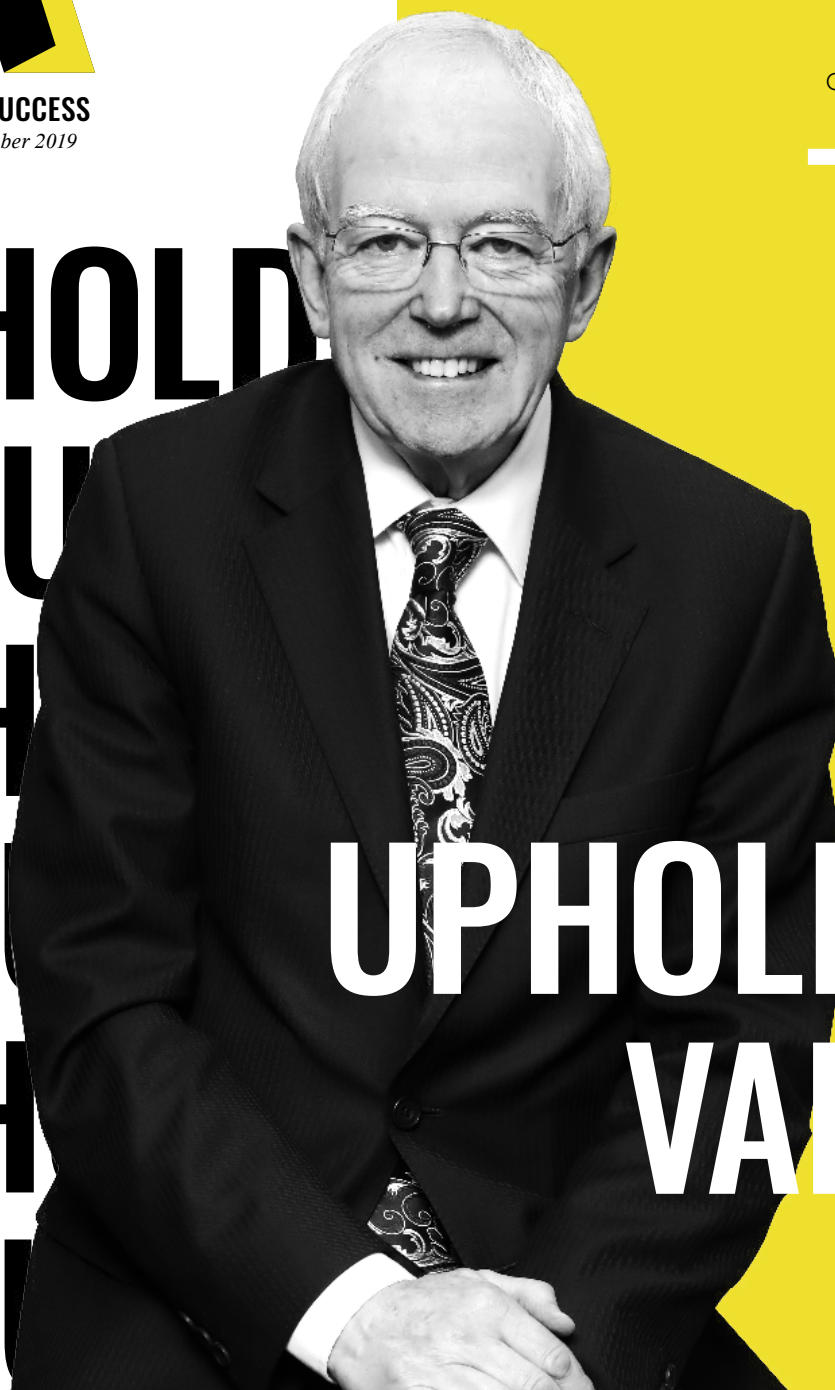


DRIVING BUSINESS SUCCESS

Issue 9 Volume 15 September 2019

UPHOLD
VALU
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UPHOLDING
VALUES

PLUS:

TAX

Report on the Hong Kong
Institute of CPAs' Annual
Taxation Conference 2019

VALUATIONS

Proposed improvements
to Hong Kong's
valuation industry

SECOND OPINIONS

Can professional scepticism
be taught?



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Sir David Tweedie, Chairman of the Board
of Trustees of the International Valuation
Standards Council, on tackling the biggest
challenges to the valuations profession

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“We will continue engaging with members and inviting views on the implementation of the Institute’s works and policies to safeguard the profession, and at the same time, promote members’ well-being.”



Dear members,

September is a busy month for the Institute with a number of high-profile events being held.

This was the first time the Institute organized Members’ Forums, creating a platform to interact with our fellow members and apprise them of the Institute’s latest developments. I, the two Vice-Presidents Johnson Kong and Nelson Lam and the Chief Executive and Registrar, Margaret Chan, greatly appreciated the excellent opportunity to meet with and listen to many of you at the forums.

The forums concluded with tremendous success with around 900 participants, and us spending a fruitful evening to discuss and explore areas that we can better serve you in the future.

We will take on board the issues raised and find ways to help our members to respond to the challenges they are facing and grasp the opportunity in the age of Accounting Plus.

Going forward, we will continue engaging with members and inviting views on the implementation of the Institute’s works and policies to safeguard the profession, and at the same time, promote members’ well-being.

Another major event this month was the annual National Day Dinner Celebration for the Accounting Profession. Jointly organized with the Society of Chinese Accountants and Auditors (SCAA) brought together over 700 accountants, officials from the governments of the Mainland and Hong Kong, business leaders,

and other stakeholders in celebration. The event, held at the Hong Kong Convention and Exhibition Centre, was an enjoyable networking opportunity, and demonstrated the important role Hong Kong accountants play in our business and society.

I had an eventful Saturday in the middle of the month, attending both the annual professional accountants in business (PAIB) conference and the awards ceremony for top Qualification Programme (QP) students and scholarship recipients. These events offered me the opportunity to meet members of two important groups for the Institute.

In my introduction to this year’s PAIB conference on digital and virtual banking, I spoke on how virtual banking was an area of growing importance to Hong Kong’s business landscape, and raised the issue of the regulatory environment and how Accountants Plus have a role to play in its development. I also discussed how the new Professional Development Framework will help PAIBs respond to the challenges they face. Among the speakers were representatives from some of the banks granted digital licenses by the Hong Kong Monetary Authority, and the Deputy Privacy Commissioner for Personal Data.

It is important for all of us as accountants, be it in practice or in business, to ensure our skills are up to date and we are aware of important developments which are affecting or will soon affect our work lives. As the majority of our members are in

business, the Institute must ensure it is offering training relevant to their needs.

In the afternoon, I then attended the awards ceremony for top QP students and scholarship recipients. These bright young students represent the future of our profession, and I had an enjoyable afternoon celebrating with them. The scholarship recipients will be some of the first candidates sitting the new QP, and I spoke to them about how the programme would ensure they have the skills to succeed when they face their own disruptive challenges, like digital banking for PAIBs.

Finally, as well as the formal events this month, I also took part in the Presidents’ Invitation Cup of the Hong Kong Institute of Surveyors’ Runderful Pro race held at Science Park. I enjoyed the race, but I enjoyed even more the performance of our three teams, who finished fourth, sixth and eighth, and especially the individual performances of Carman Tam, who finished second overall in the women’s 10 km, Wong Man Piu who finished fourth in his age category, and Lam Kwong Ki who finished sixth in his. Well done to all the racers.

And now we turn to October, with the weather cooling down, the celebrations for the 20th anniversary of the Qualification Programme and the AC Fun Run co-organized by the Institute, the SCAA and the Association of Chartered Certified Accountants on 3 November to look forward to.

Patrick Law
President

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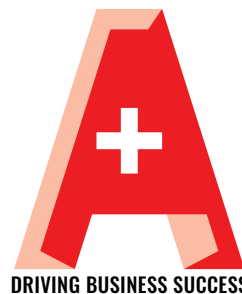
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DRIVING BUSINESS SUCCESS

About our name

A Plus stands for Accounting Plus. It represents a profession that is rich in career options, stays relevant amid rapid changes, and adds value to business. This magazine strives to present the global mindset and varied expertise of Institute members – Accountants Plus.



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Certified Public Accountants
香港會計師公會

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17,785 students of the Institute and 2,358 business
stakeholders every month.



NEWS

Institute news Business news

New event app launched

The Institute's new events app with enhanced features is out now. Members can experience personalized event browsing, improved enrolment functionalities, and new in-event interaction and networking features. The app is available for download from the App Store and the Google Play Store. More details can be found on the Institute's website.

National Day dinner

The 70th National Day celebration dinner for the accounting profession was held on 12 September and welcomed around 700 members and guests. Paul Chan Mo-po, Financial Secretary of the Hong Kong government, Tan Tieniu, Deputy Director of the Liaison Office of the Central People's Government in the HKSAR, and Yang Yirui, Deputy Commissioner of the Ministry of

Foreign Affairs of the People's Republic of China in the HKSAR, were guests of honour.

Delegation to Foshan

A delegation of 30 small- and medium-sized practices, led by Vice-President Johnson Kong, visited Foshan on 10 September to learn about the latest economic development there and explore possible business and cooperation opportunities brought by the Greater Bay Area initiative.

Annual Dinner

Save the date for the Institute's Annual Dinner, to be held on 2 December at

the Hong Kong Exhibition and Convention Centre.

Council minutes

The Council minutes for the June and July meetings are now available. They can be found in the Members' area on the Institute's website.



National Day dinner

Resolution by Agreement

Wong Wing Hon, CPA (practising) and W.H. Wong & Company

Complaint: Failure or neglect to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 230 *Audit Documentation* and HKSA 500 *Audit Evidence*.

Wong is the sole proprietor of W.H. Wong & Company which expressed an unmodified auditor's opinion on the financial statements of a private company for the year ended 31 December 2017.

The company engaged in consignment sales of books. During their audit, the respondents failed to obtain sufficient evidence on the company's rental income derived from consigned books stored in its warehouse and on the amount due from a consignor. The respondents also failed to prepare adequate documentation of audit procedures performed in those two areas.

Regulatory action: In lieu of further proceedings, the Council concluded the following action should resolve the complaint:

1. The respondents acknowledge the facts of the case and their

- non-compliance with the relevant professional standards;
2. They be reprimanded; and
 3. They jointly pay an administrative penalty of HK\$20,000 and costs of HK\$15,000.

Disciplinary findings

Mr Chan Bing Chung, CPA and Miss Chan Wai Ling, CPA (practising)

Complaint: Failure or neglect by Mr Chan to observe, maintain or otherwise apply HKSA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 260 *Communication with Those Charged with Governance*, HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* and HKSA 700 *Forming an Opinion and Reporting on Financial Statements*. Failure or neglect by both Mr Chan and Miss Chan to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements* and sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants.

Mr Chan was the sole proprietor of a firm, JP Union & Co., which is now de-registered. The firm audited the consolidated

financial statements of South Sea Petroleum Holdings Limited, a Hong Kong listed company, and its subsidiaries (collectively, group) for the year ended 31 December 2013 and expressed an unmodified auditor's opinion. Miss Chan was the engagement quality control reviewer (EQCR) of the audit.

The Institute received a referral from the Financial Reporting Council (FRC) about audit irregularities. The group entered into a transaction to sell graphite ore which allowed the buyer to settle the payment by interest-free instalments over a period of 10 years. Such a deferred payment arrangement constituted a financing transaction under Hong Kong Accounting Standard (HKAS) 18 *Revenue*. Notwithstanding this, the group recognized the revenue and trade receivable of the transaction at invoiced amount without taking into account the discounting effect of the transaction.

In their audit, the respondents failed to identify non-compliance with the relevant accounting standard resulting from the group's treatment of the transaction. Mr Chan failed to communicate to the audit committee his views on the qualitative aspects of the transaction, which involved significant judgment and estimation. Furthermore, Miss Chan performed certain audit work and reported her work to Mr Chan. This impacted her independence as the EQCR.

Decisions and reasons: The respondents were reprimanded. The Disciplinary Committee ordered that a practising certificate shall not be issued to Mr Chan for two years with effect from 5 January 2019, backdated to follow a previous disciplinary order restricting his ability to hold a certificate. The committee also ordered that Miss Chan pay a penalty of HK\$50,000. Further, the committee ordered Mr Chan and Miss Chan to pay costs of the Institute of HK\$80,568.50 and HK\$25,648.50 respectively, and they equally share the costs of the FRC of HK\$20,095.60. When making its decision, the committee noted Mr Chan's submissions pertaining to this case showed his clear lack of understanding of the relevant accounting requirements and the role of an EQCR. The committee further considered the fact that Mr Chan had a past disciplinary record in relation to a listed company's audit was an indication of his continuing lack of professional competence.

Ng Ka Kuen, CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply HKSA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 220 *Quality Control for an Audit of Financial Statements*, HKSA 510 *Initial Audit Engagements – Opening Balances*, HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, HKSA 700 *Forming an Opinion and Reporting on Financial Statements* and sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants.

Ng was the sole practising director of a corporate practice, UC CPA (Practising) Limited, which is now de-registered. As the newly-appointed auditor of South Sea Petroleum Holdings Limited, a Hong Kong listed company, and its subsidiaries (collectively, group), the corporate practice expressed an unmodified auditor's opinion on the consolidated financial statements of the group for the year ended 31 December 2014.

The Institute received a referral from the FRC about audit irregularities. As stated previously, the group's financial statements in the preceding year did not comply with HKAS 18 *Revenue*. The customer in a prior-year sale was allowed to settle payment by interest-free instalments over 10 years, and such a deferred payment arrangement constituted a financing transaction under the accounting standard. The group failed to correctly account for the arrangement and such accounting non-compliance affected the opening balances and comparative information in the 2014 financial statements.

In the audit, Ng failed to properly evaluate the transaction and obtain sufficient evidence on the balances pertaining to it. Further, Ng failed to appoint an EQCR for the audit.

Decisions and reasons: The Disciplinary Committee reprimanded Ng and ordered him to pay a penalty of HK\$100,000 and costs of the Institute and the FRC totalling HK\$59,374.20. When making its decision, the committee considered that the case involved the audit of a listed company which affected the investing public. As Ng had been subject to regulatory proceedings on two previous occasions, the committee considered that sufficient sanctions should be imposed as a deterrent.

Yip Hing Lam, Peter, CPA (practising), Leung Ka Fai, CPA (practising) and Yip Leung & Co.

Complaint: Failure or neglect by Yip and Leung to observe, maintain or otherwise apply section 290 of the Code of Ethics for Professional Accountants. Failure or neglect by Yip Leung & Co. to observe, maintain or otherwise apply Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*.

Yip Leung & Co. was the auditor of a private company from 2009 to 2016. Yip was the engagement partner from 2009 to 2013. Leung was the engagement partner from 2014 to 2016 while Yip acted as the EQCR in those audits.

Throughout the engagements, Yip's close family members were directors and shareholders of the client company. Yip also became a shareholder of the company in 2014. As a result, there were significant threats to the auditor's independence. Yip and Leung failed to properly address those threats, while Yip Leung & Co. failed to establish adequate policies and procedures to ensure that its audit staff and audit engagements complied with independence requirements.

Decisions and reasons: The respondents were reprimanded. The Disciplinary Committee also ordered Yip, Leung and Yip Leung & Co. to pay a penalty of HK\$120,000, HK\$120,000 and HK\$100,000 respectively, and to jointly pay costs of the Institute of HK\$44,866. When making its decision, the committee noted independence is a fundamental principle of the profession. The committee also noted that the breach was serious as it occurred over a period of eight years.

Details of the disciplinary findings and guidelines for the Resolutions by Agreement are available at the Institute's website.

ACCOUNTING GROUPS MEET AT NEW YORK CLIMATE WEEK

International accounting groups gathered in New York on 23 September to address the risks of climate change. The International Federation of Accountants (IFAC) hosted a panel discussion along with the Association of Chartered Certified Accountants to discuss the role of the accounting profession in responding to calls for more rigorous environmental, social and governance reporting and sustainability practices. The panel included sustainability experts from Big Four firm Deloitte, technology companies Salesforce and Datamart, the World Business Council for Sustainable Development, and the Financial Times. Chief Executive Officer of IFAC Kevin Dancsey introduced the panel, saying: "Climate change is a very serious issue. This is one big, scary, global multifaceted societal problem. There is no long-term planning horizon. The threat to economic and financial stability is here and now. There's really just no time."

GUCCI EXECUTIVES PROBED OVER TAX EVASION CLAIMS

Italian authorities are investigating more than a dozen current and former executives of luxury label Gucci. Gucci's headquarters in Florence and Milan were audited in 2017 amid allegations that the brand fed revenue through Switzerland to avoid paying Italy's higher tax rates. The investigation appeared to reach a conclusion in May when Gucci parent Kering handed over US\$1.4 billion in unpaid taxes. The Italian government has widened its probe and is now investigating individual managers' pay from 2011 to 2017. According to *Bloomberg*, the executives could owe tens of millions of dollars in back taxes. The investigation is in its early stages, with no criminal inquiries opened at present.



KPMG TO HANDLE THOMAS COOK COLLAPSE

KPMG have been appointed to deal with the liquidation process of travel company Thomas Cook, which collapsed on 23 September, after a last-minute effort to recapitalize failed. The collapse of the 178-year-old group has impacted more than 20,000 jobs, including 9,000 in the United Kingdom, and the Department for Transport and the Civil Aviation Authority are tasked with getting 150,000 stranded holidaymakers back to the U.K. Experts in insolvency have been called in to manage the liquidation of the group's retail and engineering departments. "The immediate priority is to provide support and assistance to those employees who have been made redundant," a KPMG spokeswoman said.



LONDON STOCK EXCHANGE REJECTS US\$37 BILLION TAKEOVER BID MADE BY HKEX

The London Stock Exchange (LSE) has turned down a US\$37 billion acquisition offer made by the Hong Kong Exchanges and Clearing (HKEX). In a statement issued on 13 September, the LSE's board unanimously rejected the conditional proposal from the HKEX, saying that it was too low, lacked strategic merit and was politically risky. It also said it remained committed to its acquisition of financial data provider Refinitiv, even though the offer by the HKEX, the highest ever takeover offer for a stock exchange, was conditional on the LSE axing its proposed acquisition. HKEX has vowed to continue its pursuit despite LSE's focus on the separate transaction.

78% OF INTERNAL AUDITORS CITE CYBERSECURITY AS BIGGEST CONCERN

Cybersecurity tops the list of concerns for internal auditors this year, according to a collaborative report by eight European institutes of internal auditors. The report noted that 78 percent of internal auditors across Belgium, France, Germany, Italy, the Netherlands, Spain, Sweden and the United Kingdom view cyber attacks to be the biggest risk facing businesses. This has led to more accounting firms recruiting experts in cybersecurity due to the large amounts of financial information they have access to. According to job website Indeed, one in every 17 recruits to KPMG is for a cybersecurity role, and in 2018, Deloitte spent US\$580 million on improving its cybersecurity capabilities.

MONEY-LAUNDERING REGULATOR CLOSELY WATCHING FACEBOOK'S LIBRA

The global money-laundering watchdog is keeping an eye on Facebook's planned cryptocurrency, Libra, in the latest sign of growing scrutiny against the project. The virtual currency, which is due to launch in June 2020, will work as a blockchain-based digital coin allowing Facebook users send and receive money or to pay for services. "We want to make sure that if there are significant risks, they need to be addressed," said Xiangmin Liu, President of the Paris-based Financial Action Task Force. Regulators have voiced concerns that it could be used to upset financial stability, and a senior U.S. Treasury official has stressed that the currency must meet the highest standards in fighting money laundering if it is to receive the green light.

"We want to make sure that if there are significant risks, they need to be addressed."

MOORE STEPHENS CHANGES NAME

Moore Stephens International has rebranded its name to “Moore.” The move, which took place on 9 September, is part of the firm’s initiative to “encapsulate the traditional core strengths of Moore Stephens, while positioning a more modern, internationally relevant brand, supporting the future success of a globally connected accounting and consultancy network.”

The change, which applies to Moore Hong Kong, also includes a new logo, visual identity and motto: “Helping you thrive in a changing world.” Most of the firm’s 260-plus independent member firms will adopt the new brand by mid-2020. “With our new brand – Moore – we choose a new identity fit for a world defined by global decision-making, data-driven insight and the need for agility in all that we do,” said the Chief Executive Officer of Moore Global, Anton Colella.



