



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

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## Standard Setting Developments

### Meeting Minutes

#### 1. Financial Reporting Standards Committee Minutes

Minutes of the [245<sup>th</sup> meeting](#) is now available.

#### 2. Ethics Committee Minutes

Minutes of the [239<sup>th</sup> meeting](#) is now available.

### Local Updates

#### 3. Report on Key Audit Matters

The Institute published the results of its [study](#) on the implementation of reporting key audit matters, effective for its second year, and the impact to users of financial reports. This report covers an analysis of 479 auditor's reports from listed companies.

#### 4. Invitation to Roundtable Discussion on Hong Kong SME Standard

The Institute invites you to share your experience at a [roundtable](#) on 8 January about preparing or using financial reports under the Hong Kong SME Standard. The Institute is particularly interested in your responses to the questions in this [Request for Information](#).

#### 5. Proposed One-year Deferral of IFRS 17 and What it Means for Hong Kong

On 14 November, the IASB tentatively [decided](#) to propose a one-year deferral of the effective date for IFRS 17 *Insurance Contracts* and extend the temporary exemption for insurers to apply IFRS 9 *Financial Instruments* to 2022.

Following the Institute's standard setting due process, a Hong Kong public consultation on the IASB proposals will commence as soon as the IASB exposes the proposals for comment. The Institute strongly encourages Hong Kong insurers to respond to the Institute's and/or the IASB's consultation documents by writing or

speaking to us. The Institute may consider hosting roundtable forums.

The Institute will deliberate whether to defer the effective date of Hong Kong's equivalent insurance standard, HKFRS 17, once we hear the feedback of Hong Kong stakeholders including insurers and investors, and once the IASB makes its final decisions.

Notwithstanding the IASB's tentative proposals, the Institute strongly advises insurers to **continue** with their implementation efforts as the proposals are not expected to fundamentally change the requirements of the standard and we hear that the additional time would be welcomed for further testings of new systems and communication to stakeholders.

#### 6. Members' Handbook Update No.220 - 221

[Update no.220](#) contains PN 850 (Revised) *Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department*.

[Update no.221](#) contains the revised Code of Ethics for Professional Accountants.

#### 7. Invitation to Comment

The Institute is seeking [comments](#) on the IAASB's Exposure Draft Proposed ISRS 4400 (Revised) *Agreed-Upon Procedures Engagements* by **15 February 2019**.

#### 8. Institute's submission

The Institute has [commented](#) on the IAASB Exposure Draft Proposed ISA 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement*.

### International Updates

#### 9. Asian-Oceanian Standard-Setters Group Meeting

At the Asian-Oceanian Standard Setters Group (AOSSG) meeting on 20 and 22 November, the



Institute's standard setting team led a discussion on IFRS 15 *Revenue from Contracts with Customers*, where the region shared commonly seen implementation challenges, which appeared to focus on real-estate development.

The Institute's standard setting team also led a discussion on business combinations under common control, exploring factors that could be considered to determine the appropriate accounting for such transactions. Overall, AOSSG members commented that transactions with commercial substance, which is one of the factors explored, should be accounted for in the same way regardless of whether a transaction is under common control.

AOSSG members also discussed IFRS 17 with IASB board members. One IASB board member commented that some amendments to IFRS 17 will be likely but should not stop preparers from continuing with implementations, as any amendments would not change the fundamentals of the standard.

## 10. IFRS Updates

- November [IASB Update](#), [workplan](#) and [Investor Update](#)

### Technical Learning and Support

## 11. New Programmes

Workshop: [A Guide to Quality Control Application](#) (November and December)

Workshop: [HKFRS 3 Business Combinations](#) (20 December)

### Useful Resources

## 12. 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](#)

## 13. LinkedIn

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

## Advocacy and Practice Development/Member Support

### Professional Accountants in Business

#### 14. Data Analytics: An Information Resource

Data analytics is a broad term that encompasses many diverse techniques and processes of drawing insights from historical data over time. Today the term is most often used to describe the analysis of large volumes of data and/or high-velocity data, which presents unique computational and data-handling challenges.

This International Federation of Accountants ("IFAC") [resources on data analytics](#) provides an overview of the different types of data analytics and their applications to financial reporting and audit, as well as usage in business, to uncover valuable insights.

