



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@hkipa.org.hk](mailto:commentletters@hkipa.org.hk) >. Click [here](#) for past issues.

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## Standard Setting Developments

### Members' Handbook Updates

#### 1. Handbook Updates No. 214 - 216

**Update No.214:** *Annual Improvements to HKFRSs 2015-2017 cycle*

Updates **No. 215** and **No. 216:** *Code of Ethics for Professional Accountants (Revised)*

### Meeting Minutes

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

FRSC December 2017 meeting [minutes](#)

### Local Updates

#### 3. Hong Kong Insurance Implementation Support Group

The Institute has established **HKIISG** to support implementation of HKFRS 17 *Insurance Contracts*. The first meeting is on 20 March. Interested parties can submit implementation questions for HKIISG discussion or register as an observer to attend upcoming HKIISG meetings.

#### 4. First Bilateral Meeting between the Accounting Standards Board of Japan and HKICPA

The Accounting Standards Boards of Japan and the Institute's Standard Setting Department held their first **bilateral meeting** on 5 and 6 of March.

The Institute discussed ASBJ's proposals on an accounting standard on virtual currencies, and the Institute's thinking on developing the accounting for group reorganisations.

### International Updates

#### 5. IFRS Updates

- February **IASB Update** and **work plan**
- February TRG for IFRS 17 *Insurance Contracts* **meeting summary** and **podcast**
- December 2017 **ASAF meeting summary**

### Technical Learning and Support

#### 6. New Programme

Click on the title below to register:

- **HKFRS for Private Entities Workshop** (22 March 2018)

### 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**

Follow our **LinkedIn** for key developments in financial reporting, auditing and ethics.

## Advocacy and Practice Development/Member Support

### Professional Accountants in Business

#### 9. HKEX Launches Director Training Webcast on IPOs

The Stock Exchange of Hong Kong Limited ("HKEX") has **published** the fourth and final instalment of its director training webcasts, entitled **Directors Responsibilities at IPOs**, to improve the standards of corporate governance and regulatory best practices among listed issuers.

The webcast offers directors at companies considering an initial public offering ("IPO") with guidance on their responsibilities, as well as practical advice on tackling issues that may arise during and after the listing process. It combines key regulatory messages with real-life examples, presented by company directors and market practitioners with experience in IPOs.

The webcast covers the following seven topics:

- Change of Mindset for Business Owners
- Role of Directors
- Appointment of Independent Non-executive Directors
- Use of IPO Proceeds
- Internal Control
- Post IPO Profit Decline, Disposal of Original Business and Dealing Restrictions
- Practical Tips

#### 10. Applying Enterprise Risk Management to ESG-related Risk

On 7 February, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and the World Business Council for Sustainable Development **released** draft guidance for applying enterprise risk management ("ERM") to environmental, social and governance ("ESG")-related risks. The **draft guidance** is designed to supplement COSO's updated ERM framework, **Enterprise**

**risk management - Integrating with strategy and performance**. It aims to help organizations worldwide respond to the increasing prevalence and severity of ESG-related risks, ranging from extreme weather events to product safety recalls.

Comments on the draft guidance are sought by **30 June 2018** to ensure that the business and regulatory community are represented in the final version.

Refer to the **Executive Summary** for further details.

### Corporate Finance

#### 11. HKEX Seeks Comments on a Proposed New Listing Regime for Emerging and Innovative Companies

On 23 February, HKEX **published** a consultation paper seeking public comments on proposals to expand Hong Kong's listing regime to facilitate listings of companies from emerging and innovative sectors. The deadline for response is **23 March 2018**.

The **paper** proposes to include new chapters in the Main Board Listing Rules ("LR") to:

- (a) permit listings of biotech issuers that do not meet any of the financial eligibility tests of the Main Board;
- (b) permit listings of companies with weighted voting right ("WVR") structures; and
- (c) establish a new concessionary secondary listing route for Greater China and international companies that wish to secondary list in Hong Kong.