MEDIA METRICS GIANT CHARGED WITH FRAUD

Comscore, an analytics company that measures web traffic, has been charged by the Securities and Exchange Commission (SEC) for falsely reporting its own revenue and customer numbers. Former chief executive officer of



Comscore, Serge Matta, has agreed to settle the case for a total of US\$5.7 million without admitting wrongdoing. The SEC alleges that between 2014 and 2016, Comscore added US\$50 million to its public revenue filings by misreporting the value of data-swapping contracts with other companies. Matta, who resigned from the company in 2016, will also repay US\$2.1 million to Comscore and be banned from serving as an officer or director of a public company for 10 years.

U.K. BIG FOUR COMMIT TO DISABILITY INCLUSION

Deloitte, KPMG, PwC and EY in the United Kingdom have signed onto a disability campaign, The Valuable 500, supporting inclusivity in the business world and marking a collaboration in the first of its kind. The Valuable 500 is a global movement that partners with the private sector to create disability diversity in the workplace. Each firm will now be held accountable for disability inclusion, partly by ensuring it is discussed by board-level leaders and action is

taken as a result. “Diversity and inclusion is part of the lifeblood of our organization and we believe that we all need to work together across the globe to bring more attention to this important issue,” said Chief Executive Officer of EY, Carmine di Sibio.



U.K. COMPANIES NEED MORE TIME FOR LEASE STANDARDS

26%

OF U.S.
PUBLIC
COMPANIES
THAT HAVE
IMPLEMENTED
THE NEW LEASE
ACCOUNTING
STANDARD

Only 26.3 percent of public companies have implemented the use of the new lease accounting standard, despite the effective date of 15 December 2018, according to a Deloitte survey. Though many public companies have already used the new standard in one reporting period, many of them have not implemented the new leases standard. “Most of our U.S. public company clients have completed initial compliance activities, but very few have fully completed their broader lease implementation efforts,” said Deloitte Risk & Financial Advisory Managing Director Sean Torr in a statement.

PELOTON PRICES ITS IPO

Exercise bike and treadmill company Peloton priced its initial public offering (IPO) at US\$29 a share. The offering raised US\$1.16 billion, valuing the company at US\$8.2 billion. It began trading on the Nasdaq stock exchange on 26 September under the ticker PTON and subsequently fell by 11 percent. Though Peloton’s revenue doubled to US\$915 million, the listing comes amid losses, which saw the company accumulate losses totalling US\$196 million during the first two quarters of the year. It is also facing a US\$300 million lawsuit from a group of music publishers who accuse the company of using more than 2,000 songs in its workouts without paying licensing fees.



THE END OF FACE VALUE

Hong Kong currently lacks technical standards for business valuations. To address this, the Hong Kong Business Valuation Quality Initiative Task Force, led by the International Valuation Standards Council, recently released a consultation paper. **Nicky Burridge** finds out how the proposals will improve the industry, and how effective the initiative will be in helping the city remain a leading global capital market

Illustrations by Ester Zirilli

Imagine performing a valuation on a company at the centre of an acquisition and basing it on little more than the vendor's forecasts for its likely future profits.

Without conducting any due diligence or carrying out work to assess whether the vendor's forecasts are likely to materialize, the valuer simply uses the numbers provided to calculate how much the company might be worth.

It may sound like an unlikely way for a professional business valuer to conduct their work, but this approach is not uncommon, which has caused growing concern in Hong Kong.

Indeed, Hong Kong's Securities and Futures Commission (SFC) has expressed disquiet about the way valuations have been carried out for some time. It issued a guidance note in 2017, calling on directors to use professional valuers who were independent, suitably qualified and had relevant expertise and adequate resources.

In July this year, it published a Statement on the Conduct and Duties of Directors when Considering Corporate Acquisitions or Disposals, warning that some independent professional valuations conducted for listed companies appeared to be baseless, with valuers completely disclaiming their liabilities for the reliability of the projections. It said: "In essence, these valuers merely carried out mathematical computations on the vendors' forecasts and failed to exercise any independent judgement.

"In most of these cases, the calculations performed by the valuers merely involved applying a profit forecast or guarantee to a multiple derived from a set of allegedly comparable companies 'cherry-picked' to justify a predetermined estimate of the target business."

These concerns, as well as issues raised by other stakeholders, the Hong Kong Business Valuation Quality Initiative Task Force, led by the International Valuation Standards Council (IVSC) and of which the Hong Kong Institute of CPAs is a member, launched the Hong Kong Business Valuation Quality Initiative (BVQI). As well as the Institute, the task force includes representatives from a range of industry bodies, including the Royal Institution of Chartered Surveyors (RICS), Hong Kong Institute of Surveyors (HKIS) and the Chamber of Hong Kong Listed Companies (CHKLC), as well as a number of accounting and valuation firms. The initiative has recently issued a consultation paper, available on the Institute's website, setting out proposed standards and a professionalism framework for the industry. Responses are sought by 15 November.

Valuers for hire

In its consultation paper, the task force warns that too many valuers in Hong Kong lack sufficient business valuation training, as well as experience and knowledge of the businesses they are valuing. It also points out that there are no entry requirements or continuing professional development (CPD) requirements for the sector.



“I tend to see problems through the lens of audits that have not properly addressed valuations.”

Behind the curve

Hong Kong is currently lagging behind other major financial centres in terms of its lack of a formal valuation framework. “In Hong Kong, although many valuers use IVSC standards, and RICS and HKIS have additional guidance and qualifications [primarily for real estate valuations], we have not gone as far as some other jurisdictions, including Singapore, in establishing a professional framework and ethics for valuers,” says Chris Joy, Executive Director, Standards and Regulation, of the Institute.

In the United States, the three major valuation professional bodies came together to create the Mandatory Performance Framework in 2017. In Singapore, a professional framework has been created with regulatory backing. Sir David Tweedie, Chairman of the Board of Trustees of the IVSC, also praises the work done in this area in the United Kingdom and Australia, which have both adopted International Valuation Standards.

By contrast, in Hong Kong the industry is currently not regulated. Past attempts by interested parties of business valuers in Hong Kong to have unified business valuation standards and a professional competency requirement, such as through the creation of the Hong Kong Business Valuation Forum, have not been entirely successful. Ricky Lee, Managing Director, Valuation Advisory Services at consultancy firm Duff & Phelps, says: “It does not have the resources to provide training, and it does not actively do quality assurance or self-regulation. I think it is hard to establish public trust and enhance quality through a forum-based model. It is a failure.”

The Institute has been highly involved in the BVQI, not least because CPAs, particularly auditors, have a significant stake in the issue. “From my position, I tend to see problems through the lens of audits that have not properly addressed valuations.” He adds that the Institute has also had to deal with complaints where an auditor has not adequately challenged the quality of valuation. “The obligations on auditors in terms of deciding whether a valuation has been properly done and relied on will be made easier if they have this framework within which valuers are performing. It is not doing away with the need for auditors to carry out an audit on valuations, that will always be there and remain a critical area, but this is one step that might make things a little bit easier,” he says.

The consultation, prepared by the BVQI Task Force, asks for responses to 14 questions on ethics, competencies and local body of knowledge, continuing professional development, technical standards, performance framework, and investigations and complaints mechanism. Deadline for comments is 15 November.

In addition, it says the lack of common technical and performance standards, against which valuers, company directors, auditors and regulators can measure valuations, creates an uneven playing field.

At the same time, the task force found there was a lack of independence among valuers due to a system of businesses obtaining services through existing relationships.

It points out that valuation clients were often companies owned by Hong Kong or Mainland families whose leaders were sometimes “more speculative and overly optimistic” in their outlook, which, combined with a lack of standards for valuers, created risks for shareholders.

The lack of professional scepticism in some quarters also created instances of so-called “valuers for hire,” under which valuers agree to give a company an advantageous valuation or do not question any of the financial information provided by the company. Ricky Lee, Managing Director, Valuation Advisory Services at consultancy firm Duff & Phelps, agrees this is an issue. “We are a global firm and we have uniform and mandatory best practice work procedures for corporate transactions, such as having a second reviewer and a senior executive to concur with the conclusion we put in the valuation for public disclosure,” he explains.

“But some boutique firms are more aggressive on pricing. Their fee may not allow them to go into all the details, or they assume all the information the client provides is reasonable, complete and correct, so they just crunch numbers in the model without the concept of scepticism. It is sometimes questionable whether all necessary valuation procedures are fully performed, and the valuation workings are adequately disclosed in the valuation report.

“There is definitely an issue of ‘valuers for hire.’ We can’t accept a fee that is contingent on an outcome, but we have seen some smaller firms willing to issue a firm’s letter to indicate a preliminary valuation number to a potential client before they are actually engaged and have gone into the details,” he says.

Wiley Pun, Director at Savills’ Business and Financial Instrument Valuation, and a member of the Institute and its’ Professional Development Committee, agrees that there is also an issue with some valuers winning projects by pitching unreasonably low fees that do not reflect the amount of time a more thorough business valuer would put into performing the professional work. “Comparing the business valuation regulatory environment with our auditing environment, we as CPAs are required to evaluate our competence before taking on a client. In the business valuation context, there is no such mandatory requirement as there is no central regulator,” he says.

Eugene Liu, Managing Partner at RSM Hong Kong, and an Institute member, agrees: “There is keen competition for

winning valuation business in Hong Kong and some valuers adopt a low pricing strategy to obtain projects. Valuers who use a low pricing strategy have to push up the business volume to maintain a desired profit margin, and thus it directly impacts the time and budget of each valuation, and in turn the valuation quality.” He adds that ethics are also an issue. “There are no uniform rules and regulations to govern the valuer’s ethics, such as independence, and thus the objectivity of performing valuations sometimes doubted, even though the valuer’s independence is mentioned in many valuation reports.”

Proposed improvements

In a bid to address these problems, the task force has set out a range of proposals for the sector covering ethics, competency and CPD, as well as providing technical standards and a performance framework, and suggestions for mechanisms for investigations and complaints.

At the heart of its proposals are measures to increase the professionalism and competency of valuers. It suggests that in order to become qualified in Hong Kong, business valuers must demonstrate they meet a range of competencies taken from the IVSC’s Professional Membership Obligations.

They would also have to agree to abide by a set of core ethical principles, including integrity, confidentiality and disclosure of any conflicts of interest, usually through belonging to a professional body with a code of conduct, and attend 20 hours of relevant continuing professional development each year.

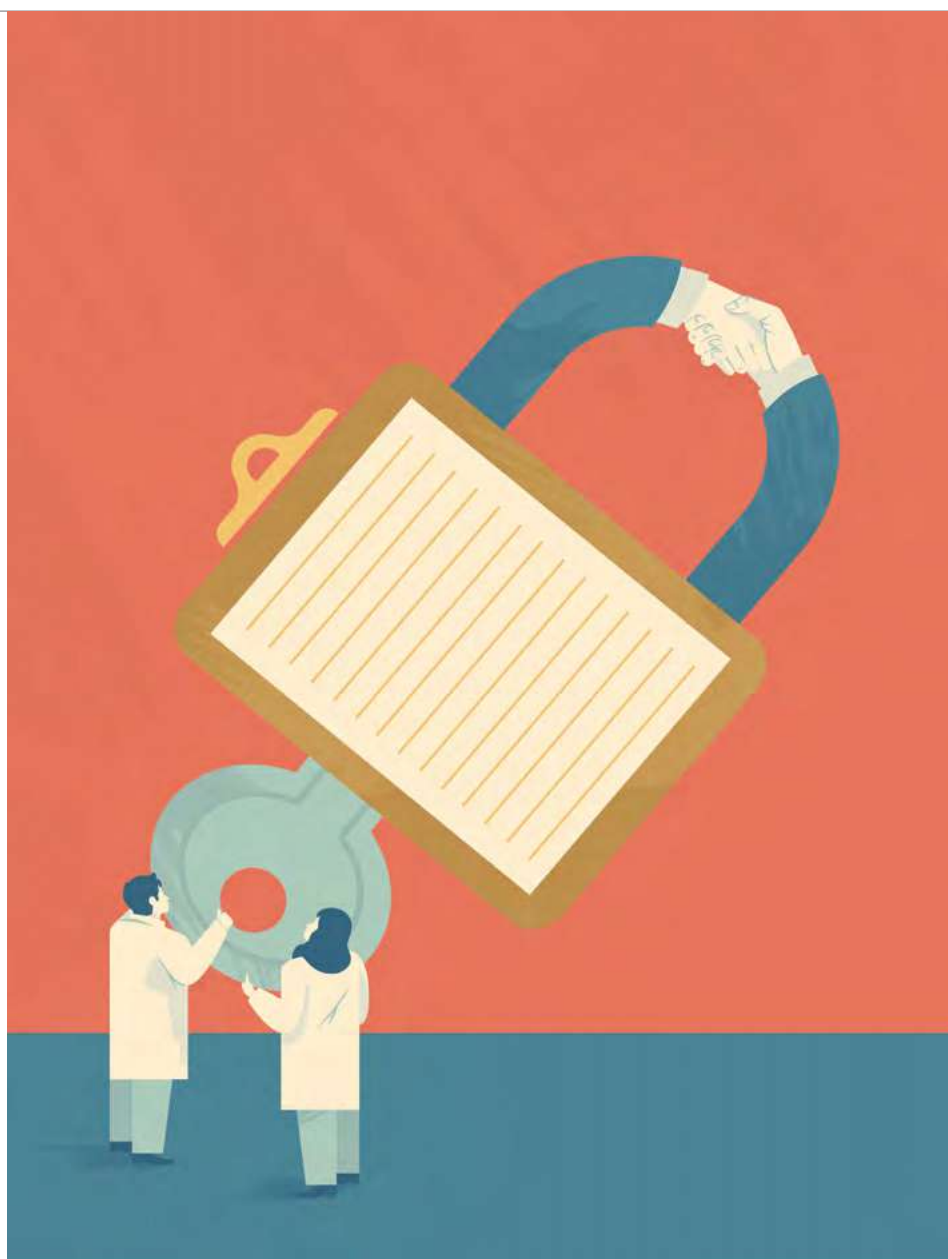
In addition, the consultation proposes using the International

Valuation Standards to help ensure quality and consistency for valuations in Hong Kong, as well as adopting the Mandatory Performance Framework, which was created by accounting bodies and surveyors in the United States. “We are trying to make sure we get cowboys out of the profession,” Sir David Tweedie, Chairman of the Board of Trustees of the IVSC, says. “We feel that to be a valuer, you have got to have a certain level for entry, such as exams, ethics, and continuing professional development. All the things we, as accountants, know.” (Read more

about Tweedie on page 16.)

Steve Choi, International Director of Business Valuation, Professional Standards at the RICS, says: “Hong Kong possesses one of the largest stock exchanges in the world and is a key financial centre, and thus should be a leader in serving and protecting the public interest.

“The business valuation profession has an opportunity to set a path for the future of the profession by developing an infrastructure and placing quality as its primary objective – very much like the audit profession.”





Mike Wong, Chief Executive Officer of the CHKLC, also welcomes the initiative. “The chamber supports the creation of such a framework because it tells people in the industry what they need to do and how to do it, which would be useful to everyone to ensure there is a certain degree of professionalism in the work,” he says.

He adds that from the point of view of listed companies, many directors lack the experience or professional knowledge of valuations to be able to make a judgement on the reports they receive. “With a framework, directors can be assured of the level of the quality of these reports and that gives them a better sense of the accuracy and reasonableness of the figures.”

The concept of ethical standards has also been welcomed. “The introduction of ethical and quality standards as part of the framework will provide additional confidence to the users of valuations, such as companies, analysts and investors; and would allow professional bodies to hold their members involved in valuations to account,” says Chris Joy, Executive Director, Standards and Regulation, of the Institute.

Only a start

Some stakeholders think more still needs to be done. “The initiative as outlined in the consultation paper is very comprehensive and is definitely a good start. I think we will let it run for a while before we can say if it is sufficient or not,” says Wong.

Lee agrees: “I think it is a good start, but it is just a start. Right now, the task force is focused on a self-regulated organization. The

consultation also did not touch much on the quality assurance programme. Everyone can tell you they follow the technical standard but how do you ensure that? You need a monitoring system and regular or risk-based sampling to check the framework is being followed.”

Pun at Savills agrees: “No central regulator for the profession is proposed under the current recommendations. There are references to certification of competencies and an investigation and complaint mechanism, but there is no reference to who is to administer these.” He adds that these areas need further development in order to create a regulatory environment that really upholds the quality of business valuations. “Without consequences for wrongful behaviour, the downward spiral still exists,” he says.

Liu at RSM adds: “A solid regulatory agency is required to ensure all the initiatives are enforced as expected. A regulator like a ‘Valuation Institute’ empowered for licensing, supervision, enforcement and education functions should be established to promote the long-term welfare of the valuation profession and quality.”

Whatever standards are introduced for the valuation profession, it is clear the Institute is likely to have an important role to play. “I see the role of the Institute as critical. If this is going to work, we need the same ethics and background that we have as accountants in valuations,” says Tweedie.

For Wong, the Institute can show how things can be done in regulating a diverse industry made up of individual firms, “and how the

regulator can impose standards and carry out enforcement action and provide more user education. The Institute, being a very successful entity, can provide a lot of insights for the valuer framework to follow.”

Pun points out that the Institute is already doing work to equip members with business valuation knowledge, such as hosting a valuation series and working with the International Institute of Business Valuers to offer courses on valuation, but he suggests it could collaborate further with other organizations to help set up the standards required. “CPAs are best placed among many different professions in practising business valuation due to our training in understanding and connecting business and numbers,” he says. “We should embrace business valuation as one of our potential offerings, much like the international accounting firms have done in establishing the advisory business.”

Liu would also like to see it work with other entities, such as the Hong Kong Stock Exchange and the SFC to promote an aligned regulatory regime for the valuation profession, including a single valuation designation.

The Institute recognizes the need for quality business valuations, notes Joy. “We are pleased to be a partner with all the other bodies that have come together to draft the framework. It will underline the importance and quality of the Hong Kong capital market. There will be opportunities for our members, and we want to equip them with the tools to deliver quality services – in either the provision or assurance of valuations.”

“The Institute, being a very successful entity, can provide a lot of insights for the valuer framework to follow.”



SECOND OPINIONS: CAN PROFESSIONAL SCEPTICISM BE TAUGHT?

“Audit firms must create and maintain a culture where the exercise of professional scepticism is supported and encouraged.”



JAMES E BARBOUR
DIRECTOR OF POLICY LEADERSHIP
INSTITUTE OF CHARTERED
ACCOUNTANTS OF SCOTLAND

In recent years, considerably more research has been published on professional scepticism. This has helped facilitate in-depth discussions among standard setters, regulators, audit firms and professional bodies. The primary driver for this research has been the continual failure by auditors to exercise an appropriate level of professional scepticism, as reported by global audit regulators. While the extent of such deficiencies can be debated, there are undoubtedly issues that need to be addressed.

I am a great believer that professional scepticism can be taught. In order to best facilitate this, case studies of real-life scenarios (or based on such) are required. These should illustrate where professional scepticism has, and where it has not, been appropriately applied. The need to learn how to have a questioning mind, apply professional judgement, think critically and be aware of bias are key. Additionally, understanding the level of judgement and subjectivity in a set of financial statements is also important. Behavioural and cultural factors also play an essential role. Audit firms must create and maintain a culture where the exercise of professional scepticism is supported and encouraged.

For undergraduate students, I commonly write “101” on the screen and ask the audience what they see. Most students respond with the decimal number 101 or 5 in binary. The impact of bias can also be further illustrated with the commonly used example of the purchase of two items with a total cost of £1.10. If one item costs £1 more than the other what is the cost of the more expensive item? Many students instinctively respond with £1. Those that take the time to stand back and “think” usually respond with the correct answer. That is why I appreciate the moves by the International Auditing and Assurance Standards Board to better promote the use of stand back procedures in the International Standards on Auditing. This valuable reflective can help promote professional scepticism. As they progress, students obviously need to be introduced to the more complex real-life audit examples mentioned earlier.

Professional scepticism is undoubtedly a multifaceted concept, and we will continue to learn how best to embed this into the auditor’s psyche. However, if an auditor is able to combine the substance of the ICAS motto “*Quaere Verum*” (seek the truth) and “Moral Courage” (the ability to stand one’s ground and challenge appropriately) then, I have little doubt that professional scepticism will be properly exercised on any audit.



LINDA BIEK
DIRECTOR OF COMPLIANCE
HONG KONG INSTITUTE OF CPAS

Auditors are expected to maintain professional scepticism throughout all stages of the audit process. This continuous practice inherently conditions auditors to improve their scepticism skills. R. Kathy Hurtt shared relevant studies about scepticism in her 2010 article entitled *Development of a Scale to Measure Professional Scepticism*, identifying six characteristics as influencers of professional scepticism – a questioning mind, suspension of judgement, search for knowledge, interpersonal understanding, self-esteem and autonomy. When the ambiguous concept is broken down into identifiable characteristics, improvement becomes more manageable.

