



TechWatch updates you on technical developments in financial reporting, auditing, ethics, regulation and business. The Institute welcomes your comments, emailed to < commentletters@hkipa.org.hk >. Click [here](#) for past issues.

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Standard Setting Developments

Members' Handbook Update

1. Members' Handbook Update No.218

Update No.218 relates to the issuance of a revised Conceptual Framework for Financial Reporting 2018.

Meeting Minutes

2. Financial Reporting Standards Committee

Summary of the **242nd meeting** of the Financial Reporting Standards Committee is now available.

3. Audit and Assurance Standards Committee

Summary of the **368th meeting** of the Audit and Assurance Standards Committee is now available.

4. Hong Kong Insurance Implementation Support Group

The Hong Kong Insurance Implementation Support Group's **10 May** meeting summary is now available.

Local Updates

5. Q&As on HKAS 12 Income Taxes

The Institute issued **Q&As** on applying HKAS 12 *Income Taxes* in light of the recent two-tiered Hong Kong profits tax regime.

6. Invitation to Comment

The Institute is seeking **comments** on the IASB Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity* by 9 Nov.

International Updates

7. IFRS Updates

- **June IASB Update**
- **June IFRIC Update**
- IASB **video** which explains the IASB's proposed approach in DP/2018/1 to classify financial instruments either as debt or equity.

8. Other Publications

- **Publication** by CPA Canada on cryptocurrencies, including analysis of possible approaches to account for them under IFRS.
- This **article** takes a look at the impact of IFRS 17 *Insurance Contracts* on the investor community, including Hong Kong investor analysts.

Technical Learning and Support

9. New programmes

- **Deep-dive workshops on HKFRS 17 Insurance Contracts** (July 2018)
- **Deep-dive workshops on HKFRS 9 Financial Instruments** (July- August 2018)
- **E-seminar: HKFRS 10 Consolidated Financial Statements** (audio)
- **E-seminar: IFRS 17 Insurance Contracts in a nut-shell** (audio)
- **E-seminar: HKFRS 13 Fair Value Measurement** (audio)

Useful Resources

10. 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](#)

11. [Linked in](#)

Follow our [LinkedIn](#) for key developments in financial reporting, auditing and ethics.

Advocacy and Practice Development/Member Support

Professional Accountants in Business

12. HKEX Publishes Review Results of Listed Issuers' Financial Reports

On 1 June, Hong Kong Exchanges and Clearing ("HKEX") [published](#) a report summarizing key findings from its review of 100 periodic financial reports released by listed issuers between February 2017 and April 2018.

The [report](#) highlights the importance of the following areas:

- Providing investors with a meaningful management commentary
- Judgments and estimates
- Assessing impairment of tangible and intangible assets (including goodwill)
- Accounting for acquisitions
- Impact of applying key HKFRSs in issue but not yet effective
- New auditors' reporting

HKEX reminds issuers that financial reports and all other corporate communication should be accurate, complete and not misleading, and the Audit Committee should focus on financial reporting integrity as part of its core oversight responsibilities.

Members, especially those responsible for preparing financial reports of listed issuers, are encouraged to read the [report](#).

13. Role of the Finance Function in Enterprise Performance Management

For finance professionals to be viewed as business partners, they must contribute effectively to enterprise performance

management ("EPM") beyond traditional financial reporting and financial systems.

EPM represents a range of activities and practices that provide the reference points needed to deliver insights based on financial and non-financial, internal and external, and structured and unstructured data and information. It is based on an integrated management approach that links strategy to core processes and activities using relevant measures to report, manage performance and improve understanding of value creation.

This [IFAC publication](#) identifies why and how the finance function must evolve to support EPM, including:

- Why EPM is critical to the future of the profession
- How accountants in business and the finance function can drive effective PFM
- The four key enablers of EPM

Corporate Finance

14. HKEX Consultation on Backdoor Listing and Continuing Listing Criteria

On 29 June, HKEX [released](#) a [consultation paper](#) to seek views on proposals to tighten the reverse takeover rules and continuing listing criteria to address concerns over backdoor listings and "shell" activities. This forms part of HKEX's ongoing holistic review of its rules to tackle problematic corporate behaviour with a view to maintaining the quality and reputation of the Hong Kong market. A summary of the proposed Listing Rule amendments is set out in the [press release](#). Comments are requested by **31 August 2018**.

HKEX has also issued guidance letter ([HKEX-GL96-18](#)) on listed issuer's suitability for continued listing, citing examples of circumstances where HKEX may raise concerns whether a listed issuer or its business continues to be suitable for listing.

15. Forum on Hong Kong Market's Future Role

On 1 June, financial experts from Mainland China and Hong Kong took part in a lively

discussion to review Hong Kong's contributions to China's opening up, and the role Hong Kong can play as the country enters a new phase of capital market reforms, at a forum titled "A New Journey for a New Era – The Future of Hong Kong's Capital Market". The forum was attended by over 400 guests, including senior representatives from regulators, industry groups, corporations and investors.

Read the [HKEX press release](#) for detail. Click [here](#) for a webcast of the forum, which was conducted mainly in Putonghua with English simultaneous interpretation and [here](#) for Mrs. Laura Cha's speech (in Chinese only).