#### 15. IFAC Report – Perspectives on the Finance Function Journey

IFAC Professional Accountants in Business ("PAIB") Committee has recently [released a report](#) which provides insight into finance function transformation, including opportunities and challenges facing the profession. The report also captures conversations and takeaways from the IFAC PAIBC meeting held in September.

Key topics covered include:

- CFO perspectives on the finance function journey
- The relationship between audit committees and the CFO/finance function
- Data analytics applications in business
- Data modeling beyond financial accounting and reporting
- The importance of authentic communications and professional ethics to enhance trust in business and accountants

- The latest thinking from the committee on a vision and roadmap for the future finance function

### Corporate Finance

#### 16. SFC's Statement on Regulatory Framework for Investing in Virtual Assets

The SFC published [the Statement](#) on regulatory framework for virtual asset portfolio managers, fund distributors and trading platform operators on 1 November 2018.

Increasing demand in investment in virtual assets, which may also refer to "cryptocurrency", "crypto-asset" or "digital token", attracted the SFC's attention, especially the significant risks associated with the investments via funds and unlicensed trading platforms. According to the existing regulations in Hong Kong, virtual assets may fall outside the scope of SFC's oversight and investors hence may lack of any protection under the current legal regime.

The Statement illustrated (i) the SFC's regulatory approach for virtual asset portfolio managers and fund distributors; and (ii) its intention to exploring regulation of platform operators.

### Corporate Governance

#### 17. Results of the Best Corporate Governance Awards 2018

The Best Corporate Governance Awards 2018 ("Awards") were successfully concluded with the presentation ceremony held at a luncheon on 29 November.

This year there were 23 awardees overall, three more than in 2017. The full list of winners of the Awards 2018 is as follows:

##### HSI Category

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



Special Mention – Link Real Estate Investment Trust

#### **Non-HSI (Large Market Capitalization)**

##### **Category**

Platinum – Prudential plc

Gold – Hysan Development Company Limited

Special Mention – Shangri-La Asia Limited

#### **Non-HSI (Medium Market Capitalization)**

##### **Category**

Platinum – The Hongkong and Shanghai Hotels, Limited

Gold – Li & Fung Limited

Special Mention – Pacific Basin Shipping Limited

#### **Non-HSI (Small Market Capitalization)**

##### **Category**

Special Mention – Convenience Retail Asia Limited

#### **H-share Companies and Other Mainland Enterprises Category**

Platinum – Lenovo Group Limited

Gold – COSCO SHIPPING Ports Limited

Gold – Tencent Holdings Limited

Special Mention – Chow Tai Fook Jewellery Group Limited

#### **Public Sector/Not-for-profit Category**

Gold – Securities and Futures Commission

Special – Mandatory Provident Fund Schemes Authority

#### **Sustainability and Social Responsibility Reporting ("SSR") Awards**

##### HSI Category

Winner – CLP Holdings Limited

Winner – The Hong Kong and China Gas Company Limited

##### Non-HSI (Large Market Capitalisation)

##### Category

Special Mention – The Wharf (Holdings) Limited

##### Non-HSI (Medium Market Capitalisation)

##### Category

Special Mention – China Everbright Greentech Limited

##### H-share Companies and Other Mainland Enterprises Category

Winner – Lenovo Group Limited

##### Public Sector/Not-for-profit Category

Special Mention – Airport Authority Hong Kong

#### **Commendations on Website Corporate Governance Information**

Hospital Authority

Although unforeseen circumstances led to a late change of plans, the Institute was very pleased to welcome the Permanent Secretary for Financial Services and the Treasury (Financial Services), Mr. Andrew Wong Ho-yuen, JP, as guest of honour at the presentation ceremony.

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.

#### **18. HKEX's Review of Listed Issuer's Corporate Governance Practices and Updates on ESG Reporting Guidance Material**

On 16 November 2018, the HKEX published the **finding** of its review on examining issuers' corporate governance disclosures as well as their level of compliance with the Corporate Governance Code and Corporate Governance Report.