One component of a questioning mind is critical thinking. In a previous enforcement matter, an auditor was alerted to a couple of material transactions for which there were no source documents or explanations. Although they were identified by a component auditor for follow up, the group auditor ignored potential risks associated with these questionable transactions. Further investigation revealed the transactions were part of an elaborate fraud. It's impossible to prove that a questioning mindset would have pointed the auditor to the fraud but further audit procedures would have been expected under the circumstances.

Auditors are best served when evaluating information from a “presumptive doubt” mindset which invites questions such as: “What is the economic reality of this transaction?” “Does the appropriate accounting treatment require judgement?” “Would an alternative accounting treatment be more appropriate but less favourable for the client?” If the answer to any of these questions is “it depends”, the auditor may want to further assess the situation before drawing a conclusion.

Lapses in scepticism have also resulted from auditors' unconscious bias towards management explanations. This bias may cause them to ignore conflicting information that supports a less favourable accounting treatment. Auditors must recognize this natural tendency and focus on objectively examining all relevant information before deciding how to proceed.

When taking a stance that is contrary to their client's preferred accounting treatment, moral courage is required. Firm leaders should engage in coaching exercises with staff to help them develop the courage needed to ask the right questions and do the right thing. Although partners may feel they don't have time for coaching activities, it is much less time consuming than defending a complaint, a lawsuit or the firm's reputation.

“Auditors are best served when evaluating information from a ‘presumptive doubt’ mindset.”



DR RAYMOND WONG
ASSOCIATE DEAN
COLLEGE OF BUSINESS
CITY UNIVERSITY OF HONG KONG

Yes, but it is not easy.

It's not a matter of time to be invested for training or a matter of the person's intelligence. Professional scepticism is all about having a questioning mind throughout the assurance or professional engagements. So, the question is how to teach or enhance one's questioning mind.

Consider honesty or integrity, which are intrinsic ethical values that we expect most people to be equipped with. We are born with innate values geared towards determining good or bad and right or wrong, but these values are also affected by how we are nurtured and who by, as well as when and where we are situated in. Professional scepticism is also influenced by intrinsic values and one's experiences.

At university, professional scepticism is one of the key concepts highlighted in the accounting curriculum. The course on auditing, say, is one of those that emphasizes the element considered and implemented throughout professional practices. To a large extent, professional scepticism is an important ethical value that we, as educators, wish to instil in the professional accountants-to-be under our tutelage. We are not asking our future accountants to perceive all preparers or clients as “suspects,” but we are asking them to not easily rule out a possibility that there may be something wrong.

Striking such a balance is obviously not easy, and thus we devise our course delivery in ways of not only including theoretical explanations or a standardized way of interpreting the concept of professional scepticism, but we also introduce a variety of teaching methods to help students understand, appreciate, and apply professional scepticism in different practical scenarios. For example, practical cases (regardless of make-up cases or real business cases) are discussed inside classrooms, and students are asked to analyse and present the case facts as well as (sometimes) to lead discussions with the whole class. Debates and role plays are also other effective tools to engage students to think from the real perspectives. Practical exposure is necessary!

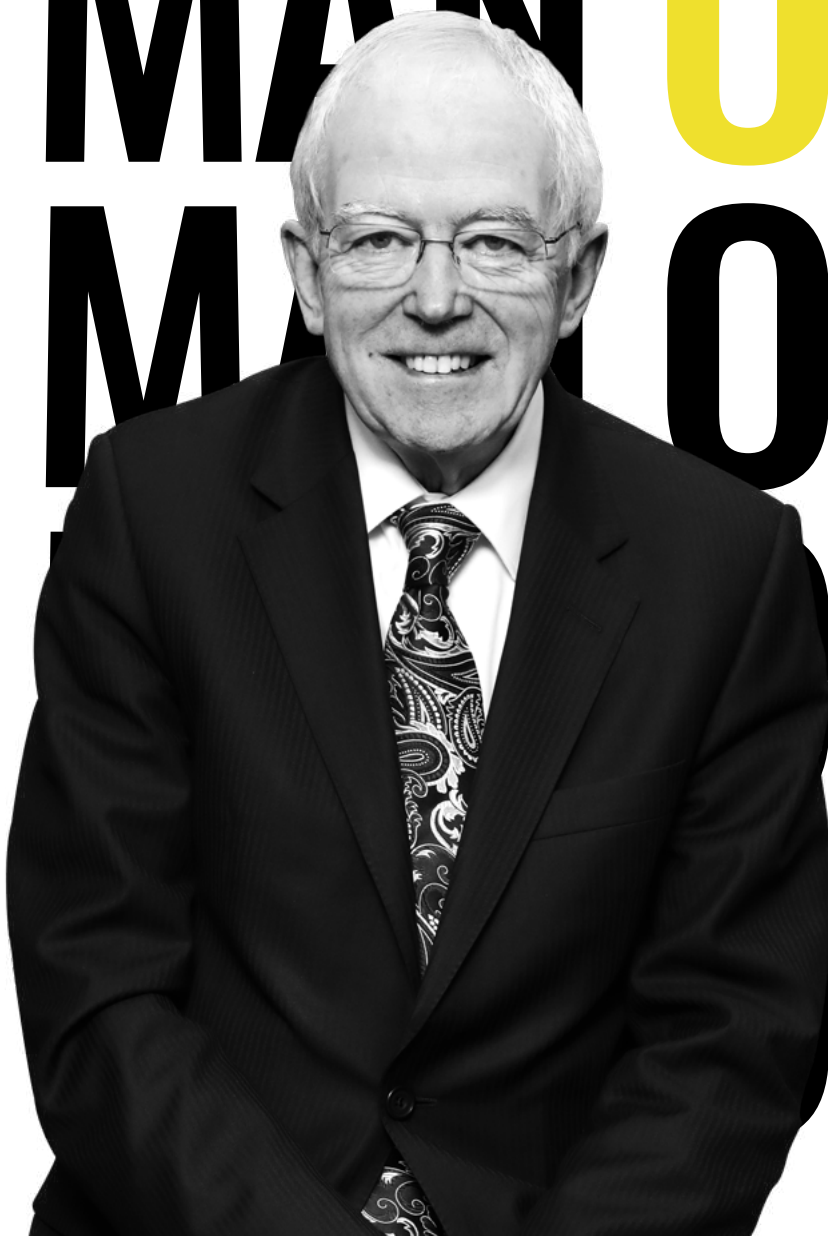
Although some students may not have takeaways immediately after those class activities, varied styles of teaching and learning deliver professional concepts, especially those relevant to ethical determination.

“We are asking them to not easily rule out a possibility that there may be something wrong.”

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After a long career fighting for quality international accounting standards, Sir David Tweedie, Chairman of the Board of Trustees of the International Valuation Standards Council, tells **Nicky Burrridge** how he is now trying to get valuers recognized globally as true experts

When Sir David Tweedie, moved into private sector accounting, he was shocked by what he discovered.

It was the late 1980s and Tweedie, who had previously worked as an academic and was technical director of the Institute of Chartered Accountants of Scotland (ICAS), had taken up a post as national technical partner at KPMG in London, following the firm's creation through the merger of KMG Thomson McLintock and Peat Marwick.

"I started to become absolutely horrified at some of things that were going on and the schemes the investment bankers were coming up with. They were managing to show debt as equity or manipulating profits. I spoke out a lot and wrote articles about it," says Tweedie, Chairman of the Board of Trustees of the International Valuation Standards Council (IVSC), the independent global standard-setter for the valuation profession.

At the time, the United Kingdom government had set up a committee with the various accounting institutes to look into accounting practices and establish a new standards board. Tweedie was invited by the chairman of the committee to give his views on the way forward.

In his typically forthright way, he told him exactly what he thought. “It was only halfway through that I realized I was being interviewed for the position of chair, so I became the first chairman of the U.K. Accounting Standards Board (ASB) in 1990,” he says.

Tweedie describes his time as chairman of the ASB as probably the most satisfying part of his professional life. He quickly set

up an Urgent Issues Task Force of 14 people to start looking into the schemes the banks were using. If at least 10 people on the task force voted against a particular scheme, it was abolished. “We went through dozens of schemes and we got rid of them, one after the other. It was incredibly satisfying,” he says.

The birth of the IASB

The ASB was also meeting with its counterparts in the United States, Canada and Australia around two or three times a year, and they invited the International Accounting Standards Committee – predecessor of the International Accounting Standards Board (IASB) – to join them. “We would look at various issues and it got to the stage where we started to discuss producing joint standards. It was starting to become a global standard-setter,” he says.

“In the same way that being a certified public accountant and chartered accountant is very well recognized, we don’t want people coming in to valuations who are not proper valuers.”

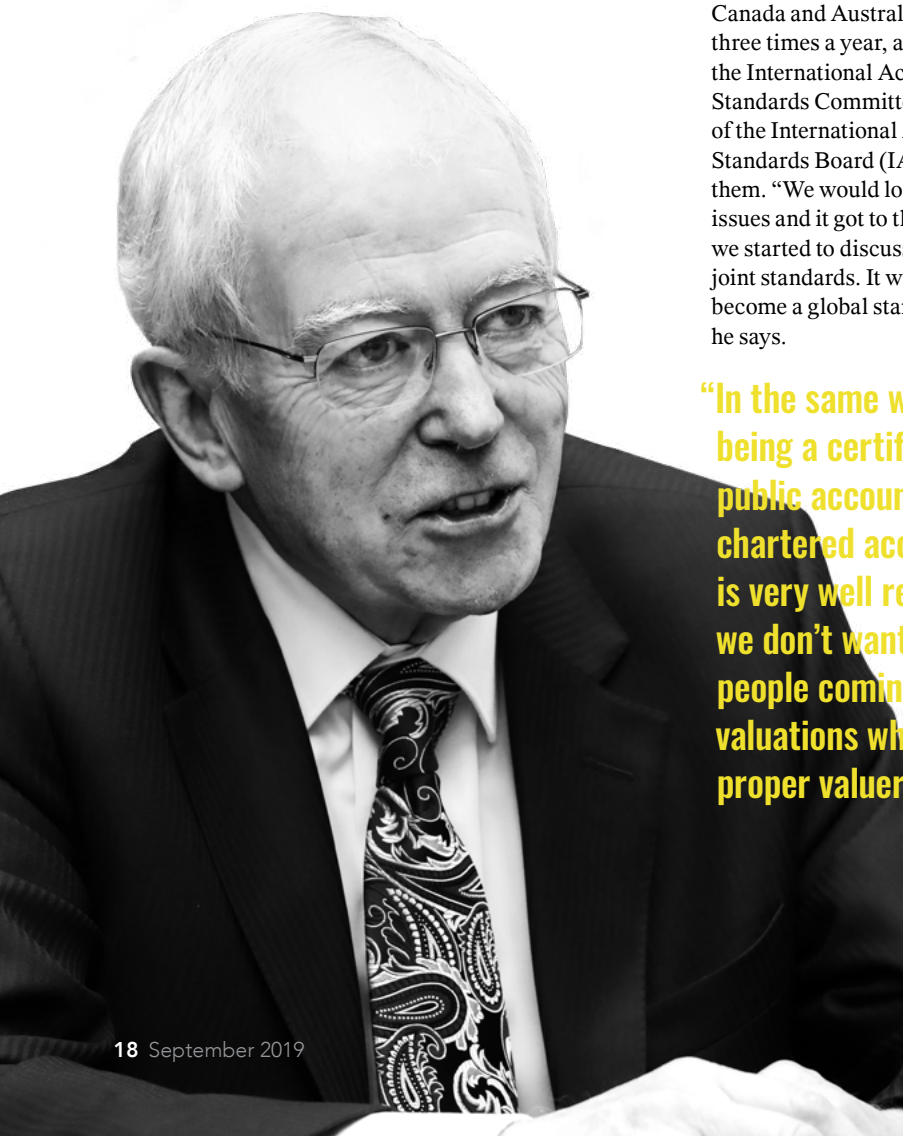
The meetings eventually led to the creation of the IASB in 2001, and Tweedie was asked to become the organization’s first chairman, a post he held for 10 years until 2011.

Around the time, the IASB was launched, the European Union had decided to adopt International Accounting Standards (IAS) for the consolidated accounts of European-listed companies. “We [the IASB] thought there was a lot in the IAS that we should start cleaning up. In retrospect, it was maybe a mistake. The biggest one we had problems with was IAS 39 *Financial Instruments: Recognition and Measurement*, which was very complicated. I used to say if you understand it, you haven’t read it properly,” Tweedie remembers. “The problem was that once we started touching that, everyone thought we had written it and we took a lot of criticism about that standard.”

Another major issue the IASB tackled in the 1990s was share-based payments or share options. “It was reckoned U.S. income statements were probably overstated by 25 to 30 percent. That was because they gave themselves huge options and there was no charge,” Tweedie explains.

He says the Financial Accounting Standards Board (FASB) had previously tried to make companies expense these options but the U.S. Securities and Exchange Commission (SEC) had stepped in and said they only needed to disclose them.

He remembers: “We didn’t accept that, and we required expensing. It nearly came to a fist fight. I remember being almost



nose to nose with a financial executive and he said, 'We spent US\$70 million stopping FASB doing this and we will spend more than that destroying your board and preventing you doing it.' The next week we voted 14 to nil to do it, and the U.S. followed a year later."

Tweedie jokes: "When I was at the ASB, it was 80 percent technical, 20 percent political, the IASB was the other way around. It was very political."

He was at the helm of the IASB during the global financial crisis, which he blames for ending an accounting standards convergence programme the IASB had been working on with FASB. "Bob Herz, who was chairman of FASB, was very much an internationalist. In 2002, we agreed that we would look at two sets of standards, International Financial Reporting Standards (IFRS) and U.S. Generally Accepted Accounting Principles, and agree between us who had the better one, and then the other one would just take it," he says.

They began the process, but during the financial crisis, it emerged that the European Commission was planning to introduce a law allowing companies not to use fair value in certain situations, but to go back to cost, meaning they could write back losses they had incurred.

Tweedie was contacted by a number of securities regulators, including the SEC, who urged him to step in and stop the law, warning that no one would trust financial accounts if companies that were known to be making a loss were showing a profit. "We had a

"My reaction was we don't do valuations, they are done by experts. Then, I discovered there were no experts out there. The financial instruments were all over the place, it was an absolute jungle."

week to do this. We were faced with the prospect of either blowing up the markets, or not having due process. We decided we had to step in, so we allowed them to do it, but we also put in requirements for disclosure, so anybody could work back to what the real numbers should be. That stopped a lot of companies from using it."

But he says the move cost the IASB a lot of goodwill as people did not like the fact they had not done due process. He adds that it was probably his least satisfying period in standard-setting. "After that, companies, certainly in the U.S., were fighting for survival and they weren't really interested in converging with IFRS. Had it not been for that, I think the U.S. would be using IFRS now. It never happened because of the crisis. It was frustrating."

Tackling valuations

During the financial crisis, President of the European Central Bank Mario Draghi asked Tweedie what accountants were doing about

valuations. "My reaction was 'we don't do valuations, they are done by experts.' Then, I discovered there were no experts out there. The financial instruments were all over the place, it was an absolute jungle," he says.

When he was approached about being chair of the board of trustees for IVSC, he agreed as long as he could look into financial instruments.

At the time, the IVSC had a single standards board made up of nine people, with three experts each in the fields of real estate, business valuations and financial instruments. A majority of five was needed to produce a new standard. But Tweedie was not satisfied with the arrangement, pointing out that two of the key votes would come from people who were not experts in the area in question. Instead, he set up separate boards for each of the three areas, and oversaw what he describes as "a major prune out in financial regulation."

More recently, the IVSC has been working with a number of stakeholders in Hong Kong, including the Hong Kong Institute of CPAs, to introduce standards and a professional framework for valuers in the city. "In the same way that being a certified public accountant and chartered accountant is very well recognized, we don't want people coming in to valuations who are not proper valuers," Tweedie says. "We feel that to be a valuer, you have got to have a certain level for entry, such as exams, ethics, and continuing professional development. All the things we, as accountants, know."

Another issue the consultation is



In December 2018, the IVSC formed its Financial Instruments Valuation Standards Board to lead the development of standards for financial instruments. The board includes leaders from global banks, professional bodies and data providers.

looking at is how to value intangible assets. “If you look at the S&P 500, the net assets of a company only amount to 13 percent of the market capitalization, so 87 percent is not recorded in the financial statements. What is it?”

He points out that a lot of this difference will be due to intangibles, and accountants will have to explain what these are, and valuers will have to put a value on them. “I think it is an area that is going to expand and be very important to the accounting profession and businesses. I am very pleased Hong Kong is doing this,” he says.

Tweedie thinks both the Institute and CPAs have an important role to play in the initiative. “Most of us when we were training had a period when we had to value companies, so it is part of our professional DNA,” he says. “I see a big opportunity for accounting institutes to be the guardians of whatever standards come out. The role of the Institute is critical. If this is going to work, we need the same ethics and background that we have as accountants in valuations.”

He adds that one of the biggest challenges the valuations profession currently faces is a lack of acceptance. To counter this, he would like to see the introduction

of an international designation for valuers that would be given out by professional organizations to show its members were properly trained and competent.

An accidental accountant

Tweedie never intended to go into accounting, and instead had his sights set on being a doctor. “I remember just before a physics exam, when I was about 15, one of my schoolboy friends asked me what Ohm’s law was, so I told him. The first question in the exam was to state Ohm’s law. I couldn’t remember it, and I got angrier and angrier. I vowed if I couldn’t remember Ohm’s law by the time the exam ended, I would never do physics again.” He did not remember it. Unfortunately, it turned out that he needed physics to get into medical school.

His father was very keen for him to become a chartered accountant. “I lived in a small town in central Scotland. I remember he took me down to the local accountant who was very pleased with himself, and he said: ‘look at me.’ The more I looked at him, the more I thought this isn’t for me. I’m not going to get involved in this.”

Instead, he went to the University of Edinburgh and did a business degree, followed by a PhD. The university was keen to keep him on as an academic, but Tweedie felt he could not teach business if he had no experience outside of a university.

As a result, the department arranged for him to spend a couple of years with an industrial company, working in different departments. “I thought, they know I’m not going to stay. I’m going to be the tea boy. So, I went out and did a CA instead,” he says.

He worked as an apprentice in Glasgow at Mann, Judd, Gordon & Co. under Professor David Flint, who later became president of ICAS. “I loved my time as an apprentice in Glasgow. I used to say if you can deal with a second-hand car dealer in the Gorbals, a pretty run-down area in Glasgow, then you can take on Wall Street bankers quite easily.

“I got great training. David was a wonderful man. We didn’t have codes of ethics, but you didn’t need them if you were with David, they just dripped off him. He was absolutely solid, and he made me as an accountant. He was superb as a guide.”

Tweedie never went back to the business department at the University of Edinburgh, and instead joined the accounting department. “I found accounting fascinating,” he says.

After six years of teaching, he was asked to join ICAS as its first technical director, later taking up a post as national research partner with KMG Thomson McLintock, before becoming national technical partner at KPMG following the merger.

Not fooled by numbers

Tweedie appreciates his accounting background, and he thinks there are huge benefits to being a CPA or CA. “I think it is the most wonderful training. When you think about it, nobody can fool you with numbers. You can look at a set of accounts and get a pretty good idea what a company is like. I have found it invaluable. I have been asked to do so many things because I am an accountant.”

But he adds that in the nearly four decades that he has been an

“The role of the Institute is critical. If this is going to work, we need the same ethics and background that we have as accountants in valuations.”

“We feel that to be a valuer, you have got to have a certain level for entry, such as exams, ethics, and continuing professional development. All the things we, as accountants, know.”



accountant, he has seen a shift towards what he calls “search engine accounting.” He explains that some senior partners at a Big Four firm once asked him to give them an example of a principle-based standard, and he showed them one that was four pages long.

“They were horrified. I said, ‘You want to be very careful because I can write you a standard that will deal with 80 percent of the issues in, say, 20 pages. If you want me to deal with 95 percent of issues, it will be 300 pages.

“But that is the way accounting is

going, I’m afraid. I think it is wrong. I think you should have short standards that are principle-based and hammer anyone who does anything that is way out of line.”