Corporate Governance

16. Best Corporate Governance Awards 2018 Invites Entries

The Institute invites companies and organizations in the private and public sectors to submit entries for the Best Corporate Governance Awards ("BCGA") 2018. This year the BCGA includes a new award for good CG practices, which is based on self-nominations and aimed at encouraging smaller companies and public sector/ not-for-profit organizations to improve their CG. Take this opportunity to show support for good corporate governance by encouraging your company or public sector organization to participate in BCGA 2018. The deadline for entries is 13 August 2018. [Click](#) for more details.

Taxation

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

Members may wish to be aware of the following matters:

- A Legislative Council question on [claim for Disabled Dependant Allowance Levy payment](#) to the Property Management Services Authority starting from July 1
- [Expanded scope of tax deductions](#) for capital expenditure incurred for purchase of intellectual property rights
- Tax obligations of [property owners, taxpayers and employers](#)

- [IRD Performance Pledges 2018-19](#)
- [Stamp Duty statistics \(May 2018\)](#)
- [Stamping Circular No. 06/2018](#) about filing of return of stock borrowing transactions
- A research brief on [health insurance for individuals in Hong Kong](#)

18. Institute's recent tax submissions

The Institute's Taxation Faculty has [commented](#) on [Inland Revenue \(Amendment\) \(No. 3\) Bill 2018](#), relating to enhanced tax deductions for certain expenditures incurred on research and development activities.

Legislation & Other Initiatives

19. Anti-Money Laundering Notices

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

- [Government notice 4161](#): An updated list of terrorists and terrorist associates has been specified under the United Nations Sanctions Ordinance.
- [Government notice 4162](#): An updated list of terrorists and terrorist associates has been specified under the United Nations Sanctions Ordinance.
- [Legal notice 117](#): The United Nations Sanctions (Central African Republic) Regulation 2018 has been published in the Gazette.
- [Legal notice 118](#): The United Nations Sanctions (Yemen) Regulation 2015 (Amendment) Regulation 2018 has been published in the Gazette.
- [Legal notice 122](#): The United Nations Sanctions (Democratic People's Republic of Korea) (Amendment) Regulation 2018 has been published in the Gazette.
- [Government notice \(extraordinary\) 30](#): An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.

- **United Nations (Anti-Terrorism Measures) (Amendment) Ordinance 2018** was enacted by the Legislative Council on 21 March 2018 and came into effect on 31 May 2018.
- **United Nations Sanctions (Amendment) Ordinance 2018**, which enables regulations made under the ordinance to impose sanctions directly against persons, in addition to places, has come into effect.
- Insurance Authority issued **Key Findings of AML/CFT Onsite Inspection Visits to Authorized Insurers Carrying on Long Term Business** on 31 May 2018, to review their AML/CFT policies, procedures and controls (collectively referred to as "AML/CFT systems") and their compliance with the AMLO and the Guideline.
- **High-risk and non-cooperative jurisdictions**: In June, the Financial Action Task Force issued **a public statement** regarding two jurisdictions and a document titled "**Improving Global AML/CFT Compliance: On-going Process**" concerning eight other jurisdictions.
- **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 mandatory guidance and information on the AML/CFT requirements for members see the Institute's "**Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants**".

20. Anti-money laundering procedures manual for accountants

The Institute published an **Anti-money laundering procedures manual for accountants** to support its members in their compliance with and implementation of the new anti-money laundering and counter-terrorist financing regulatory regime. The manual is now available for purchase at the 27/F service counter of the Institute's office.

Useful Resources

21. Other Publications

- (i) HKEX has published:
 - New guidance letter on listed issuer's suitability for continued listing (**HKEX-GL96-18**)
 - Speeches by Mrs. Laura Cha, chairman:
 - **Speech** delivered at the forum "A New Journey for a New Era – The Future of Hong Kong's Capital Market" (in Chinese)
 - **Keynote speech** at the Caixin Summit Hong Kong – Hong Kong's role in China's development and its future as an international financial centre (in Chinese)
 - **Report** on initial public offering applications, delisting and suspensions as at 29 June
- (ii) SFC has published:
 - A speech entitled **The evolving role of the Independent Non-Executive Director** by Mr. Carlson Tong, chairman
 - **Annual report 2017-18** and relevant **press release** providing the highlights
- (iii) Financial Services Development Council has published:
 - **Annual report 2017-18**
 - **Research paper** "Building the Technological and Regulatory Infrastructure of a 21st Century International Financial Centre: Digital ID and KYC Utilities for Financial Inclusion, Integrity and Competitiveness" and the relevant **press release**

(iv) Other publications:

- **Exploring Artificial Intelligence & the Accountancy Profession: Opportunity, Threat, Both, Neither?** by IFAC
- **How Secure Is Your Client's Data?** by CPA Australia
- **Protecting Data is the Smart Thing to Do. It's Also Good for Business** by FTI Consulting
- **Mainland China and Hong Kong 2018 Mid-Year Review: IPOs and other market trends** by KPMG
- **What companies and boards seek from CFO candidates: An executive recruiter's view** by the Wall Street Journal
- **Blockchain Beyond the Hype: What Is the Strategic Business Value?** by McKinsey & Company
- **The Digital Transformation of Accounting and Finance: Artificial Intelligence, Robots and Chatbots** by Forbes
- **The Changing Role of Accounting in Enterprise Performance Management** by Resource Consumption Accounting Institute
- **Add value to audits with client-focused analytics** by Journal of Accountancy