Also refer to the **presentation materials, webcast and Frequently Asked Questions** ("FAQ") about the proposals for further details.

## 12. HKEX Guidance Letters on IPO Pricing Flexibility and Placing Tranche Reallocation

On 2 February, HKEX **published** the following guidance letters which are designed to maintain a balance between market facilitation and investor protection.

- (i) **Guidance letter** on pricing flexibility for IPOs (HKEX-GL-90-18)

It sets out the conditions under which the final offer price in an IPO can be below the indicative offer price or the bottom end of the indicative offer price range in the prospectus without triggering the withdrawal mechanisms. This allows listing applicants certain flexibility in adjusting their IPO offer price without the need to withdraw and then re-launch the offer and placing tranche reallocation cap in IPOs.

- (ii) **Guidance letter** on placing tranche reallocation (HKEX-GL-91-18)

It specifies the circumstances under which an IPO listing applicant may reallocate shares from the placing tranche to the public subscription tranche in an IPO other than pursuant to LR or GEM rules requirements that have been agreed with HKEX or over-allocate shares to the public subscription tranche. This aims to better protect investors who subscribe for shares under the public subscription tranche by limiting how such investors are allocated shares which are not taken up by institutional and professional investors for whatever reasons.

## 13. SFC Enforcement Priorities for 2018

The Securities and Futures Commission ("SFC") sets out its 2018 enforcement priorities in the latest issue of its **Enforcement Reporter** (a e-newsletter to enhance the understanding and transparency of the SFC's enforcement work and focus). Corporate fraud is at the top of the list and other key priorities are insider dealing and market manipulation, intermediary and sponsor misconduct and money laundering internal control failures.

The newsletter also outlines the enforcement implications of the Manager-In-Charge regime which helps the SFC identify responsible individuals, and the importance of the SFC's enforcement cooperation with the China Securities Regulatory Commission for the development of Hong Kong's financial markets. The SFC's recent review of the marketing and sale of financial products is discussed. It also summarises the Guidance Note on Cooperation with the SFC published in December 2017 and highlights the significance of four recent enforcement actions.

### Legislation & Other Initiatives

## 14. Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants

Under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) ("AMLO"), as recently amended, "accounting professionals", i.e., practice units and members of the Institute, as defined in the Professional Accountants Ordinance (Cap. 50), are required to comply with certain customer due diligence and record-keeping requirements, commencing 1 March 2018.

Under section 7 of AMLO, the Institute, as the regulatory body for the profession, is empowered to issue guidelines to members. Guidelines were published in the Government Gazette on 23 February 2018 and are effective as from 1 March 2018. They form a new Part F, Sections 600-670, of the Code of Ethics for Professional Accountants.

A **standalone version** is also available on the Institute's website.

## 15. Anti-Money Laundering Notices

Members should note the following notices and publications in relation to anti-money laundering/counter-terrorist financing (AML/CTF):

- **A revised guideline on Anti-Money Laundering and Counter-Terrorist Financing ("GL3")** of the Insurance Authority comes into effect on 1 March 2018. Major amendments have been summarized in the **government circular** on 23 February 2018.
- **Government notice 1401**: an updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-terrorism Measures) Ordinance (Cap. 575).
- **Government notice 1233**: an updated list of terrorists and terrorist associates has been specified under the United Nations Sanctions (Democratic People's Republic of Korea) Ordinance.
- **Government notice 702**: an updated list of terrorists and terrorist associates has been specified under the United Nations Sanctions (Democratic Republic of Congo) Regulation.
- **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**.
- Subsequent to the meetings of Financial Action Task Force ("FATF") during 18-23 February 2018, the FATF issued a **public statement** on Democratic People's Republic of Korea and Iran. FATF also issued "**Improving Global AML/CFT Compliance: On-going Process**" in relation to nine other jurisdictions.

For more background information on the current law in Hong Kong relating to AML/CTF, see the Institute's **Anti-money laundering guidelines**, "Requirements on anti-money laundering, anti-terrorist financing and related matters", and the **FAQs** on suspicious transaction reporting.