Tweedie also does not like the way accounting firms have become commercialized. “Auditing has become a backwater, but it is the key to the capital markets. It is a proud profession and it needs to be preserved.”

When he is not working, Tweedie enjoys gardening, reading history books, and long walks on the hills with his two Shetland sheep dogs

in Edinburgh, Scotland. “I love hill walking. I love being out in the open air, I just love nature.”

Tweedie is married and has two sons. His oldest son lives in Taiwan, where he has started his own climbing and trekking business. His youngest son works for Citibank in London.

He also has three grandchildren, two girls and a boy. “It is a great joy to have grandchildren,” he says. “My eldest granddaughter, who is 14, won the British Rowing Eights with her school and is the National Champion of Rowing.”





Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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Mr Hugh CHOW

Chief Executive Officer
Hong Kong Applied Science and Technology
Research Institute Company Limited (ASTRI)

Keynote speakers



Mr Anthony LAM

Project Manager, Application Systems
The Hong Kong University of Science
and Technology



Dr Raymond SO

Director
Elite Training Science and Technology
Hong Kong Sports Institute

Other speakers



Mr Ricky LAU

Regional Vice President, North Asia
BlackLine



Mr Erik SAITO

General Manager, Asia Pacific
Workiva

Discussion panelists



Mr Brian CHAN

Partner, Banking &
Capital Markets Leader, Hong Kong
Deloitte China



Mr Darren D HARIHARASEGARAN

Senior Manager
PwC



Mr Benson NG

Advisory Partner -
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Ernst & Young Advisory Services Limited



Ms Isabel ZISSELSBERGER

Head of Financial Strategy and
Transformation and Customer & Operations
KPMG China



IT CONFERENCE 2019

Smart CPAs in the Era of Smart Everything

Accountants in the future world of machines

Date: Saturday, 19 October 2019

Time: 9:00 a.m. – 1:00 p.m.

Venue: Ballroom, The Ritz-Carlton, Hong Kong, International Commerce Centre,
1 Austin Road West, Hong Kong



(For enrolment)

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Learn the fundamentals behind investments to boost your returns

Figuring out where to invest your money for the highest returns can be a time-consuming and often risky process. To help members identify the most viable lines of investment, the Institute is holding a series of workshops focusing on corporate finance and investing, from now until November.



Alex Chow, CFA, FRM, works as a portfolio manager in a Hong Kong-based hedge fund company.



M.K. Lai, PhD, CFA, Principal Consultant, Executive Training and Management Consultancy Company Limited.



Duncan Tang, Managing Director, iFinance (Asia) Limited.

A fund manager or securities broker may advise you that investments in capital markets are the most effective way to increase the value of your assets so long as the appropriate risk management is put in place. However, having said that, it is similar to gambling if you lack sufficient knowledge of the characteristics and risks pertaining to the investment products. Nowadays, there are many different kinds of products in the market such as stocks, bonds, derivatives and alternative investments. In recent years, Asian bond markets have been very active, as investors are looking for relatively high-yield investments in low interest rate environments.

In order to enhance your returns and maximize the value of your investment portfolios, it is essential to make your investment decisions in the right products at the right time. If you are seeking to invest in high-yield dividend stocks, you must equip yourself with the ability to identify those stocks. If you have invested in a company with a cash flow problem, you must pay close attention to their financial performance and be prepared for any fundraising exercise.

When compared with private companies, listed companies are generally more active in fundraising, as they may obtain funds through equity financing in addition to debt financing. Many professionals, including accountants, may find equity financing to be a better approach to fundraising compared to debt financing, especially if a company already has a high gearing ratio. For highly geared companies, the liquidity risk will inevitably increase if debt financing is further used and the equity base is not simultaneously increased to support the existing gearing ratio.

It is common for a listed company to raise funds through the process of a rights issue or an open offer to support its new projects or acquisitions, or to meet its working capital needs. In some cases, a listed company may raise credit by way of capital reduction (part of a fundraising activity) such that it can

offset its accumulated losses and/or make a distribution to its shareholders. However, does this company have genuine needs for raising funds? Or are these fundraising activities just financial tricks? Have a better understanding of the rationale behind each type of fundraising activity and recognize financial gimmicks hidden behind the veil.

The workshops

To provide you with a better understanding of the areas mentioned above, the Hong Kong Institute of CPAs is now offering its members two series of workshops from September to November, namely, the Corporate Finance Series and the Investment Series. The former explores financial gimmicks and unveils the tricks behind equity fundraising and the corporate actions of Hong Kong-listed companies. Its case study workshops will touch upon the rationale behind the corporate actions such as the pros and cons of various equity fundraising activities used by listed companies in Hong Kong. Another case studies workshop will focus on capital restructuring and look at cases both locally and in Mainland China to examine the risks associated with risk and return from the perspectives of both issuers and investors. The latter series examines various topics such as event-driven investing and its application, investing in high-yield dividend stocks and Asian bonds, and identifying high risk stocks. The case studies workshops will help participants to identify, distinguish and select high-yield dividend stocks, understand the factors behind high-risk stocks, and also the risks that come with Asian bonds. Both series will be conducted in Cantonese. All three speakers have extensive experience in financial, investment and capital markets. You can find out more information about the two series and the speakers biographies on the Institute's website.

To equip yourself with a better understanding and knowledge of the financial and capital market as well as their respective operations, participate in these workshops.

IS HONG KONG READY

Hong Kong has long been renowned for its simple tax regime and low tax rates. The transfer pricing (TP) rules introduced in the Inland Revenue (Amendment) (No. 6) Ordinance 2018 are beginning to challenge some of these simplicities – particularly the city’s territorial source principle where tax is only levied on profits which arise in or derive from Hong Kong. This was one of the key messages from the Hong Kong Institute of CPA’s Annual Taxation Conference 2019, held at the InterContinental Hong Kong on a rainy July morning.

If profits are attributed to Hong Kong for transfer pricing calculations, does that mean they would be considered Hong Kong-sourced?

KK So, Chair of the Institute’s Taxation Faculty Executive Committee, and Partner – Tax Services, PwC, began the roundtable discussion with a question about Hong Kong’s territorial concept of taxation. He noted that “under the new TP rules, the functions performed, assets employed and risks assumed are used to ascertain how much profit should be attributed to Hong Kong.”

Michael Olesnick, Senior Consultant, Tax, Baker & McKenzie, viewed the new rules as allocating profits, not imposing tax. “Source and TP are logically distinct. If you are involved in a cross border transaction then you have to allocate profits under TP principles. But only those allocated profits that have a Hong Kong source will be taxed in Hong Kong.”

A DISCUSSION WITH: (From left to right)

KK SO

Partner - Tax Services,
PwC

BRIAN CHIU

Deputy Commissioner
(Technical), Inland
Revenue Department

MARTIN RICHTER

Partner, International
Tax Services –
Transfer Pricing, EY

PATRICK CHEUNG

Partner, Global
Transfer Pricing
Services, KPMG

LEONARD KHAW

Co-leader of Asia
Pacific International
Core of Excellence,
Deloitte

CECILIA LEE

Leader, Transfer
Pricing Services, PwC

MICHAEL OLESNICKY

Senior Consultant,
Tax, Baker & McKenzie



FOR BEPS 2.0?



From Hong Kong's source rules to building a global consensus on how profits should be taxed by countries, experts discussed contemporary transfer pricing issues in Hong Kong at the Institute's Annual Taxation Conference 2019. Eric Chiang and Paul Smith report.

ROUNDTABLE

Hong Kong tax



Michael Olesnick,
Senior Consultant, Tax at
Baker & McKenzie.



Patrick Cheung,
Partner, Global
Transfer Pricing
Services at
KPMG.

"It's been a big fear that allocating profits to Hong Kong would automatically make them taxable in Hong Kong. But, at the end of the day, the source principle under section 14 of the Inland Revenue Ordinance still prevail," he continued.

"The problems happen when profits tax is imposed on an all-or-nothing basis on trading profits," said Martin Richter, Partner, International Tax Services – Transfer Pricing, EY. "If profits tax could be imposed on an apportionment basis, you can correlate the profits tax liability to the value creation in the value chain. Without imposing profits tax on offshore trading profits, there is no way to reflect in the profits tax liability the value created in Hong Kong for offshore profits."

"I agree that this creates a dilemma for trading profits," said Cecilia Lee, member of the Institute's Taxation Faculty China Tax Sub-committee, and Leader, Transfer Pricing Services at PwC. "The line for service income is, however, fuzzy. The notion of applying source principles to tax service income is to look at what services have been provided onshore. This is also the do for TP, and could be a way to consider," she continued.

"To ensure that the profit allocation among jurisdictions in a cross

border transaction is fair, how you articulate and document the transaction is critical. Especially when dealing with tax authorities which do not have a tax treaty with Hong Kong, you can be quite exposed," explained Patrick Cheung, Partner, Global Transfer Pricing Services, KPMG.

For Leonard Khaw, Co-leader of Asia Pacific International Core of Excellence at Deloitte, this was a hot topic at his firm and with his clients. "In my view, allocation of profits is good, but there must be something to allocate profits to. Instead of starting with profits, you should be seeing what the activities are in Hong Kong where profits are being allocated to. Then apply the source rule to the facts."

Brian Chiu, Deputy Commissioner (Technical), Inland Revenue Department (IRD), set about assuaging fears that the TP rules would supersede Hong Kong's source rules. "If it's not a transaction between connected or associated persons, we don't need to worry too much about TP rules. Hong Kong will follow the international standards promulgated by the Organization for Economic Cooperation and Development (OECD), which will apply first. But the source principle will continue to have great importance to Hong Kong," he told the panel.

How will the IRD's ability to investigate not only pricing arrangements, but also group transactions, affect companies?

"The new TP law suggests that the IRD can challenge not only pricing arrangements that are non-arm's length, but also transactions that would not have been entered into by parties dealing with each other at arm's length. What is the significance of this?" So asked to kick off the second discussion.

Khaw explained that there were two groups of transactions between related parties. The first group are transactions you don't see except between related parties, such as cash pooling. This is well-known and easier to find the right price for. "The second group is parties structuring transactions in certain ways, perhaps for the purpose of avoiding tax or for other reasons. This is a little bit more problematic, and tax authorities have the power to re-delineate transactions so that they are more like transactions between arms' length parties, and then tax them accordingly," he explained.

Lee provided a hypothetical example of the second group. A Hong Kong company undertaking supply chain functions transacts with a Dutch BV company, which undertakes significant treasury functions and some procurement

"To ensure that the profit allocation among jurisdictions in a cross border transaction is fair, how you articulate and document the transaction is critical."

Cecilia Lee,
Leader, Transfer
Pricing Services
at PwC.



process but doesn't have a lot of employees. The Dutch company further transacts with a United States-based entity. "From a negative side, someone would say 'is that treaty shopping?' because there is no double taxation agreement between Hong Kong and the U.S., while there is between the U.S. and the Netherlands."

"We would say the Dutch company has some, but not a lot of, economic substance. It undertakes treasury functions, has capital risk and invests in procurement platforms. It is common to see something like this in group companies," she concluded.

Limited risk distributors face similar challenges, according to Olesnicky who proposed the example of a Hong Kong distributor acting for a U.S. supplier, which doesn't take exchange rate risks or pay until goods are sold. "There is very little risk or function in Hong Kong, but it would still be compensated on a cost-plus basis. Would this be done between unrelated parties? Probably not. Maybe you should say the Hong Kong entity should be doing more, but then you have the problem of agreeing with the other company to give up some of their profits to Hong Kong," he said.

To Cheung, the rules weren't fundamentally unfair. "Most

countries have a recharge rule, it's necessary for tax authorities, and most are used judicially. Only when tax avoidance is determined to have taken place. Re-characterizing a joint venture structure is possible, but calculating the true arms' length price in complicated cases can be difficult," he concluded.

Tax authorities around the world are proposing, or implementing, unilateral taxation arrangements targeting digital businesses. What impact will these have on the global TP consensus?

The imminent arrival of Base Erosion and Profit Shifting (BEPS) 2.0 will create many changes, according to So. "But even before then, countries like India are imposing TP attribution rules and France's digital turnover taxes, which has caused anger in other jurisdictions—particularly the U.S.," he noted.

"Unilateralism is already a reality," said Khaw, pointing to anti-avoidance rules from the United Kingdom and Australia. He highlighted that countries were liable to see more "temporary gaps" like France has by imposing a 3 percent digital turnover tax. "These are planned on being removed when there is international agreement. However, tax authorities rarely

remove rules," he continued.

"At the end of the day, the OECD is responding to others. The European Union are particularly concerned about tax avoidance in the new economic environment and the OECD's role is to forge consensus or common understanding of how profits are to be taxed by countries, to determine jurisdiction's taxing rights," said Olesnicky. "This is important because unless you have that consensus, you are going to get mismatches between how countries allocate profits, and end up with double taxation issues."

Cheung thought that the solution could be found in the existing framework. "I'm less optimistic about Asian consensus. BEPS 1.0 is easy because all the tax authorities have the same interest and documentation but BEPS 2.0 is different. You have countries where the money is being made, the U.S. and China (with Amazon and Tencent) in conflict with the markets like India with a lot of eyeballs and users. These are fundamentally opposing interests."

Building a consensus will take a long time in, and this unilateralism will lead to more pressure to enter into mutual agreement procedure (MAP) and advance pricing agreement (APA) arrangements according to Lee. "These unilateral actions will be imbedded into the strategy of negotiations if not officially included within the scope."

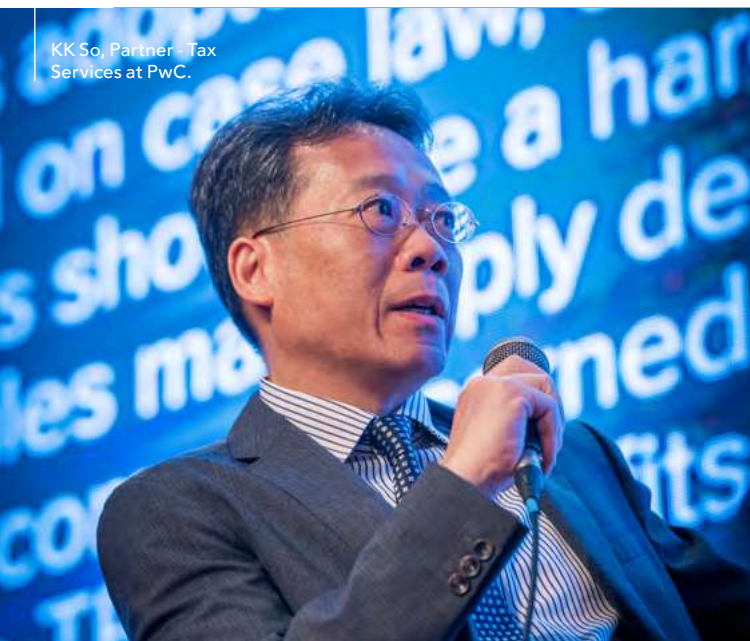
"I see this as almost like a border tax or mining rights tax," said Richter. The countries with users are trying to extract taxing rights from their scale and domestic resources, rather than economic activity.

Chiu pointed out that while these unilateral actions may give rise to tax disputes between jurisdictions,

ROUNDTABLE

Hong Kong tax

KK So, Partner - Tax Services at PwC.



Martin Richter, Partner, International Tax Services – Transfer Pricing at EY.



agreed double taxation agreements (DTAs) should always prevail over domestic laws. “But, in the future if these rules become prevalent and we have to take that, then I can see the chance of double taxation becoming very significant and resolving disputes might not be easy,” he said.

What are the major considerations when applying for APAs or MAPs?

Bilateral or multilateral APAs are agreements between two or more tax authorities, and the associated taxpayers, entered into by reference to DTAs, and govern the tax treatment of future transactions between the taxpayers. MAPs are a way of tax authorities consulting to resolve disputes regarding the application of DTAs.

So began by highlighting some statistics. “In 2017/18 India had 168 APA applications and concluded 53. China only concluded 9. Concerning MAP requests, Japan had 206, South Korea 45. Do these significant gaps tell us anything?” he asked the panel.

Lee spoke of her experience with APAs and MAPs, noting that they could be a common response to transfer pricing audits of previous years. “I expect the numbers to pick up across all jurisdictions as countries increasingly focus on their

share of the pie,” she said.

Rather than just focusing on the numbers concluded, Khaw recommended looking at the number of cases in the pipeline. “The low number of APAs doesn’t mean that a company shouldn’t apply for one. The question is why are you asking for one? Sometimes an APA application is not about concluding an APA, but it is an effective means at deferring TP disputes as long as you have a case in the pipeline.”

So then asked the panel when they would advise taxpayers to go down the path of an APA or MAP.

“Typically, APAs are for companies with complex issues which are difficult to resolve, or have very big numbers. Resolving them takes time, with significant back and forth between the company and the tax authorities,” said Cheung. Lee agreed. “APAs are not simple. You can’t turn in a sheet of paper, get a letter back and that’s done. It takes time and consideration as to whether you’re ready to begin the journey. You will need to open your books and submit a lot more financial information – you need to treat the process with caution,” she said.

Richter considered that the interests of obtaining APAs in the local market is huge. “There are two profiles among the applicants, one favourable to the IRD, one not so favourable. The not-so-favourable

profile is that Country-by-Country Reporting (CbCR) are causing headquarters to look around the world to locations perceived to be overcompensating, and trying to reduce the profitability in these jurisdictions. Hong Kong is one where companies are looking to manage their affairs in advance, rather than as a consequence of an audit.”

“The second profile is groups with companies in jurisdictions which are tightening economic substance rules. Activities level and income in group companies in these jurisdictions are subject to challenge. And this means that companies would consider re-domiciling income. There are queries as to whether Hong Kong is one of those locations it can be re-domiciled to given its reputation as a low tax jurisdiction,” he continued.

So asked about the IRD’s experience with APAs. Chiu said there was renewed interest in APAs within Hong Kong. “The IRD is going to do unilateral APAs, but we are also updating the Departmental Interpretation and Practice Notes on APAs and we will pull in extra resources. We will do our best to ensure we can cope with the needs of industry, the profession, and the new TP rules. We’ll work together,” he said.

“The low number of APAs doesn’t mean that a company shouldn’t apply for one. The question is why are you asking for one?”

Brian Chiu,
Deputy
Commissioner
(Technical) at the
IRD.



Leonard Khaw,
Co-leader of Asia
Pacific International
Core of Excellence
at Deloitte.



The three-tier TP reporting requirement is seeing tax authorities collect a lot of financial information from multinationals. How are tax authorities using this information in TP audit case selection?

To Khaw, China is the best example. With the expansion of its Jiangsu pilot initiative to monitor and control multinationals' profits to the whole country, China is demonstrating how TP documentation can be used in risk factor analysis. "The tax authorities use it to give scores, based on which they select their TP audits. The OECD has said all authorities should do this," he noted.

European jurisdictions increasingly making exchange of information requests to Hong Kong was noticed by Richter. "The genesis is CbCR, and whether to apply an audit to a particular country. They're using exchange of information requests to ask for local files and other TP documentation from Hong Kong.

"Another thing I'm seeing domestically is IRD enquiry letters making direct connections between gross margin fluctuations or management fees or royalties and TP. They're asking for information about changes, which includes TP documentation," he said.

Olesnicky noted that tax authori-

ties were using statistical algorithms to allocate points to determine TP audit targets. Lee agreed, noting that there was a lot of data analytics in use across the region and particularly China, which had begun before the TP rules were implemented. "I have cases in Jiangsu where, after the settlement of an audit, the official said, 'we are here to serve you, taxpayer.' They prepared reports on the company across a range of indicators. Taxpayers are being given these 'body checks' to compare them to industry norms," she said.

But it's not just about exchanges of information. Cheung had clients with concerns about whether the formal processes are being followed. "There are formal exchange mechanisms with strict protocols, but we've seen occasions where between country A and B, negotiations have started, but something from country C has turned up with was recently filed. This cannot be through the protocol," he said.

The IRD has controls in the system regarding the use of TP documentation. "The OECD put certain conditions on the use of country reports for high level risk assessments. For a single group you compute all the ratios across jurisdictions to determine if there are outliers. For tax administrators you can compare group against group in

a high level risk assessment. Then you study the master file, and if you don't have it go for exchange of information. Next step is the detailed analysis and examination of TP policies," said Chiu.

What does this mean for Hong Kong?

The discussions showed that while Hong Kong is in line with the BEPS 1.0 international standards, the journey does not end here and Hong Kong should follow closely on the BEPS 2.0 developments and be proactive in amending its tax legislation to stay in line with global consensus. Unilateral tax actions by jurisdictions may continue until consensus is reached, companies and their advisors need to prepare for further turnover taxes, and complex negotiations between companies and tax authorities.

