

TechWatch 176

The latest standards and technical developments

Members' handbook update

Handbook updates no. 200 to 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

Institute's comment on IESBA exposure drafts

The Institute commented on the following International Ethics Standards Board for Accountants 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*.

Financial reporting

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.

Professional accountants in business

Developing a future-ready profession for accountants in business

Following on the International Federation of Accountants' 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

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 referred to as 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.

SFC guidance on corporate transactions and use of valuations

The Securities and Futures Commission 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; and
- 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.

HKEX seeks views on a proposed new board and a review of the growth enterprise market

On 16 June, Hong Kong Exchanges and Clearing 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:

- New Board Concept Paper
- Consultation Paper on the Review of the Growth Enterprise Market 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.

Taxation**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 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 and other initiatives**Companies registry offers free e-monitor (self-monitor) service**

With effect from 2 June, Companies Registry 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, 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.

New series 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 or company secretaries using smartphones and mobile devices.



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