The new amendments to the Corporate Governance Code and related listing rules will be effective on 1 January 2019, which are mainly related to the requirement of Independent non-executive director, board diversity and nomination policies. The HKEX considered that the Review can provide useful insight and guidance to listed issuers to cope with the requirement of the new Code and listing rule requirements.

The HKEX has also updated its "**How to prepare an ESG report?**" and **Frequently Asked Questions** (FAQs) on its environmental, social and governance (ESG)-related Listing Rules, taking into account recent international

climate-related disclosure recommendations and with an emphasis on the issuer's governance structure for ESG reporting.

A summary of the above issues is set out in the [press release](#).

## Taxation

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

Members may wish to be aware of the following matters:

- Passage of **Inland Revenue (Amendment) (No. 5) Bill 2018** to provide for the option for married persons to elect for personal assessment separately for all years of assessment commencing on or after 1 April 2018; to accelerate tax deductions for capital expenditure incurred in relation to environmental protection installations; to provide for tax exemption to cover certain debt instruments issued on or after 1 April 2018
- **Stamp Office Interpretation and Practice Notes No.8 (Revised)** to update the interpretation of the relevant provisions in relation to different rates of ad valorem stamp duty and the practice to be followed by the Stamp Office upon the enactment of the two Amendment Ordinances.
- **Double tax agreement with India enters into force**
- **Enhanced services for e-filing of employers' returns**
- **Legislative Council question on easing the demand-side management measures on property**
- **Stamp Duty statistics (September 2018)**

## Legislation & Other Initiatives

### 20. Anti-Money Laundering Notices

For updates on lists of terrorists, terrorist associates and relevant persons/ entities under United Nations ("UN") sanctions, members should also refer to [the Institute's AML page](#).

### 21. AML/CFT Guidance

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"**.

Members who are licensed trust or company service providers should also see the **Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers**, by Companies Registry.

Members should be aware of the **Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report** (in particular Chapter 6, covering designated non-financial businesses and professions), which indicates ML/TF risks and vulnerabilities in the Hong Kong market.

### 22. ICAC's Anti-corruption Programme - A Guide for Listed Companies and Tips for Good Environmental, Social and Governance Reporting

The Corruption Prevention Advisory Service (CPAS) unit of the Independent Commission Against Corruption (ICAC) has developed an **"Anti-corruption Programme - A Guide for Listed Companies"**. It aims to assist listed companies in developing and effectively implementing corporate anti-corruption programmes to prevent corruption. **Tips for Good Environmental, Social and Governance Reporting** was also published to supplement the Guide under the anti-corruption aspect, covering the recommended core elements of a corporate anti-corruption programme that listed companies should disclose.

The CPAS is a specialised unit in the Corruption Prevention Department of the ICAC, providing free, confidential and tailor-made advice and services to private companies, organisations and individuals on corruption prevention controls in areas such as procurement, inventory control and staff administration. You may find timely and useful resources at [the CPAS's website](#) on corruption prevention, such as corruption prevention guides and tools, case studies, quick tips as well as red flags, or by [subscription to the CPAS e-news](#).

### Useful Resources

## 23. Other Publications

(i) The HKEX has published:

- [Report](#) on initial public offering applications, delisting and suspensions as at 30 November 2018

(ii) Other publications:

- Study report on [Environmental, Social and Governance \(ESG\) Strategy for Hong Kong](#) by Financial Services Development Council (FSDC paper no. 36) and the corresponding [press release](#)
- Study report on [Emotional quotient in a digital age](#) by Association of Chartered Certified Accountants (ACCA) examines the role of emotional intelligence in developing the accountancy profession needed for a fast-evolving digital age.
- [Learning for the future](#) by ACCA
- [The Practice of Tomorrow-How to Remain Relevant](#) by IFAC
- [How Data Analytics Is Transforming Audit](#) by In the Black
- [Good Talent Management Key to Future-proofing Finance](#) by CIPFA

- [4 steps to prepare for the future of accounting](#) by CPA Insider
- [Why CEOs Should Put CFOs At the Helm Of Digital Transformation](#) by Chief Executive online
- [AI adoption advances, but foundational barriers remain](#) by McKinsey & Company
- [Finance Chiefs Must Lead Organizational Innovation](#) by CFO.com