For companies, preparing highly-detailed TP documentation is a key manner of avoiding penalties. "For pure TP adjustment the penalty will be at most 100 percent," said Chiu. However, he noted that complexity could arise if a company has omitted intergroup transactions. "We have to investigate cases carefully before we decide on the penalty, which could be the 300 percent general penalty, because of the omission," he said.







THE WATCHMAN

As a Senior Financial Examiner for the New York State Department of Financial Services, Institute member Joseph Cheung ensures that lenders comply with regulations and treat customers fairly, especially low-income families. *A Plus* interviews the former Hong Kong government accountant in Manhattan's famous Chinatown

Photography by Juliet Shayne Lui

Joseph Cheung has seen both sides of government regulation – and both extremes. The former accounting officer – who spent six years working for the laissez-faire administration in Hong Kong – now answers to the New York state government as part of its activist financial services supervision apparatus.

“The main difference between Hong Kong’s and New York’s regulatory systems is that the system in the United States is much more robust,” Cheung says. “Hong Kong is focused on ensuring the stability of banks, while the U.S. – especially New York – puts more emphasis on consumers. In Hong Kong, they don’t do enough to help or promote credit access for low- and moderate-income consumers.”

After a career spent mostly in U.S. banking, Cheung is now a Senior Financial Examiner for the New York State Department of Financial Services, located in Lower Manhattan about 20 miles from his home in Long Island. “It was very easy for me to change to this job and be quickly promoted,” he says.

“Government promotion mostly depends on your performance and your examination results,” he adds. Cheung sits examinations every two years and his next promotion to a more managerial position could come in 2020. “I’m confident,” he says.

A financial examiner has many functions, Cheung says. “They enforce the state’s banking regulations and ensure the safety and soundness of the banks to ensure that liquidity requirements are met, and that they are in compliance with the various laws and regulations.”

“The department has different divisions focused on different objectives and parts of the banks that they want to look at,” he says. “I look at their consumer compliance. New York state laws encourage banks to meet the credit needs of low-income people.”

The Hong Kong Institute of CPAs member joined New York’s

state government amid the turmoil of the global financial crisis. “The Dodd-Frank Act, signed by then-President Barack Obama in 2010, placed very stringent regulations on the banks after the crisis in terms of liquidity and reserve capital requirements and stress tests,” Cheung notes.

“The Institute membership is recognized by the AICPA, and in New York, they know Hong Kong very well. It has helped me greatly in my U.S. career.”

While the election of Donald Trump and changes in the federal government since 2017 has seen some rollback of Dodd-Frank, New York has maintained its pro-consumer attitude, according to Cheung, who cites former superintendent of the New York State Department of financial services Maria Vullo, who left her post in February, as a driving force for bank customers. “She was very interested in consumer protection and in changing laws,” Cheung says. “The department also regulates insurance and she required medical insurers to accept some pre-existing conditions and help pregnant women.”

Abacus and beyond

When Cheung arrived in New York in the 1980s, he – like many other Hong Kong professionals who emigrated – gravitated to the historic Chinatown district of Manhattan. The area around Canal Street became an ethnic enclave in the 1870s with the first major wave of Chinese migration. Today, more than 50,000 people of Chinese descent live in the densely populated neighbourhood and thousands more work daily in its shops and offices. Across the

district, day-to-day encounters and business are conducted in Cantonese, Mandarin and a host of other languages and dialects.

“When I arrived the U.S., I worked in a local CPA firm in Chinatown and thought about adding the qualification from the American Institute of CPAs (AICPA) because I thought it would be easier to get a job as an accountant or start my own accounting practice,” Cheung recalls. “But then I found, firstly, that it’s not so easy to start a business in the Chinatown community because of the small market, and firms which had been run by Chinese accountants for around 10 years before I arrived. So after two years I switched to commerce and joined Abacus Federal Savings Bank, which serves the Chinese community.”

Secondly, Cheung found that his Institute membership was well-respected in New York. “The Institute membership is recognized by the AICPA, and in New York, they know Hong Kong very well,” he adds. “It has helped me greatly in my U.S. career.”

Cheung worked for Abacus for almost 20 years. “I joined at the very bottom as a management trainee and I learned about the operations and, because it’s a small family-owned business, the chief executive is the day-to-day manager. He trained me hands-on and I stayed there a long time.”

The role was not without its challenges. “One time in the early 1990s the bank was in a kind of crisis because it had just begun its main business of selling loans to the Federal National Mortgage Association, known as Fannie Mae,” says Cheung. “The bank was not at that time up to standard with Fannie Mae reporting requirements, and Fannie Mae was going to take away its eligibility to service loans for them if the bank didn’t change its servicing procedures.”

He worked with management to design a reporting system that was compliant. “That was an accomplishment I found interesting, and the bank went on to service US\$1 billion worth of Fannie Mae



After arriving New York in the 1980s, Joseph Cheung worked for a local CPA firm in Chinatown and then spent almost 20 years working at Abacus Federal Savings Bank, a bank founded by a group of business leaders from the Chinese American community.

ACCOUNTANT PLUS

Joseph Cheung

“I chose accounting as it had a good social standing – it’s a profession that people seek advice from, and accountants are highly valued in society. I have followed this career ever since.”



loans. After reaching that milestone, I embarked on new adventures in my career – I started and operated a small tax and mortgage loan consulting business myself,” he says. “I was an ‘enrolled agent’ – a tax advisor who is authorized by the U.S. Department of the Treasury to represent taxpayers before the Internal Revenue Service (IRS) for tax issues, including audits, collections and appeals.”

Cheung found the IRS work demanding and applied for a state government financial examiner’s job advertised in the newspapers. “In my mind, I thought I had gone in a big circle – I’ve come back to working for the government, albeit in a different territory, but that was

OK at my career stage,” he recalls. “It was a more stable and reliable career, and also one that would utilize my past working experience in banking, accounting and even in tax.”

Career development

Cheung, like many Hong Kong secondary school students of his day, assumed he would study engineering or medicine. “I thought I planned my career when I was in secondary school,” he says. “At that time I was following a science stream. I did well in the Hong Kong Certificate of Education Examinations, but because of poor health, I did not do well in the A-level examinations.”

That meant no university for a

disappointed Cheung. “I went to Hong Kong Polytechnic [before it became a university in 1994] and studied accounting,” he says. “I chose accounting as it had a good social standing – it’s a profession that people seek advice from, and accountants are highly valued in society. I have followed this career ever since.”

Cheung soon found that accounting is not about just mathematics. “It’s numbers, management and business language in the broadest sense,” he says. “After graduation, I took the professional examinations, but I did not go through the traditional path – I did not join one of the professional firms.”



Cheung studied accounting at Hong Kong Polytechnic and worked as an accounting officer for the Hong Kong government.

His first job wasn't even in accounting. "I worked in a bank as a management trainee for a few months, but knowing that the experience may not count towards getting the Hong Kong Society of Accountants membership, I switched to the Hong Kong government as an accounting officer, which was more relevant."

Cheung acknowledges that he didn't progress very far with the government because his mind was on immigration to the U.S. "I was brought up in the 1960s, and even though I was a kid, I heard about some terrible events. The riots and the bombs in Hong Kong," he recalls, referring to the 1967 civil disturbances. "Relatives told me horrible stories of hunger in China during the Cultural Revolution" – the violent 1966-76 socio-political upheaval in the Mainland. "I developed a phobia towards communism, so I had already planned to emigrate to another country. I wanted to improve myself and take on more challenges."

The Cheung family had already begun to drift from Hong Kong. "My father, operated a restaurant in the U.S., and he sponsored my visa," he says. "The whole family came over – my brothers and sisters – but they didn't stay. They went back to Hong Kong but I liked the life here and, most importantly, I met my wife and I got married here."

Staying business friendly

In the future, Cheung expects new technology to become more critical to his job. "We will be paying closer attention to virtual currencies and cybersecurity," he says, adding that the U.S. is likely to go through a period of more business-friendly regulation under the administration of President Donald Trump.

While New York state is expected to continue to emphasize consumer protection – New York state requires banks to have a "basic banking" product with no minimum deposit requirement and no or low administration costs aimed at low-income residents – state financial regulation laws tend to mirror federal laws closely, and when there is a clash, U.S. law usually takes precedence in the case of federally chartered banks.

Under current trends in Washington, D.C., Cheung expects oversight over the financial sector to loosen. "Our role has been changed to more to an advisory one, rather than as a watchdog," says Cheung. "We have taken more of the partnership role, with lighter regulation."

Cheung stresses he's not wholly opposed to putting some financial institutions on a longer leash. "Big banks really need stringent regulations but I think it's reasonable to separate the level of regulations because some rules are not relevant to smaller banks," he says. "But on the other hand," Cheung adds, "less regulation might not be good for my career."

Travelling man

Visits to Hong Kong have been less frequent over the decades, even though some of his family and friends continue to live there. "I went there last year, but I went more often when my parents were still around," he says, adding that the city has become less of a draw as its population has grown. "I feel that it is too crowded compared with 30 years ago or even 20 years ago."

Instead, Cheung follows Hong Kong events through social media. "I keep in touch through Facebook." He would rather be at his suburban home in Long Island, near Queens, a borough in New York city. "In the U.S., life is easier and less hectic," he says. "I like growing plants in my backyard and I have a pond filled with koi."

He enjoys living in New York for a few specific reasons. "It is the financial centre of the U.S. and there are plenty of employment opportunities here. I like the variety of cultures and the liberal attitude of New Yorkers. There is also good Cantonese and Hong Kong cuisine."

He also likes to travel locally. "I like driving around New York state, listening to country music, and there are a variety of scenic areas and hiking trails," he says. "Upstate," he adds, using a term New Yorkers use to describe anywhere more than about 50 kilometres north of Manhattan. One of his favourite destinations is the picturesque Niagara Falls area close to the Canadian border, about 700 kilometres northwest of New York City.



New York City and the surrounding area, including Long Island and parts of New Jersey, is home to 12 Chinatowns. The city contains the highest ethnic Chinese population of any individual city outside Asia – with upwards of 600,000 – as of 2017, according to the United States Census Bureau.

The Chief Digital Officer of the Hong Kong Productivity Council on how the workplace can enjoy the benefits of robotic process automation



How to automate office work

Imagine a robotic colleague taking up all monotonous jobs at work. This is not science fiction, but happening now.

Rather than a buzzword, robotic process automation (RPA) is a revolutionary solution that can replicate the actions of repetitive and time-consuming business processes. This is great news to the intensive industries, which require handling of abundant data inputs and analysis. Common office scenarios include an accountant inputting and processing enormous amount of financial data every day, and a customer service officer regularly generating customer data for analysis. Now, we can leave these mechanical tasks to a robot.

How does RPA actually work? Put simply, RPA uses special software to mimic a human performing tedious work. We can regard it as a software “robot” that repeats the actions of a person interacting with the computer interface. It is a rule-based solution derived from the fundamental principle of “If..., then...” as a default to the computer programming for automatic processing.

The impact of RPA

RPA could be industry-shaping. It enables a company to radically redefine not just what they do but how they work – to do more with less. From addressing particular process pain points to tactically considering the operation processes and resourcing approaches, RPA enhances productivity and competitiveness.

The tangible benefits of RPA are many. It not only reduces the need for staff to handle heavy workloads, but also accurately accelerates data processing. There may be worries about RPA putting people out of work. As I always say, the jobs of today will not be the jobs of tomorrow. While automation is affecting some roles, we are simultaneously creating more value-added opportunities, like strengthening communications with customers, exploring potential markets and enhancing customer services.

RPA can work around the clock, bringing accuracy and efficiency to high-volume and repetitive tasks. The robot can be relied on to reduce the likelihood of human errors, thus scaling up data quality. RPA also lays a foundation for integration with machine learning and artificial intelligence (AI) which an “enterprise 4.0-enabled” smart office needs.

Getting started

The efficiency and improvement of workflows make RPA impossible to ignore. However, is it feasible for a

small- and medium-sized enterprise (SME) with limited resources to embark on the RPA journey? RPA is so sufficiently developed that it requires no complicated programming, and brings as little changes as possible to avoid disturbance.

It is always good to start with seeking expert advice. The Hong Kong Productivity Council (HKPC) recently organized an RPA workshop designed to help enterprises plan and start their RPA initiatives. Upon receiving hands-on training, participants were able to map existing process and plan automated process with RPA. By leveraging RPA tools, SMEs can build a project that caters to their specific needs. The course was so well-received that we are planning to organize more. We believe that raising the knowledge bar of your staff will definitely help smooth RPA adoption.

Be a smart RPA shopper

The progress of RPA varies from company to company, depending on its technological adaptability. SMEs should reach out to RPA-focused vendors and then take into account several factors, such as user interface, experience and reputation of suppliers, as well as after-sale services. Choosing the right computer desktop robot is essential to attaining best results. The following checklist may be useful to you.

An RPA application should possess the following functions:

- Data sharing with other applications via screen scraping;
- Data sharing through an application programming interface;
- User-friendly interfaces allow users to customize application programming settings for their RPA software;
- Collect data from other programs, then decide the next step of production; and
- Compatible with AI or machine learning to facilitate flexible and pragmatic decision making.

It is worth noting that frequent change of RPA-enabled system will have an impact on its speed. So, changes or adjustments to the process should be well thought out. The volume of tasks needs to be significant enough, while data and information should be well-structured and in good shape, in order to make your RPA investment worthwhile.

All things are difficult before they are easy. If you need more information on RPA and other digital transformation solutions please visit the HKPC website.

The Chair of the International Federation of Accountants' Professional Accountants in Business Committee on why finance teams today can no longer survive as a back-office function



The CFO and finance function should be at the heart of decision-making

The remit of chief financial officers (CFOs) now extends into strategy, enterprise risk management, performance management, and communicating the story of the organization to the outside world.

To be successful and have the confidence of their board, audit committee and management colleagues the CFO needs an effective finance function.

I have spoken to many chief executive officers (CEOs) and CFOs of large companies who share the same sentiment. While they have made strides toward greater efficiency and reduced costs in the finance function, many struggle to transform it into a business-facing function that supports and enables decision-making across the organization.

This is backed up by data. The IBM Institute for Business Value's 19th *Global C-suite Study* finds that half of CFOs report their finance functions aren't as effective as they need to be. Survey data from Deloitte shows that accounting and finance professionals spend more than half (56 percent) of their time on steward and operator roles, which are not oriented towards strategic or growth goals.

In tomorrow's digital world, the CFO and finance function need to help navigate, measure and communicate what matters to long-term success and brand reputation, while meeting expectations from investors and boards for short-term performance.

To help bring attention to the need for change and provide advice, the International Federation of Accountants (IFAC) has published two reports: *A Vision for the CFO and Finance Function: From Accounting for the Balance Sheet to Accounting for the Business and Value Creation*, which sets out the future desired state for an effective finance function and *Future-Fit Accountants: CFO and Finance Function Roles for the Next Decade*, which looks at the roles that will enable finance and accounting professionals to remain integral to their organizations; and also produced an accompanying assessment tool.

Communicating the value creation story

Rapid developments in the digitization of finance, accounting, and the broader business world, are leading to efficiency gains. Fewer people are needed to support transactional and reporting tasks. More focus is now

needed on areas of opportunity, such as leveraging data and planning a path to long-term value creation through transformed business models.

Some organizations have started to make significant progress in transforming their finance functions by investing in technology and talent management. In recent meetings of the IFAC Professional Accountants in Business Committee, we have heard from various finance function leaders who are on exciting change journeys with a common destination – at the heart of decision-making.

Future profitability and long-term cash flows are the foundation of economic value creation.

The challenge for finance and accounting professionals is that the financials only tell a part of the value creation story. Value is created and destroyed beyond the balance sheet. Strategic and operational factors, often intangible and difficult to monetize, make up much of total enterprise market value. Drivers of future cash flow that represent key areas of opportunity and risk are varied and include governance and culture, social license to operate and brand reputation, innovation and intellectual property, talent and human capital, data, operational excellence and quality business processes, and customer and supplier relationships.

We call this a multi-capital approach, helping to rethink how value is created and measured over time. Boards and investors need to be given this insight from the CFO and finance function.

Being at the heart of decision-making means the finance function will spend the majority of its time interacting and communicating with the rest of the business, including sales, operations and research and development. It will be analysing and interpreting information related to all areas of value creation. It also involves providing an objective view in significant decisions and proposals.

There are significant opportunities for the finance function to shift from a transactional, reporting and compliance focus to one that guides and enables decisions across an organization. Seizing and enabling this opportunity requires a vision and a plan. I strongly believe that to be effective, the finance function needs to be an agile, integrated and customer-led function to enable the organization to deal with the opportunities and risks related to creating value for the long term.

Disclosing anti-corruption information in ESG reports – global trends and ICAC's recommendations

There is an increasing global demand for better disclosures by listed companies as stakeholders nowadays concern not only listed companies' financial performance, but also their performance in environmental, social and governance (ESG) aspects, including anti-corruption. In the international arena, some jurisdictions regulate the disclosure of ESG information through stock exchange listing rules, and some have introduced statutory amendments to codify the disclosure requirements of non-financial information. In nearly all jurisdictions where disclosure of ESG information is required, anti-corruption is one of the essential disclosure aspects.

Anti-corruption measures form a vital part of corporate governance and are thus crucial to a company's success. These measures include the means by which companies manage corruption risks and tackle corruption-related issues. Apart from the conventional financial and corporate governance reporting, quality disclosure of anti-corruption policy and information helps stakeholders, in particular investors, to understand the companies' commitment, abilities and performance in anti-corruption initiatives, and to make informed investment decisions.

In 2016, Hong Kong reached an important milestone in the enhancement of the transparency of listed companies' ESG aspects when the Hong Kong Exchanges and Clearing Limited (HKEX) upgraded its ESG reporting standards. Listed companies need to disclose, among others, information on their anti-corruption policies and compliance with relevant laws and regulations on a "comply or explain" basis, with considered reasons for non-disclosure. Moreover, listed companies are also recommended to disclose details of concluded legal cases regarding corrupt practices brought against them or their employees, and a description of their preventive measures and whistle-blowing procedures.

Anti-corruption system

Compliance with these ESG reporting requirements necessitates the implementation of a robust anti-corruption system. To assist listed companies in establishing and reviewing their anti-corruption systems, the Corruption Prevention Advisory Service (CPAS) of the Corruption Prevention Department, Independent Commission Against Corruption (ICAC) published the *Anti-Corruption Programme – A Guide for Listed Companies* (the guide), available via the CPAS web portal. The guide provides comprehensive guidance on the components of a robust anti-corruption programme.

The guide recommends best practices in anti-corruption governance with reference to international standards, including the *ISO 37001 – Anti-bribery Management Systems – Requirements with Guidance for Use*. The recommended practices relate to the following areas:

- a. **Anti-corruption laws and regulations:** major anti-corruption laws and regulations relevant to business entities, including the Prevention of Bribery Ordinance (Cap. 201), overseas anti-corruption legislations, as well as regulations relating to the prevention of corruption in listed companies.
- b. **Roles and responsibilities:** the governance framework in implementing an anti-corruption programme and the suggested roles and responsibilities of different personnel and parties in the programme.
- c. **Anti-corruption policy:** top-level commitment to ethical business practices and anti-corruption, key integrity and conduct requirements for company's personnel and business partners, the company's whistle-blowing policy, and a brief description of the corporate anti-corruption programme.
- d. **Anti-corruption programme:** key elements of the code of conduct and recommended practices for corruption

risk assessments, anti-corruption controls and integrity training.