## Taxation

### 16. Budget 2018-19

The financial secretary delivered the **2018-19 budget speech** on 28 February. In response to the media, the Institute commented that the budget reflects a good year for Hong Kong's economy and offers a positive outlook for the near and medium-term. While being supportive of the general direction of the budget, the Institute raised questions about the specific measures and whether putting so much of the spending into existing funds was the best way to drive change. Click for a **summary** of the tax measures in the budget and **the Institute's response** (and **the Institute's budget proposals**).

The Institute hosted a lively budget forum for members on the evening of the budget day. Legislative Councillors, Regina Ip, Kenneth Leung, and KK So, chair of the taxation faculty executive committee were the speakers; and Curtis Ng, convenor of the taxation faculty budget subcommittee, was the moderator.

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

- **Enhanced tax incentive to promote renewable energy and building energy efficiency**
- **Voluntary Health Insurance Scheme details**
- **Launch of the Country-by-Country (CbC) Reporting portal**. More information on **CbC Reporting** can be found on IRD's website.
- **Gazettal of the Inland Revenue (Amendment) Bill 2018** on the 2018-19 budget measure



- [A Legislative Council question on development of an Islamic financial market in Hong Kong](#)
- [Profits Tax Return - Fair Value Accounting](#)
- [Stamp Duty statistics \(January 2018\)](#)
- [Fraudulent email purportedly issued by Inland Revenue Department](#)

## 18. Institute's Tax-related Submissions

- The Institute made a [submission](#) to the Legislative Council, expressing views and concerns on the Inland Revenue (Amendment) (N0.6) Bill 2017 which introduces transfer pricing rules into the law in Hong Kong for the first time. The government has since issued a [response to submissions](#) on the bill.

## Useful Resources

## 19. Other Publications

- (i) HKEX has published:
  - Update of the following FAQs/ Guidance Letters ("GL")/ Listing Decisions ("LD") in relation to GEM review and relevant LR changes:
    - [FAQ Series 5/ Series 6/ Series 8/ Series 20](#)
    - [GL8-09/ GL45-12/ GL57-13/ GL85-16/ GL89-16](#)
    - [LD43-3/ LD75-2013](#)
  - [Report](#) on initial public offering applications, delisting and suspensions as at 28 Feb.
- (ii) SFC has published:
  - [Quarterly report](#) summarising key developments from October to December 2017 and the relevant [press release](#)
  - Enforcement Reporter [issue no. 3](#)
  - [Warning of cryptocurrency risks](#)

- [Research paper on Hong Kong ETF market and topical issues in the ETF space](#)
- [Research paper no. 62: A review of the global and local securities markets in 2017 \(featuring Stock Connect trading and the expansion of the Short Position Reporting \(SPR\) regime\)](#)
- (iii) The Standing Committee on Company Law Reform [2016 – 17 Annual Report \(33rd Report\)](#) and relevant [press release](#)
- (iv) Other publications
  - [Asia-Pacific commerce trends: shift to digital creates revenue rewards](#) by Deloitte
  - [Connecting Hong Kong: Perspectives on our future as a smart city](#) by KPMG in association with CLP Holdings, JOS, Siemens and the Smart City Consortium, provides an analysis of a survey of citizens and business executives on Hong Kong's smart city development
  - [Risk and strategic role of leadership](#) by ACCA
  - [Practice Mergers and Acquisitions Likely to Increase](#) by ICAS
  - [Skills That Help Accounting Professionals Succeed Alongside AI](#) by Financial Management Magazin
  - [The key to understanding - What to expect in the Year of the Dog](#) by Eversheds Sutherland
  - [Tenets of a Quality Audit](#) by ACCA
  - [Flexibility & A Transparent Corporate Culture Will Help Attract Top Talent](#) by AICPA
  - [Technologies SMPs Need to Implement Today](#) by Xero
  - [How to Keep Your Team Happy](#) by Economia