially false or misleading information.

The SFC indicates that it will take appropriate actions against companies, directors, advisers or valuers who have failed to comply with their requirements under the Securities and Futures Ordinance. In assessing a potential breach of duties, it will take into account whether the relevant guidance note, circular and statement have been adhered to.

14. HKEX Seeks Views on a Proposed New Board and a Review of the Growth Enterprise Market

On 16 June, Hong Kong Exchanges and Clearing ("HKEX") launched a consultation to seek public feedback on a package of proposals to broaden capital markets access in Hong Kong and strengthen Hong Kong's listing regime through two separate papers:

(i) [New Board Concept Paper](#)

(ii) [Consultation Paper on the Review of the Growth Enterprise Market \(GEM\) and Changes to the GEM and Main Board Listing Rules](#)

These papers contain proposals that are aimed at widening capital markets access by opening up to a more diverse range of issuers, improving the quality of the HKEX's markets and enhancing Hong Kong's competitiveness as a global financial centre. While the proposals are in separate papers, they are interlinked and should be viewed holistically.

Read the [press release](#) and the [Frequently Asked Questions](#) about the papers for further detail. The deadline for response is **18 August 2017**.

Restructuring and Insolvency

15. Insolvency-related circulars

Insolvency practitioners should be aware of the following notices:

- [Regarding the Private Columbaria Bill](#)
- [Regarding a Consumer Council report on chargeback](#). The report itself can be accessed [here](#).

Taxation

16. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- A Legislative Council question on [application for partial refund of the ad valorem stamp duty](#).
- [Inland Revenue \(Amendment\)\(No.2\) Ordinance 2017](#) on automatic exchange of financial account information in tax matters ("AEOI") has been passed and gazetted.
- [A signed agreement with Ireland](#) and with [Indonesia](#) on AEOI.
- [Tax obligations of property owners](#).
- [Performance Pledge Annual Report 2016/17](#).
- [List of Qualifying Debt Instruments \(as at 31 March 2017\)](#).

Legislation & Other Initiatives

17. Companies Registry Offers Free e-Monitor (Self-Monitor) Service

With effect from 2 June, Companies Registry ("CR") provides e-Monitor (self-monitor) service

free-of-charge to company users of the [e-Registry](#).

A local company or a registered non-Hong Kong company, which has registered a company user account with the [e-Registry portal](#) ("Company User"), will automatically receive an instant electronic notification when a document is registered in the public records of the company. The company may then order the image record of the document at the CR's [Cyber Search Centre](#) or through the [Company Search Mobile Service](#). This free e-Monitor service helps companies keep track of their filing records, stay vigilant of unauthorized filings or alterations of company information and take prompt action as regards any documents filed without proper authorization.

Annual return e-Reminder service is also provided free-of-charge to company users, which will automatically receive electronic notifications for delivering annual returns and can submit annual returns electronically at the e-Registry through the hyperlink provided in the notification.

Refer to the [Companies Registry External Circular No. 4/2017](#) for further details.

18. New Services on "CR eFiling" Mobile Application

With effect from 12 June, registered users of [e-Registry](#) may also submit e-forms (Forms NNC1, NNC1G, NNC3, ND2A and ND4) using CR eFiling to incorporate a company or report changes of directors/ company secretaries using smartphones and mobile devices.

Refer to the [Companies Registry External Circular No. 5/2017](#) for details.

19. Electronic Land Registry News No. 43

The 43rd issue of the Land Registry News has been released. Click [here](#) to read the News and get the latest development of the Land Registry.

20. AML Notices

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

- **Government notice 3173:** An updated list of relevant persons has been specified under the United Nations Sanctions (Yemen) Regulation 2015.
- **Government notice 3174:** A list of relevant persons and entities has been specified under the United Nations Sanctions (Central African Republic) Regulation 2017.
- **Government notice 3396:** An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Central African Republic) Regulation 2017.
- **Government notice 3776:** An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Democratic People's Republic of Korea) Regulation.
- **Government notice 3896:** 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 ("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 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

21. 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.

22. Other Publications

(i) HKEX has published:

➤ Listing decision:

- To provide guidance on why certain listing applications were returned ([HKEX-LD106-2017](#))
- To provide guidance on why certain listing applications were rejected ([HKEX-LD107-2017](#))
- Whether a listed issuer's proposed acquisition of the target company constituted a reverse takeover or an extreme very substantial acquisition ([HKEX-LD108-2017](#))
- Whether a listed issuer would be required to aggregate the proposed acquisition with a previous acquisition, and whether these acquisitions would constitute a reverse takeover ([HKEX-LD109-2017](#))
- Whether HKEX would commence the procedures to cancel the listing of a listed issuer whose shares had been suspended for a prolonged period due to insufficient public float ([HKEX-LD110-2017](#))

➤ **Report** on initial public offering applications, delisting and suspensions (as at 31 May)

(ii) SFC has published:

➤ **Enforcement Reporter issue no. 2**, which reminds directors and senior executives to prevent fraud, manage conflicts of interests, promptly disclose inside information and always put the company's interests before their own. It also outlines SFC's enforcement powers

relating to senior management accountability.

- **Annual report 2016-17** and relevant **press release** providing the highlights
- Speech entitled **Update on SFC Fintech initiatives** by Bénédicte Nolens, Senior Director, Risk and Strategy

(iii) Financial Services Development Council has published:

- **Overview of Hong Kong Financial Services Industry**
- **2016-17 annual report**

(iv) Other publications:

- *A Practical Handbook to Hong Kong IPOs 2017* (**English / Chinese**) by CPD 101 Limited
- **Technology Trends Impacting the Finance Function and the Profession – An Overview** by IFAC
- **An Evolving Internal Audit Landscape: Beyond Conventional Compliance** by KPMG
- **Prospects for future economic cooperation between China and Belt & Road countries** by PwC
- **How to save an otherwise viable company that suffered from a sudden heavy financial loss?** by ONC Lawyers
- **How to reduce the pressures at work** by Journal of Accountancy

- **7 ways artificial intelligence and machine learning will impact the finance office** by accountingTODAY
- **6 Tips to Develop Young Partners at Small Accounting Firms** by CPA Practice Advisor
- **How AI can free up professionals to add more value** by ACCA
- **A hairline crack in China's credit rating and the Impact on firms -- and Hong Kong** by CFO Innovation