Hong Kong's current scorecard

In 2018, to assess listed companies' performance in implementing the upgraded reporting requirements in anti-corruption, CPAS reviewed a number of ESG reports and/or annual reports for the financial year commencing in 2016. The samples covered companies with different market capitalization and in different industries listed on both the Main Board and GEM Board, reflecting the landscape of anti-corruption compliance among listed companies in Hong Kong. The major observations of the review were generally in line with those identified in HKEX's *Analysis of Environment, Social and Governance Practice Disclosure in 2016/17*. The following is a summary of the major findings of the review:

- a. **Compliance with the reporting requirements:** Although the vast majority of sampled companies disclosed information on their anti-corruption policies and compliance situations, a number of companies did not give considered reasons for non-disclosure which amounted to a breach of the Listing Rules. The review also noted that, on average, only around 75 percent of sampled companies disclosed information relating to HKEX's "recommended disclosures."
- b. **Disclosure of recommended core elements:** There was a substantial gap between listed companies' disclosures and CPAS's recommended core disclosure elements (see below). For instance, only around 40 percent of sampled listed companies disclosed information about their policies on acceptance of advantages and entertainment, and managing conflicts of interest. As for disclosures on corporate websites, only a small proportion of listed companies made the integrity requirements for directors, staff and business partners, and their whistle-

blowing policy available for reference.

c. **Quality of disclosure:** Despite their compliance with HKEX's reporting requirements, the quality of disclosures varied. While some listed companies made very good disclosures by providing comprehensive descriptions of their anti-corruption policies and compliance information, other companies appeared to adopt a "box-ticking" approach and sought only to disclose the minimum required by the HKEX. For instance, listed companies either gave a vague description on their anti-corruption policies and compliance information, or merely provided a generic statements such as "we have an anti-corruption policy" or "we have complied with all relevant laws and regulations" without further elaboration. Such statements were neither informative nor helpful to stakeholders. As far as anti-corruption policies are concerned, while it may be impractical to set out the policy in full, listed companies are expected to provide a summary of the policy and/or embed links to the related codes of conduct, guidelines, integrity requirements so as to provide useful information for stakeholders.

Recommended core disclosure elements

ICAC understands that a "box-ticking" approach may not be appropriate or effective for listed companies to decide on the information to be disclosed. Nevertheless, non-disclosure of some core anti-corruption elements could be perceived by stakeholders as lacking transparency on the information necessary for assessing the companies' performance, or of more concern, lacking controls on corruption risks. As there is no one-size-fits-all approach in ESG reporting. Listed companies (and their advisors) should assess the materiality of individual elements and the impact on the companies' operations when deciding on the anti-corruption information to be disclosed.

In light of the upgraded reporting standards and having taken into account the international practices on anti-corruption

disclosure, CPAS recommends the following five core elements of a corporate anti-corruption programme that listed companies should disclose in their ESG reports:

1. **Anti-corruption policies disclosures:** including management's zero-tolerance against corruption in Hong Kong and elsewhere, and commitment to ethical practices/standards.
2. **Corruption risk assessment disclosures:** including the impact of corruption on the key operations of the company and their materiality assessment on anti-corruption issues.
3. **Compliance with laws and regulations disclosures:** particularly those which have a significant impact on the company (including local and overseas legislations related to corruption), and the number of concluded legal cases regarding corrupt practices brought against the company or its staff, and their outcomes.
4. **Management approach and measures disclosures:** including factors concerning their execution and monitoring:
 - (i) integrity requirements for directors and staff, covering the policy on offering and acceptance of advantages and entertainment, and managing conflict of interest;
 - (ii) whistle-blowing policy, procedures and channels for reporting corruption or irregularities;
 - (iii) integrity requirements for business partners and associates;
 - (iv) corruption prevention controls on high-risk areas or procedures;
 - and (v) clear and measurable target key performance indicators set out for the forthcoming years to facilitate continuous monitoring.
5. **Capacity building disclosures:** their efforts in anti-corruption training to promote ethical business practices and awareness of directors, staff and business partners on corruption prevention, and statistics on anti-corruption training (e.g. number of participants and training hours).

Apart from disclosing the above information in ESG reports, CPAS also recommends listed companies to upload important anti-corruption policy documents to their

corporate websites, including their code of conduct for directors and staff, integrity requirements for business partners (e.g. suppliers, contractors) and whistle-blowing policy and procedures, so that the business counterparts and investing public may easily obtain this information.

CPAS is a specialized unit in the Corruption Prevention Department of the ICAC dedicated to providing professional corruption prevention advice and services to private companies, organizations and individuals. It maintains a user-friendly web portal for sharing corruption prevention knowledge and resources. As a cyber-resource centre, the CPAS web portal offers easy access to useful corruption prevention resources, such as corruption prevention guides and toolkits, case studies, quick tips and red flags. Individuals/ organizations may also subscribe to CPAS's email alert service to receive regular news and updates on corruption prevention (including newsletters, training packages). CPAS can be contacted by email: cpas@cpd.icac.org.hk, or via its hotline: 2526-6363. The hotline is available Monday to Friday, 9:00 a.m. to 6:00 p.m., with a voice message after office hours.



This article is contributed by the Independent Commission Against Corruption's Corruption Prevention Department.



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Auditing the financial statements of charitable institutions

An overview of what auditors need to keep in mind when auditing NGOs

Auditors need to be mindful of the relevant implications arising from audits of non-governmental organizations, particularly charitable institutions, whose governance structures and day-to-day operations often differ from commercial organizations. The Institute has handled a number of complaints in which the auditors failed to customize their procedures to their clients' businesses which resulted in various audit deficiencies in engagement acceptance, audit planning and audit test work.

Understanding the client

The Hong Kong Standards on Auditing require an auditor to obtain a thorough understanding of all their clients – including charitable institutions. This includes its operations, ownership and governance structures, and the internal controls relevant to the audit.

Many charitable institutions do not possess sophisticated accounting teams capable of providing support on accounting and internal control matters at a level commensurate with other organizations. It is also common that the power to govern the day-to-day operations are concentrated in a few management individuals. Therefore, it is crucial for auditors to acquire a sufficient understanding of their clients, including the internal controls in place, to properly design their audit procedures. When controls are lacking, auditors may need to amend their audit plan.

The Institute has handled past cases concerning deficiencies in this area. In one case, the auditor reviewed the prior-period audited financial statements and considered those alone would be sufficient to justify their initial acceptance of the audit engagement. There was no evidence that they had assessed other factors, including the integrity of principal owners and key management and the institution's internal controls.

Having obtained an understanding of their clients' businesses, auditors should design and perform procedures to obtain sufficient appropriate audit evidence on transactions, account balances and disclosures reflected in the financial statements.

Revenue

Revenue is one of the key accounts to be tested in an audit and for many charitable institutions, including those founded to further religious beliefs, revenue will ordinarily comprise donations and net income derived from hosting events. Auditors need to be mindful that not all charitable institutions maintain sufficient controls on how management handles donations or event income, and so auditors need to address the resulting risk of material understatement of revenue.

In a number of cases seen by the Institute, the auditors only traced selected income amounts from the ledger to the supporting documents or bank deposit slips. They failed to consider completeness and perform procedures to address the risk that some income may not have been recognized in the ledger.

To ensure high quality evidence is obtained, auditors should determine whether to test the effectiveness of controls over completeness of revenue. Auditors may also consider if it is appropriate to test the accuracy and completeness of source documents before relying on them to perform other audit procedures.

Expenditures

Auditors should understand the nature of expenditures incurred by their clients, in order to ascertain their propriety in accordance with the institutions' governance structures and other relevant requirements.

A case encountered by the Institute involving the financial statement audit of a religious organization revealed that its memorandum of association prohibited it from paying any benefit to directors. Notwithstanding, directors approved the payment of certain investment insurance, in the directors' own names, and expensed the amounts in the financial statements. The auditor merely relied on management's representations that they had been incurred in the ordinary course of operations, without performing procedures to evaluate whether these were genuine expenses.

In other situations, the auditors only checked the payment vouchers approved by

management or cheque payment slips for expenditures without acquiring a sufficient understanding of the underlying activities and checking externally-generated documents (e.g. suppliers' invoices). It is therefore hard to justify that the auditors have obtained sufficient appropriate evidence.

Related party transactions

When day-to-day management of a charitable institution is confined to a few individuals, there may be higher risks of improper segregation of interests between the institution and management. Consequently, the auditors' identification and evaluation of related party transactions is vital. In one case, the auditor inappropriately concurred with the institution's treatment of petty cash paid to the personal accounts of its directors as general prepayments – but not related party transactions.

Auditors should be sceptical about any expenditures incurred by management personnel, and evaluate whether they should instead be accounted for as related party transactions in the form of amounts due from directors, with appropriate financial statements disclosures.

Other considerations

Auditors should also be alert to the risk that charitable institutions may be prone to being used as vehicles to carry out money-laundering or other illegal activities. Members are reminded of their ethical obligations under the *Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants*, contained in the Code of Ethics for Professional Accountants, as well as other legal obligations.

Audits of the financial statements of charitable institutions are no less stringent than other audit engagements. A properly planned and executed audit can protect the public interest concerning the financial integrity of the institutions, and maintain public confidence in the profession.



This article is contributed by the Institute's Compliance Department.

The Fifth Protocol of the Mainland-Hong Kong Comprehensive Avoidance of Double Taxation Arrangement

Tracy Ho, Patrick Kwong and Kathy Kun summarize the amendments to the arrangement made under the Fifth Protocol and the implications for Hong Kong resident taxpayers

On 19 July, Mainland China and Hong Kong signed the Fifth Protocol to their Comprehensive Avoidance of Double Taxation Arrangement (CDTA). If the ratification procedures can be completed by the end of this calendar year, the amendments will be effective:

- a) In Hong Kong: for any year of assessment beginning on or after 1 April 2020;
- b) In Mainland China: for any tax period beginning on or after 1 January 2020.

Newly added article on teachers and researchers

Promoting exchanges of talents, training and co-operation among the cities within the Greater Bay Area (GBA) initiative region is considered key to further driving its development.

With this objective in mind, the new article on teachers and researchers is added to the CDTA. This is Hong Kong's second CDTA containing such an article (the other being with Saudi Arabia).

Under this new article, a qualified teacher or researcher, who is employed in Hong Kong or Mainland China and engages in teaching and research activities at a recognized educational and research institution in the other jurisdiction, shall be exempt from taxation by that jurisdiction for a period of three years, provided that the relevant income has been subject to tax where the person concerned is employed.

To qualify for the tax exemption under the new article, a teacher or researcher must be, or immediately before taking their cross-border assignment, a resident person of the other jurisdiction. This tax exemption is not subject to the normal

condition that their presence in the jurisdiction where they are employed must be not more than 183 days within any 12-month period.

To avoid double non-taxation, one of the tax exemption conditions specified in the new article is that "the relevant income has been subject to tax on the side where the person concerned is employed". Given this, to facilitate a qualified teacher or researcher from Hong Kong to qualify for the tax exemption in Mainland China, new provisions have earlier been added to sections 8(1A)(b) and 8(1AB) of the Inland Revenue Ordinance. The provisions ensure that they will not be exempt from tax in Hong Kong even though during a year of assessment concerned, they render their services wholly outside Hong Kong.

Introducing provisions to prevent tax treaty abuse in accordance with the latest international standards

Emphasizing the CDTA is not intended to create opportunities for non-taxation or reduced taxation

The Fifth Protocol replaces the original preamble of the CDTA with a version that aligns with the language recommended under the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting Action 6 Final Report (preventing treaty abuse).

The revised preamble explicitly states that the intention of the CDTA is also not to create opportunities for non-taxation or reduced taxation through tax evasion or avoidance. Specifically, it is intended to deny treaty-shopping arrangements aimed at obtaining reliefs provided in the CDTA for the indirect benefit of residents of a third state.

Dual residence of a non-individual entity to be resolved by mutual agreement

Under the Resident Article (Article 4) of the existing CDTA, the dual residence of an entity other than an individual (e.g. companies and partnerships) (i.e. a legal entity) is addressed by a tie-breaker rule that deems the entity to be a resident of the jurisdiction in which its place of effective management is situated.

The Fifth Protocol replaces this with a mutual agreement approach. If a legal entity is a dual resident of both territories the authorities shall endeavor to determine, by mutual agreement, the place of residence of the legal entity. The determination shall consider the place of effective management of the entity, the place where the entity was incorporated or otherwise constituted and any other relevant factors. In the absence of such agreement, an entity shall not be entitled to any relief or exemption from tax provided by the CDTA except that agreed by the authorities of the two territories.

Lower dependent agency permanent establishment threshold

Currently, paragraph 5 of the Permanent Establishment Article (Article 5) of the CDTA provides that where a dependent agent of an enterprise of one jurisdiction habitually acts on the enterprise's behalf and has, and habitually exercises, an authority to conclude contracts in the name of the enterprise in the other jurisdiction, that enterprise will be deemed to have a dependent agent permanent establishment (DAPE) there.

The Fifth Protocol adds a provision for a dependent agent who "habitually plays the principal role leading to the conclusion of contracts that are routinely

concluded without material modification by the enterprise" to constitute a DAPE. The existence of a DAPE from one jurisdiction in the other would thereby create tax liabilities.

In this context, the Fifth Protocol also explicitly states that contracts can be in respect of (i) the transfer of the ownership of, or for the granting of the right to use, property owned by that enterprise or that the enterprise has the right to use, or (ii) the provision of services by that enterprise.

Furthermore, the Fifth Protocol also broadens the circumstances under which an agent will be considered as a dependent agent, thereby constituting a DAPE. Currently, it is only where the activities of an agent are "wholly or almost wholly performed on behalf of an enterprise of a contracting party" will such an agent be considered as a dependent agent. Under the Fifth Protocol, an agent acting "exclusively or almost exclusively on behalf of one or more enterprises to which the agent is closely related", will be considered as a dependent agent.

The term "closely related" is defined as follows: "based on all the relevant facts and circumstances, one [party] has control of the other or both are under the control of the same persons or enterprises."

Disposal of shares or comparable interests in a land-rich entity

Unlike Hong Kong, capital gains are taxable in Mainland China. As such, a resident of Hong Kong who disposes of shares in a "land-rich" Mainland China company is liable to tax and will not be exempt from this tax under the existing CDTA.

The Fifth Protocol now explicitly states that the taxing rights of Mainland China in this regard will not be confined to shares in a company, but will also include comparable interests in other entities such as partnerships and trusts.

Nonetheless, the definition of a "land-

rich" entity is slightly relaxed under the Fifth Protocol from "50 percent or more" of the underlying assets of an entity being immovable property situated in Mainland China, to "more than 50 percent".

Introduction of principal purpose test to deny entitlement to tax benefits otherwise obtained

The current specific provision for anti-treaty abuse, "the main purpose" test, only covers dividends, interest, royalties and capital gains. This test denies tax benefits available under the CDTA when the main purpose of an arrangement or transaction is to obtain a tax benefit.

The Fifth Protocol replaces the specific provision of "the main purpose" test with a general provision for anti-treaty abuse, i.e. a principle purpose test (PPT) that applies to all the articles of the CDTA. Tax benefits otherwise granted under the CDTA will be denied where it is reasonable to conclude that one of the principal purposes of an arrangement or transaction is to secure such a benefit.

Commentary

The new article on teachers and researchers should help the GBA initiative by facilitating exchanges of talents, training and co-operation by providing tax relief and certainty.

With the lower DAPE threshold under the Fifth Protocol, Hong Kong resident enterprises that rely on persons in Mainland China to undertake certain activities before they enter into business contracts inside or outside Mainland China, may need to reassess their situations. The activities of those persons may exceed the lower DAPE threshold and thus expose them to taxation in Mainland China.

Conceivably, the general anti-abuse provision of the PPT would be more difficult to satisfy than the previous specific

provision of "the main purpose" test. As such, taxpayers who have engaged, or plan to, in any tax arrangements involving the CDTA should review their situations to ascertain whether they will satisfy the new, more onerous, PPT.

At this stage, it is not clear what the practical impact of the resolution of the dual residence of a legal entity by way of the more subjective process of mutual agreement will be.

Currently, a Hong Kong taxpayer who seeks to obtain a tax benefit in Mainland China under the CDTA will normally be required to produce a Certificate of Residence (CoR) issued by the Inland Revenue Department (IRD). The CoR confirms that they are a resident of Hong Kong, and failure to obtain a CoR would generally mean that such a taxpayer would be unable to obtain a tax benefit under the CDTA.

The IRD's current processing of a CoR applications also involves an element of subjectivity. In addition to examining whether an applicant satisfies the definition of a Hong Kong resident, the IRD would also take into consideration whether, the applicant is abusing the terms of the CDTA and, if so, would refuse to issue a CoR.

It remains unclear how the other anti-abuse provisions introduced would add to the current subjectivity of the process. Where necessary, taxpayers should seek professional tax advice.



Tracy Ho is Asia-Pacific Business Tax Services Leader at EY. **Patrick Kwong** is Executive Director, and **Kathy Kun** is Senior Manager, of EY Tax Services

TECHWATCH 203

The latest standards and technical developments

Local updates

Institute submission

The Institute commented on International Accounting Standards Board (IASB) Exposure Draft ED/2019/2 *Annual Improvements to IFRS Standards 2018-2020*.

Invitations to comment

The Institute is seeking comments on:

- IASB Exposure Draft ED/2019/5 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* by 14 October.
- IASB Exposure Draft ED/2019/6 *Disclosure of Accounting Policies* by 11 October.
- International Ethics Standards Board for Accountants (IESBA) Exposure Draft *Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants* by 30 September.

Feature articles on ethical risks faced by professional accountants

The Hong Kong Business Ethics Development Centre has developed a series of feature articles highlighting the ethical risks faced by external auditors, internal auditors, financial accountants and management accountants respectively, and also the legal obligations and professional principles they should pay heed to in tackling ethical challenges.

International updates

Ethics

IESBA role and mindset expected of professional accountants webinar

IFRS update

The IASB held an additional meeting on 28 August to discuss phase one of its interest rate benchmark reform project, which focuses on financial reporting

issues in the period before current interest rate benchmarks are replaced with alternative rates. August 2019 IASB update and podcast provide summaries of this meeting. In August, the IASB also added phase two of the project to its work plan, which will focus on potential financial reporting issues once the existing rate is replaced with an alternative rate.

Professional accountants in business

Future-fit accountants in business

With more demanding customers and societal expectations, achieving long-term value creation and success has never been more challenging for businesses. In a changing and uncertain business environment, chief financial officers (CFOs) and finance functions of today and tomorrow need to provide information and analysis that support decisions about all aspects of an organization's business model and value creation.

To help drive a future-ready professional accountant in business (PAIB), International Federation of Accountants (IFAC) has launched a "Future-fit" content series, which includes:

- A vision for the CFO and finance function;
- Future-fit accounting roles for the next decade; and
- An evaluation tool to help guide organizations in finance function transformation.

Read the IFAC press release for detail. PAIBs are encouraged to read through the series.

Small and medium practices

Digital Competency Survey – share your experience and views

Small- and medium-sized practices (SMPs) are invited to participate in the

Digital Competency Survey by 4 October, which should take about 10 minutes to complete. The objective of the survey is to gain insight into the digital competency level of SMPs in Hong Kong. The results will be used by the Institute in its planning and developing of initiatives to assist SMPs in enhancing their digital competency.

Corporate finance

HKEX publishes consultation paper on codification of general waivers and principles relating to IPOs and listed issuers

On 2 August, Hong Kong Exchanges and Clearing (HKEX) released a consultation paper to seek views on the proposed codification of general waivers and principles relating to initial public offerings (IPOs) and listed issuers, as well as minor amendments to the Listing Rules (the rules). Please refer to the press release for details.

The aim is to (i) improve clarity of the rules; (ii) ensure the rules reflect currently acceptable standards in the market place; and (iii) codify a number of administrative provisions that are currently provided in its guidance letters or listing decisions.

The Institute would like to draw members' attention, in particular, to question 11 of the consultation paper, which concerns the experience and qualification of the company secretary. HKEX is proposing to codify into the rules that it may grant a Main Board Rule 3.28 waiver to an issuer to appoint a company secretary without the relevant required qualification and/or experience after taking into account the following conditions:

- Whether the issuer has principal business activities primarily outside Hong Kong;
- The reasons why the directors consider

the individual to be suitable to act as the issuer's company secretary; and
(iii) Whether the proposed company secretary will be assisted by a qualified person throughout a period of not more than three years, the length of which may depend on factors as discussed in paragraph 70 of the consultation paper.

HKEX consults market on proposed microstructure enhancements in the securities market

HKEX published a consultation paper on 16 August on proposed enhancements to the Pre-opening Session (POS) and Volatility Control Mechanism (VCM) in the securities market. Please refer to the press release for details.

The proposed enhancements on the POS auction mechanism include:

- Adjusting securities coverage to include all equities and funds;
- Introducing randomized auction matching;
- Allowing at-auction limit orders throughout POS;
- Allowing short selling orders with a price not lower than the previous closing price; and
- Setting a two-stage price limit — apply a fixed ± 15 percent price limit with reference to the previous closing price during order input period, followed by a second stage price during no cancellation and random matching periods, in which order prices will be limited to within the lowest ask and highest bid prices recorded at the end of order input period.

In addition, the HKEX also seeks views on the following VCM enhancements in the securities market:

- Expanding VCM stock coverage from constituent stocks of the Hang Seng Index and Hang Seng China Enterprises Index (80+ stocks) to constituent stocks of Hang Seng Composite LargeCap,

MidCap and SmallCap Indexes (total of nearly 500 stocks);

- Applying a tiered structure of triggering thresholds at ± 10 percent, ± 15 percent, and ± 20 percent to the last traded price five minutes before respectively for the constituent stocks of the three Hang Seng Composite Indexes; and
- Allowing multiple triggers per trading session for each VCM stock.

Taxation

Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- A webpage on transfer pricing documentation has been set up to explain the requirements in relation to master file and local file, and the Inland Revenue Department's (IRD) approach to ensure compliance with the requirements.
- The IRD's penalty policy webpage has been updated to cover double taxation relief, exchange of information, transfer pricing requirements, etc.
- Financial Secretary announces measures to support enterprises and residents.
- Updated tax guide for charitable institutions and trusts of a public character.
- List of qualifying debt instruments (as at 30 June).
- Stamp duty statistics (July).

Legislation and other initiatives

Anti-money laundering news

The Financial Action Task Force (FATF) has published the anti-money laundering/counter-terrorist financing (AML/CTF) *Mutual Evaluation Report on Hong Kong*. The government has issued a press release, which notes that Hong Kong's AML/CTF regime is assessed to be

compliant and effective overall, making it the first jurisdiction in the Asia-Pacific region to have achieved an overall compliant result in the current round of FATF evaluations.

AML notices

For the current lists of terrorists, terrorist associates and relevant persons/entities under United Nations (UN) sanctions, members should refer to the Institute's AML webpage which is updated regularly. The UN sanctions webpage of the Commerce and Economic Development Bureau contains consolidated lists of the sanctions currently in force in Hong Kong.

AML/CTF guidance

For mandatory guidelines and information from the Institute on the AML/CTF requirements for members, see the Institute's *Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants*.

Members who are licensed to provide trust or company services should see the *Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers*, issued by the 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 the money laundering/terrorist financing risks and vulnerabilities in the Hong Kong market.



Please refer to the full version of TechWatch 203, available as a PDF on the Institute's website: www.hkicpa.org.hk



GREEN THUMBS



Karen Yip (left) and Kitson Fan (right) taking care of their firm's rooftop farm, on top of Manulife Financial Centre, in Kwun Tong.

With urban farms taking root on top of Hong Kong's cramped quarters, more companies and individuals recognize that vegetables can thrive in the middle of a metropolis. CPAs and a student tell [Jeremy Chan](#) what they enjoy most about urban farming

Photography by Leslie Montgomery

It's early morning, and Karen Yip has just started the day by watering various crops. She takes her time, and slowly makes her way around large, square planter boxes, spraying water on choy sum and lettuce. She looks down at the vegetables, noticing how much they have grown since a few days ago. Minutes later, she is seated at her desk in the office.

The building she works in features a rooftop farm. "When I'm tired, I step out of the office and water the plants to refresh my mind," says Yip, IT and Operations Manager at PwC. "It's helpful during a long day at work and especially during peak season."

There are currently more than 60 urban farms in Hong Kong which can be found on the top floor or in open areas of office buildings and educational institutions. The farms tend to be installed by urban farming enterprises that seek to bring sustainable agriculture and more green spaces to the city. A study by Texas A&M University found being around plants, indoors or out, improves work quality and accuracy as well as improves concentration and memory by up to 20 percent. In addition to the organic produce which is grown, urban farms grow something else – a sense of community and belonging among employees. Those who take care of the farm, including CPAs, are generally happier and appreciate the opportunity to be part of a cause outside of – and yet only accessible – at work.

An organic oasis

Yip is one of more than 50 volunteers at her firm who actively takes care of the rooftop farm, located at Manulife Financial Centre in Hong Kong's Kwun Tong district, and has done so since 2015. She began maintaining the farm after the former head of her department asked Rooftop Republic, a local urban farming organization, to set it up.

She and other employees would attend workshops held by the organization to learn the basics such how often to water crops, when to harvest them, and more advanced farming techniques such as how to make pesticides using all-natural ingredients. "We mix ground chilies, garlic and water, and spray this on the leaves," Yip says. "We need to apply it once every two weeks otherwise insects will eat the plants and vegetables. It keeps them away but doesn't harm them."

The team grow different vegetables depending on the season, such as sweet potatoes and basil in spring and summer, and carrots, eggplant, spinach, lettuce and strawberries in the cooler months. "We like planting choy sum and lettuce as they only take around one or two months to grow," she adds. Other vegetables, such as beetroot, require two months, and sweet potatoes may require up to four months to grow.

Kitson Fan, Audit Manager at PwC and an Institute member, also helps to take care of the rooftop farm. He says growing

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certain vegetables requires around-the-clock care from a small team of employees at the firm. While this is an added responsibility at work, Fan willingly takes time out of his day to help water the plants. “I like dedicating my office breaks to doing a bit of farming – all I have to do is go three floors up and water the plants, so I water them before work and during lunch,” he says. “You have to remain committed to taking care of these plants. They’re a bit like your children.”

He says the members of the team take turns to water the plants on a daily basis. They make sure this is done by communicating with each other through a WhatsApp group. “We water the plants extra before the weekend as we might not have the manpower to help during then,” Yip adds. But some, like Yip, don’t mind commuting to work on some weekend mornings just to maintain the farm. “My two girls, who are four and 11, love the outdoors so I once brought them to water and even harvest the plants,” she says. “They were so excited to help.”

Rooftop farming is a relatively new concept in Hong Kong. Companies first need to seek approval from the building’s management before growing crops. Factors such as size and weight are considered, and a certificate must be issued by a registered professional engineer, following a loading assessment, declaring the area fit for use. “We proposed the idea of setting up a rooftop farm to the building management and they were quite open to the idea,” says Yip.

With each harvest comes a time for sharing. “After a harvest, we leave the vegetables in the pantry so our people can bring them home after work,” she says. “Sometimes, we get together to eat strawberries we just harvested.” Fan always feels

a sense of achievement when he tastes the vegetables grown on the farm. “It’s a completely different experience from eating food bought from the market,” he says.

The farm is also a platform for employees to network. “Many of our people from different departments and branches were surprised to find out around the rooftop farm, so I started getting calls and emails about it. I eventually brought many of them to visit the farm,” Yip says. “The rooftop farm has given our people another reason to get more sunshine even when it’s hot. We all observe and talk about how much the plants have grown and also take turns to water them. It’s helped us to bond.”

Yip and Fan both look forward to more years of farming, and also growing beetroot and new vegetables such as kohlrabi, or German turnip. “We feel fortunate to have our own organic rooftop farm right at our workplace,” says Fan.

Staying sustainable

Sally Ip never imagined that she would enjoy gardening. In her second year at the University of Hong Kong, she moved into one of the newly-built student residential halls near the campus. “Each hall had its own theme, and ours was sustainability,” she says. To reflect the theme, the university dedicated a small area near the entrance of the hall to a plot of plants and vegetables. But as Ip remembers, it was poorly maintained.

“The students living in the hall didn’t really take care of the farm, especially during exam periods. Many were gone during the summer holidays as well,” says Ip, Fund Accountant at Langham Hall, and a student enrolled in the Institute’s Qualification Programme (QP). “Luckily, there were always

a few PhD students who were always there to water the plants, but even they were too busy sometimes.”

Ip, who majored in accounting and finance, would water the plants whenever she could, and also asked friends to help out. The following year, she decided to form a farming group made up of hall residents and passionate students, and almost 70 joined. She got in touch with the founder of urban farming organization Wildroots Organic, Fai Hui, and began hosting training workshops alongside Hui, teaching the members when to water the plants and how to harvest them. She also created a roster and assigned different members to water the plants at certain times. Their efforts paid off, and they were able to revive the farm. “We grew coriander, cherry tomatoes, lettuce, cucumber and even eggplant,” she says.

Ip and a few members of the group also began creating compost by collecting food waste such as bread, leftover vegetables and fruit peel from all of the hall kitchens and transferred it to a composting bin. “It was shocking to see how much food waste there was,” she says. The waste would require three months to compost, which Ip and her team would add to existing soil. “We needed to give the compost a stir every once in a while. It took a bit of work, and it didn’t smell that great either – even with a mask on. I only realized how committed to farming I was when I got involved with composting,” she jokes.

A good portion of the fruits and vegetables from each harvest were wrapped and placed in a box near the hall’s lift lobby. “We gave some of it to the security guards and janitors who worked in the hall,” Ip says. Those who helped with the harvest also got to keep



Being around plants, indoors or out, improves work quality and accuracy as well as improves concentration and memory by up to 20 percent, according to a study by Texas A&M University.



Sally Ip harvests okra from the farm owned by Wildroots Organic, in Sheung Shui.



their share of produce, and once in a while, the team would get together for a well-deserved meal. “Once, we organized a hot pot dinner using all the vegetables we grew,” she says. “It always feels good to reward yourself with a meal after all the hard work – and the lettuce we grew was fresher and crispier than the ones bought from the supermarket.”

During her final year in university, she was asked by Wildroots Organic if she wanted to help out at their farm in Sheung Shui, located in the New Territories, in her spare time. She was excited about working on a larger farm, and took on the tasks of managing both the hall’s

farm and a farm owned by the organization.

Ip now lives on Hong Kong Island and travels to the farm on the weekends, two hours away. Her love for the outdoors keeps her unfazed by the long journey. “I might spend half a day there, and even stay longer during autumn and winter. I don’t have my own patch of land, so I help with the crops they are growing,” she says. They grow water spinach, okra, eggplant, winter melon and herbs such as mint during warmer months, and carrots, chilies, kale, Swiss chard and herbs such as coriander in the winter. “When I’m farming there, I can hear the birds

sing and that really helps me to relax. For me, farming is an active form of meditation.”

She encourages those interested in or curious about farming to start by taking care of small plant. “You can try growing a plant at home, or even at the office – you can grow herbs such as mint right next to a window,” she says. “A colleague of mine planted a cherry tomato seed and managed to grow a seedling.”

Ip wants to continue farming but is now more focused on passing an important paper – the QP final exam. “I’ll be taking the exam in December, so that means taking a break from farming to study for it!”



Welcome to Success

QP Graduates – June 2019 Session

The Institute is pleased to announce that 1006 QP candidates successfully completed the Qualification Programme in the June 2019 Session. The list of graduates is as below.

AI, Yifan	CHAN, Pui Hei	CHEUNG, Chi Ho	CHU, Chun Him	HAN, Danyang	KAN, Ho Hin	LAM, Ping
AU YEUNG, Lok Kwan	CHAN, Pui Kin	CHEUNG, Chi Wai	CHU, Hau Ling	HAU SHAM, Karina Ming	KAN, Wing Sze	LAM, Shuk Kwan
AU, Hoi Chi	CHAN, Sheung Ling	CHEUNG, Chung Hang	CHU, Ho Him	Chu	KAN, Yuet Yan	LAM, Siu Ki
AU, Hok Man	CHAN, Sin Yi Cindy	CHEUNG, Chung Yin	CHU, Ka Wing	HE, Qi Wen	KEI, Chi Fai	LAM, So Fan
AU, Kin Cheung	CHAN, Sin Ying	CHEUNG, Ho Yeung	CHU, Kwun Hin	HE, Qing	KI, Hong	LAM, Sze Wai
AU, Lok Ching	CHAN, Sui Man	CHEUNG, Hoi Ching	CHU, Kwun Ting	HE, Yi	KIU, Hei Ting	LAM, Sze Wing
AU, Po Yee	CHAN, Sun Yin	CHEUNG, Hoi Ling Cindy	CHU, Lai Mai	HO, Cheuk Man	KO, Lok Yi	LAM, Tik Joseph
AU, Tridy Man Hin	CHAN, Sze Ping	CHEUNG, Ka Miu Joey	CHU, Mei Ngor	HO, Cheuk Wing	KONG, Pak Yin	LAM, Tsui Yan
AU, Wing Yan	CHAN, Sze Wai	CHEUNG, Ka Sin	CHU, Sin Yee	HO, Chun Sing	KONG, Wei Quan	LAM, Tsz Him
AU, Yi Yin	CHAN, Tik Sang	CHEUNG, Ka Yan Carrie	CHU, Siu Ling	HO, Chun Wah	KONG-WONG, Kody	LAM, Tsz Kwan
AU-YANG, Tai Yin Ian	CHAN, Ting Ngai	CHEUNG, Kai Chung	CHUA, Han Fang Jacqueline	HO, Chung Yan	KOO, Hiu Tung	LAM, Tsz Yuen
AU-YEUNG, Sum Tik	CHAN, Ting Yi	CHEUNG, Kai Ho	CHUA, Wing Yee	HO, Edison	KUAN, Lai Fan	LAM, Wai Lung
CAO, Minhua	CHAN, Tsz Ching	CHEUNG, Kam Pui	CHUAH, Xin Yin	HO, Fuk Wing	KUANG, Jiali	LAM, Wang Chris
CAO, Weijie	CHAN, Tsz Hin	CHEUNG, Man King	CHUI, Ka Kit	HO, Hang Ching	KWAN, Chung Yan	LAM, Wing Lun Andy
CAO, Ziyu	CHAN, Tsz Kwan	CHEUNG, Maximilian Shiban	CHUI, Ka Yee	HO, Hau Kei	KWAN, Kwun Yu	LAM, Wing Tung
CHAK, Kin Fai	CHAN, Wai Chi	CHEUNG, Shi Leuk	CHUNG, Ho Leung	HO, Ka Yan	KWAN, Sheung Yin	LAM, Yat Fung
CHAN, Cham Ho	CHAN, Wai Chong	CHEUNG, Shuk Yi	CHUNG, Hoi Lam	HO, Ka Yan	KWAN, Sin Hei	LAM, Yat Sze
CHAN, Chau Yi	CHAN, Wai Nam Christy	CHEUNG, Siu Hung Jenny	CHUNG, King Tai	HO, Kai Yan	KWAN, Wing Man	LAM, Yee Kei
CHAN, Cheuk Fung	CHAN, Wai Nok	CHEUNG, So So	CHUNG, Lam Fung	HO, Kwan Ho	KWAN, Yuen Lam	LAM, Yim Man
CHAN, Chi Ching	CHAN, Wai Sun	CHEUNG, Sze Chung	CHUNG, Long Fung	HO, Ngai Wun	KWOK, Chase	LAM, Yin Chun
CHAN, Chi Kin	CHAN, Wai Yuen	CHEUNG, Sze Mun	CHUNG, Man Hin	HO, Samantha Hill-taong	KWOK, Chun Hong	LAM, Yui Ki
CHAN, Chi Ming	CHAN, Wing Lam	CHEUNG, Tsz Kit	CHUNG, Ming Yan	HO, Siu Long	KWOK, Chun Sen	LAU, Bernice Zi Ning
CHAN, Ching Ying	CHAN, Wing Lam	CHEUNG, Tsz Ying	CHUNG, Pui Shan	HO, Tiffany Sze-wing	KWOK, Chun Yin	LAU, Cheuk Yin
CHAN, Chun Hin	CHAN, Wing Man	CHEUNG, Wing Sum	CHUNG, Sze Pui Celia	HO, Tin Sum Sam	KWOK, Harry Sze Chun	LAU, Chi Shing
CHAN, Donald Yam Fung	CHAN, Wing Yan	CHEUNG, Yat Wai	CHUNG, Wai Ying	HO, Tsz Yan	KWOK, Hau Lam	LAU, Chit
CHAN, Fanny Tsoi Shan	CHAN, Wing Yi Tiffany	CHEUNG, Yiu Man	CHUNG, Wing	HO, Tsz Yeung	KWOK, Hiu Shuen	LAU, Cho Shan
CHAN, Hin Fung	CHAN, Wun Ling	CHEUNG, Yuk Han	CHUNG, Wing Ting	HO, Wai Sum	KWOK, Kelvin	LAU, Chun Yin
CHAN, Hiu Fung	CHAN, Yee Nok	CHIANG, Hang Yi	CHUNG, Ying Wai	HO, Wing Sze	KWOK, Marlon Kaway	LAU, Chung Hang
CHAN, Hiu Kwan	CHAN, Yick Lam Yonny	CHIK, Yan Yin	CHUNG, Yuk Sin	HO, Woon	KWOK, Nam San	LAU, Hin Chung
CHAN, Hiu Lam	CHAN, Yu Kan	CHIN, Hoi Ching	COLE, Jennifer Tiffany	HO, Yuk Wun	KWOK, Ngan Hon	LAU, Hiu Ping
CHAN, Hiu Tung	CHAN, Yuk Sze	CHIN, Ka Chun Adam	CONNOR, Jackie Ann	HOI, Ka Ki	KWOK, Samson Chun Wai	LAU, Hoi Lung
CHAN, Hiu Tung	CHANG, Xiaozhe	CHIN-TEN-KWIE Lie Gary	DELOS SANTOS, Katty Hui	HON, Ka Ki	KWOK, Tsz Kin	LAU, Ka Wa
CHAN, Ho Ming	CHAU, Chiu Yee	CHIU, Chi Tung	DENG, Jiayu	HON, Tung Lam	KWOK, Yin Kai	LAU, Kai Tung Justin
CHAN, Ho Nam Michael	CHAU, Chung Yin	CHIU, Ho Chung	DENG, Xiaomeng	HON, Yuen Foon	KWONG, Ka Yan	LAU, Kai Wing
CHAN, Ho Yan	CHAU, Gi Yeng	CHIU, Hoi Kiu	DING, Chuchu	HONG, Danfeng	KWONG, Lai Tung	LAU, Sai Fai
CHAN, Ho Yan Grace	CHAU, Ka Ming	CHIU, Hok Ki	DING, Qi	HSU, Hiu Yee	KWONG, Mei Yuk	LAU, Sau Ting
CHAN, Ho Yee	CHAU, Tan Ping	CHIU, Lok Yi	DONG, Junxian	HUI, Jingwen	KWONG, Wing Tung	LAU, Shue Him Frankie
CHAN, Hoi Man	CHAU, Tsz Yan	CHIU, Long Yin	FAN, Chau Ying	HUANG, Danqi	LAI, Cheong Man	LAU, Shuk Wan
CHAN, Hoi Wan	CHEN, Hang	CHIU, Nga Ming	FAN, Ka Kei	HUANG, Furong	LAI, Chi Kit	LAU, Sin Ling Betty
CHAN, Jet Ying	CHEN, Haoxin	CHIU, Wai Lok	FAN, Yiqiu	HUANG, Ruoxi	LAI, Ho Kei	LAU, Siu Yin
CHAN, Ka Ka Vivian	CHEN, Hui	CHIU, Yung Crystal	FANG, Xinyu	HUANG, Shiyan	LAI, Ka Chun	LAU, Sze Wai
CHAN, Ka Kei	CHEN, Lifu	CHOI, Hiu Lam	FENG, Suyun	HUANG, Shuangfeng	LAI, Kit Long	LAU, Tak Man
CHAN, Ka Lai	CHEN, Lin	CHOI, Keith Ki Fung	FOK, Ting Kwok	HUANG, Wanyi	LAI, Liuqing	LAU, Tsz Sum
CHAN, Ka Po	CHEN, Lucia Quan Zi	CHOI, Lai Sheung Sarah	FONG, Ka Man	HUANG, Yujun	LAI, Lorraine Marie	LAU, Wai Shun
CHAN, Kin Sun	CHEN, Tak Shing Daniel	CHOI, Man Lung	FOO, Fang Ling	HUEN, Felix Ting Cheung	LAI, Sin Yi	LAU, Wai Tat
CHAN, Kit Fung	CHEN, Xin	CHOI, Suet Wai	FU, Chun Lung	HUI, Nicholas Sau-Lun	LAI, Sing Ho	LAU, Wing Ho
CHAN, Kwok Kuen	CHEN, Yat Hung	CHOI, Yan Ting	FU, Fung Ling	HUI, Shu Ki	LAI, Tsz Yan	LAU, Wing Kwan
CHAN, Lai Fong	CHEN, Yating	CHOI, Yuen To	FU, Jie	HUI, Tsoi Yi Joyce	LAI, Wai Lun	LAU, Wing Ming
CHAN, Leticia L. S.	CHEN, Yili	CHONG, King Son Derek	FU, Tsz Kin	HUI, Wai Chang	LAI, Wai Man	LAU, Wing Tung
CHAN, Lit Ting	CHEN, Ziqi	CHONG, Wai Lam	FUNG, Cheuk Yee	HUI, Wai Leung	LAI, Wan Ting	LAW, Chelsea
CHAN, Lok Ning	CHENG, Fong Wing Derek	CHONG, Wing Ting	FUNG, Cheuk Ying Kitty	HUNG, Chi Chuen	LAI, Wing Kin	LAW, Kwun Fung
CHAN, Lung	CHENG, Hiu Fung	CHOW, Chung Lam	FUNG, Hiu Nam	HUNG, Ching Wai Vivian	LAI, Yu Ting	LAW, Lok Yi
CHAN, Man Ki	CHENG, Hiu Yin	CHOW, Hiu Kwan	FUNG, King Ho	HUNG, Ka Mei	LAM, Chau Yat	LAW, Pui Ying
CHAN, Man Man Angel	CHENG, Ho Yin	CHOW, Kwok Kei	FUNG, Ming Kit	HUNG, Lung Man	LAM, Ching Yee	LAW, Selena Hong Ching
CHAN, Man Tung	CHENG, Hung Chun	CHOW, Ping Sun	FUNG, Tsz Fung	HUNG, Mei Ling	LAM, Chun Kit Jackie	LAW, Tsz Ching
CHAN, Man Yee	CHENG, Kai Yan	CHOW, Po Yee	FUNG, Wing Tak	HUNG, Vanessa Huang	LAM, Jeff Tsz Fung	LAW, Tsz Ying
CHAN, Mau Nam	CHENG, Link Michael	CHOW, Pui Ying	FUNG, Yan Yan	HUNG, Wing Yee	LAM, Chung Yan	LEE, Chi Kei
CHAN, Mei Po	CHENG, Sum Yi	CHOW, Sin Fan	FUNG, Yin Man	HUO, Yuheng	LAM, Hei Tung	LEE, Chingyu
CHAN, Mei Yi Koei	CHENG, Tsoek Wing Winnie	CHOW, Tsz Wa	GAO, Jia	IP, Virginia	LAM, Lap Fai	LEE, Chun Ting
CHAN, Miu Mei	CHENG, Tsoi Yan	CHOW, Wang Chun	GAO, Shan	IP, Wan Yee	LAM, Ho Shan	LEE, Fung Ha
CHAN, Nga Sze	CHENG, Wing Sing	CHOW, Wing Sang	GAO, Zhan	JIANG, Minjie	LAM, Hung Leuk	LEE, Hiu Lam
CHAN, Ngo Yin	CHENG, Wing Sze Vincy	CHOW, Wui Man	GU, Run	JIANG, Ziyao	LAM, Ka Lai	LEE, Hiu Tung
CHAN, Nok Ting	CHENG, Yiu Tung	CHOW, Yuk Ying	GU, Siyang	JIAO, Yingjie	LAM, Lap Fai	LEE, Hoi Lun Florence
CHAN, Pik Sum	CHENG, Yu Ying	CHOY, Tak Yun	GUO, Ka	JIN, Huan	LAM, Lok Hei Evelyn	LEE, Jason Ka Wai
CHAN, Ping Hung	CHENG, Yuet Sen	CHOY, Wai Lok	GUO, Zelia	KAM, Ka Yeung	LAM, Lok Sze	LEE, Ka Man
CHAN, Po Yee	CHEONG, Hon Kit Kristen	CHOY, Wing Ki	GURUNG, Dorjee	KAM, Tsz Ho Jeffrey	LAM, Ming Shen	LEE, Ka Wing
CHAN, Pui Fan	CHEUNG, Cheuk Tung	CHOY, Yuen Yan	HA, Tsz Hin	KAN, Hiu Nam	LAM, Nga Tung	LEE, Kin Man





**Hong Kong's
CPA Qualification**
香港會計師專業資格

LEE, King Ting	LI, Qingxue	MAK, Wai Kit	SEE, Ting Ting	TO, Wing Yee	WONG, Kei	YEUNG, Ka Ying
LEE, Kwun Yik	LI, San Ming	MAK, Wai Kiu	SHEK, Tsun Ho	TONG, Chung Hang Ambrose	WONG, Ki Kwan	YEUNG, Lai Ting
LEE, Linton	LI, Shuyuan	MAN, Chi Ho	SHIH, Ting-huan	TONG, Ka Man	WONG, King Yim	YEUNG, Po Ling
LEE, Long Tat	LI, Ting Yan	MAN, Siu Wai	SHIH, Wing Mei	TONG, Min Kwok	WONG, Lai Sin	YEUNG, Shuk Mei
LEE, Ming Yan	LI, Wenwen	MAO, Yingjing	SHIH, Y Y Felix	TONG, Ngo Ting	WONG, Lik	YEUNG, Sin Ching
LEE, Monica Yuk-man	LI, Xueyang	MAU, Man Sze	SHIU, Hoi Ying	TONG, On Kei	WONG, Lok Man	YEUNG, Tsz Ching
LEE, To	LI, Yan Sin	MIN, Rui	SHUM, Chi Fung Kelvin	TONG, Tsoi Ting	WONG, Lok Ying	YEUNG, Tsz Ching
LEE, Tsz Nga	LI, Yuan	MING, Cheuk Sing	SHUM, Chiu Han	TONG, Wing Nam	WONG, Man Shan	YEUNG, Tsz Wun
LEE, Tung Hei Christy	LI, Yuk Kwan	MO, Ka Yan	SHUM, Yung Kwan	TSANG, Chi Chung	WONG, Man Yee Hester	YEUNG, Yat Hei
LEE, Wai Hung	LI, Yung Sing	MO, Shuwen	SIN, Ho Pan	TSANG, Chi Hang	WONG, Man Yi	YIM, Ching Man
LEE, Wai Yan	LI, Zhaoqiu	MOK, Chor Shek Norman	SIN, Ka Wa	TSANG, Chui Yu	WONG, Man Yim	YIP, Cheuk Wing
LEE, Wing Yan	LIANG, Chi Ho Alfred	MOK, Hing Wa	SINDHER, Astha	TSANG, Hoi Ying	WONG, Pak Hin	YIP, Chun Leung
LEE, Yi Tai	LIANG, Yumeng	MOK, Hoi Lun	SIT, Ka Ying	TSANG, Ka Man	WONG, Pak Hong	YIP, Ka Lai
LEE, Ying Ying	LIAO, Hui	MOK, Kwong Yan	SIU, Chan Cheong	TSANG, Ka Shun	WONG, Pan Wa	YIP, Lilian
LEE, Zhun Hin	LIAO, Jingqiu	MOK, Shuk Ling	SIU, Chin Wang	TSANG, Wai Lam	WONG, Pui Sze	YIP, Sin Kei
LEUNG, Chi Yan	LIM, Kai Yee	MOK, Siu Lam	SIU, Chun Him	TSANG, Wing Laam	WONG, Shan Shan	YIP, Sin Tung
LEUNG, Ching Mei	LIN, Jialiang	MOK, To Hong	SIU, Dick Chi	TSE, Hiu Ching	WONG, Siu Hang	YIP, Tsz Kin
LEUNG, Ching Ting	LIN, Pui Ching Karen	MOK, Tsz Kin	SIU, In	TSE, Kai Kong	WONG, Sze Nga Cecilia	YIP, Tsz Ting
LEUNG, Henry Kai Kuen	LIN, Sze Kwan	NAM, Ching Ying	SIU, Tsun Wai	TSE, Long Lam Bonbon	WONG, Tan Tan	YIP, Wai Ting
LEUNG, Hiu Fung	LIN, Xinran	NAP, Hui Wa	SIU, Wai Kin	TSE, Mei Ling	WONG, Ting Ting	YIP, Wing Shan
LEUNG, Hon Cheong	LING, Cheuk Nam	NG, Hiu Yeung	SO, Ching Man	TSE, Shuk Wan	WONG, Tsing Yeung	YIU, Cheuk Ying
LEUNG, Ka Man	LING, Shek Hong	NG, Ho Lam	SO, Ming Yuen	TSE, Siu Hang	WONG, Tsz Hin	YIU, Cho Kwan Cherry
LEUNG, Ka Wing	LIU, Chee Kin	NG, Hoi Si	SO, Sin Ting	TSE, Wai Cheong	WONG, Tsz Ki	YIU, Hon Sing
LEUNG, Kin Lok	LIU, Dandan	NG, Ka Ho	SO, Tsz Yan	TSE, Wai Lok	WONG, Tsz Kit	YIU, Hong Ki
LEUNG, Kin Ting	LIU, Guanbin	NG, Ka Wing	SO, Wai Kit	TSENG, Yen Ting	WONG, Tsz Wai	YIU, On Lun
LEUNG, Kwong Wai	LIU, Ka Yan	NG, Ka Yee	SO, Ying Chan	TSO, Natalie	WONG, Tsz Ying	YIU, Shuk Man
LEUNG, Lai Sim	LIU, Kin Chung	NG, Kei Kwan	SONG, Changxu	TSOI, In Yau	WONG, Wai Kit	YIU, Shuk Ting
LEUNG, Lok Kan	LIU, Mei Ting	NG, King Hei Arthur	SONG, Zhenjiang	TSOI, Sik Chai	WONG, Wai San	YIU, Wai Yi
LEUNG, Lok Man	LIU, Meijiao	NG, Kit	SOO, Yinn Sze	TSOI, Tsz Ching	WONG, Wai Yin	YIU, Yan Ho Howard
LEUNG, Lok Man Andrew	LIU, Qiao	NG, Kit Lu	SOON, Lee Ka	TSUI, Kit Ching	WONG, Wan Mei	YONG, Wai Mui
LEUNG, Man Hang	LIU, Wing Yan Tammy	NG, Kit Ying	SOU, Chi Wing	TSUI, Kwan Ha	WONG, Wing Shan	YOU, Jianpeng
LEUNG, Man Hong	LO, Chi Yan	NG, Lai Ming	SU, Shiyu	TSUI, Lai Kuen	WONG, Wun Ting	YOU, Shuya
LEUNG, Man Kit	LO, Chun Wai	NG, Lai Ping	SUEN, Maggie	TSUI, Siu Ying	WONG, Yan Ting	YOUSUF, Muhammad
LEUNG, Miu Ling	LO, Hiu Lo	NG, Man To	NG, Man Lung	TSUI, Suet Fan	WONG, Yin Kwan	YU, Chin Wai
LEUNG, Ngo Suet	LO, Hiu Man	NG, Ming Tai	SUN, Liuyue	TSUI, Yiu Man	WONG, Yin Sz	YU, Chiu Wing
LEUNG, Pak Kei	LO, Hoi Shan	NG, Miu Chu	SUN, Xue	TUNG, Kwan Ho Victor	WONG, Yin Yi	YU, Hoi Ying
LEUNG, Priscilla Wing See	LO, Jun Cin	NG, Pak Ning	SUNG, Ying Sim	TUNG, Man Man	WONG, Yip Pok	YU, Jiaming
LEUNG, Sai Kei	LO, Kai Yin	NG, Siu Yung	SZE, Hei Yi	WAI, Yi Chun	WONG, Yuen Ching	YU, Jiayun
LEUNG, Sau Ting	LO, Lok Yin Clarence	NG, Tsz Kin	NG, Tsz Kin	WAN, Ka Wai	WONG, Yuk Ming	YU, Ka Yiu
LEUNG, Siu Fung	LO, Wai Ting Natelie	NG, Tsz Ying	NG, Tsz Ying	WAN, Tim Ho	WONG, Yuk Wing	YU, Pui Shan
LEUNG, Suet Hung	LO, Wing Ki	NG, Wai In	NG, Wai In	WAN, Tin Pui	WOO, Pui Ki	YU, Siu Kit
LEUNG, Suet Yan	LO, Wing Ki	NG, Wai Yan	NG, Wai Yan	WANG, Bo	WU, Chin Keung	YU, Siu Yan
LEUNG, Sui Sum	LO, Wing Pui	NG, Wing Han	NG, Wing Han	WANG, Jue	WU, Hau King	YU, Tong
LEUNG, Sze Wai Leo	LO, Wing Shan	NG, Wing Man	NG, Wing Man	WANG, Man Kuen	WU, Ho Man Andy	YU, Wan Shuen
LEUNG, Tsun Sing	LO, Yuen Mui	NG, Wing Sze	NG, Wing Sze	WANG, Qingqing	WU, Ho Yan William	YU, Wing Sze Whimsy
LEUNG, Tsz Haang	LO, Yuen Ting	NG, Wing Yan	NG, Wing Yan	WANG, Xinyi	WU, Junhua	YUAN, David Chew-hong
LEUNG, Wai Cheong	LOK, Tat Hoi Macy	NG, Yik Kan	NG, Yik Kan	WANG, Ka Ying	WU, Ka Wun	YUEN, Chi Hong
LEUNG, Wai Yan	LONG, Rui	NGAI, Hon Leung	NGAI, Hon Leung	WAT, Ka Ying	WU, Lok Hay Denise	YUEN, Chung Yan
LEUNG, Wai Yip	LU, Chuxin	NGAI, Kai Chun	NGAI, Kai Chun	WEI, Fanchao	WU, Lok Yee Sammi	YUEN, Hoi Man
LEUNG, Wang Him	LU, Weiting	NGAI, Pak Lam	NGAI, Pak Lam	WEI, Jian	WU, Man I	YUEN, Ka Man Karmen
LEUNG, Wing Kei	LU, Zhulin	NGAI, Sau Man	NGAI, Sau Man	WO, Ka Wai	WU, Pui Yin Crystal	YUEN, Kai Shing
LEUNG, Wing Sing	LUI, Chapman	NGAN, Chui Man	NGAN, Chui Man	WONG, Bonnie Yuen Ki	WU, So Yan	YUEN, Kam Oi
LEUNG, Wing Yin	LUI, Chi Yuen	NGAN, Kai Cheung	NGAN, Kai Cheung	WONG, Cheuk Bun Ian	WU, You	YUEN, Man Ting
LEUNG, Yin Fai	LUI, King Hong	NGAN, Siu Ling	NGAN, Siu Ling	WONG, Cheuk Wun	XIE, Ying	YUEN, Ming Yim
LI, Alvin Wah-hin	LUI, Siu Fung	NGAN, Wing Sze	NGAN, Wing Sze	WONG, Cheuk Yin	XU, Chang	YUEN, Terence Tse Kin
LI, Chai Yu	LUI, Wing Sze	NGAN, Yee Kei	NGAN, Yee Kei	WONG, Ching Fung	XU, Yuanquan	YUEN, Tsz Him
LI, Cherian	LUI, Yan Yi	NUNG, Sin Yi	NUNG, Sin Yi	WONG, Ching Ki	XU, Zhaoji	YUEN, Wing Man
LI, Cheuk Ying	LUI, Yin Lam	OR, Ying Tung	OR, Ying Tung	WONG, Chiu Yee	YAN, Chrisanna Shui-man	YUNG, Sik Yau
LI, Chi Ho Andrew	LUK, Chiu Nam	OR, Yuen Ting	OR, Yuen Ting	WONG, Chun Hei	YAN, Miu Yi	YUNG, Wai Nga
LI, Chuen Sum	LUK, Nai Hin	OUYANG, Lu	OUYANG, Lu	WONG, Chun Man	YANG, Chenxi	ZENG, Connie Kang Ying
LI, Chun Hei Charles	LUK, Shao Choo Xavier	PAN, Menglu	PAN, Menglu	WONG, Fei John	YANG, Jun	ZENG, Wenting
LI, Fuk Ping	LUO, Qisheng	PAN, Xin	PAN, Xin	WONG, Hei Laam	YAP, Sze Ting Chantel	ZHANG, Jingbo
LI, Hiu Tung	LUO, Wenshi	PANG, Hiu Yan Sharon	PANG, Hiu Yan Sharon	WONG, Hing Wa	YAU, Ka Man	ZHANG, Rong
LI, Hoi Kan	MA, Chui Ying	PANG, Ka Lai	PANG, Ka Lai	WONG, Hiu Ching	YAU, King Yu Ellen	ZHANG, Xiaochen
LI, Jiahui	MA, Chung Long Boaz	PANG, Kin Yip	PANG, Kin Yip	WONG, Hiu Ying	YAU, Sze Yan	ZHANG, Yaxin
LI, Ka Chun	MA, Chung Yan	PANG, Siyao	PANG, Siyao	WONG, Hiu Ying	YAU, Tsz Kit	ZHANG, Yuxiang
LI, Ka Yi	MA, Ka Man	PANG, Tai Yuk	PANG, Tai Yuk	WONG, Hoi Kwan	YAU, Wan Ying	ZHAO, Jinwen
LI, Ka Yi Adrienne	MA, Ning	PANG, Wing Tung	PANG, Wing Tung	WONG, Hoi Lam	YAU, Zenia Wing Sze	ZHAO, Nan
LI, Kai Lam	MA, Sai Wai	PIN, Wing Chi Jessie	PIN, Wing Chi Jessie	WONG, Hoi Yan	YEE, Siu Man	ZHAO, Quanmei
LI, Kam Cheong	MA, Sakina Cassin	POON, Kin Ling	POON, Kin Ling	WONG, Hok Kan	YEE, Sye Ying	ZHAO, Yu
LI, Kei Ting	MA, Shing Chung Michael	POON, Lik Shun	POON, Lik Shun	WONG, Hok Sau Derek	YEUNG, Chee Ki Jacqueline	ZHENG, Wenna
LI, Lok Hei	MA, Tsz Yan	POON, Man Lee	POON, Man Lee	WONG, Hong Shing Boris	YEUNG, Ching Wai	ZHOU, Yanjun
LI, Lok Sze	MA, Wai Hung	POON, Tsz Yin	POON, Tsz Yin	WONG, Ka Ho	YEUNG, Chung Yan	ZHOU, Yongmei
LI, Lok Yiu, Jamie	MA, Wai Kei Kenneth	POON, Yin Tung	POON, Yin Tung	WONG, Ka Man	YEUNG, Hau Yu	ZHU, Aiyan
LI, Mengxin	MAK, Hiu Yeung Joe	PUN, Tsz Ching	PUN, Tsz Ching	WONG, Ka Shun	YEUNG, Ho Lun Allan	ZHU, Jiaying
LI, Natalie Sze Lok	MAK, Sek Leung	QIAO, Danqi	QIAO, Danqi	WONG, Ka Ting Jessica	YEUNG, Ho Wai	ZHUO, Chao
LI, Nga Sze Cecilia	MAK, Sze Yuen	RAN, Yang	RAN, Yang	WONG, Ka Wai		

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CPA Website



YOUNG MEMBER OF THE MONTH

Perry Kwok

PERRY KWOK

Leasing and Property Manager at
Pret a Manger





Perry Kwok, Leasing and Property Manager at Pret a Manger Hong Kong, shares with *A Plus* the challenges he faced adapting to the property industry, and how his CPA skills gave him a head start

What is your current role and responsibilities? How is it going so far?

The scope of my work can be divided into three categories – leasing, project management and facility management. I'm in charge of finding the best location for new stores and performing renewals of lease arrangements for existing ones. I also oversee the construction of all new stores. After a store is built, I need to help address any issues to do with maintenance and repairs. I would say it's going very well! I previously worked in the audit industry, so going from that to property presents new challenges, but I find it interesting.

What are the most rewarding and challenging aspects of your role, and why?

It always feels great bringing a shop to life, and then hearing people say how beautiful – and profitable – it is. The job is also interesting as it requires me to travel to different places and interact with different people such as landlords, developers and agents. I also had to learn how to deal with the construction side of things, which was difficult at first. The construction of each shop presents different challenges – dealing with a low ceiling, for example. I need to work closely with construction companies and contractors too. I learned how to do this by asking different people for advice and spending my free time studying.

What inspired you to become an accountant?

My dad is an accountant as well. I studied accounting in secondary school – it was one of my favourite subjects. Interestingly, my dad and I were able to bond because of our shared interest in accounting. I followed school by majoring in accounting in university, and of course I wanted to become an auditor after graduating.

Where do you see yourself in five to 10 years?

I love my job and would love to stay here. Pret a Manger is expanding quickly, and there are plans to expand into other Asian cities. I really look forward to helping with this expansion.

What has been the biggest challenge you have faced in your career so far and how did you overcome it?

I learned how teamwork can go a long way, and that you should always ask for help. I remember having to work on a tender document to bid for important store locations, which included presenting our brand story, history, menu in order to get the best offer and win the bid. It was completely new to me, and something I could not do alone. With help from my team as well as external experts, including a designer, we were able to do it.

Which continuing professional development (CPD) course was most useful?

I took an online CPD course on leases to help me stay up to date, this is especially important with the introduction of the new leases standard this year.

How do you think the Qualification Programme (QP) has helped you in your career so far, or prepared you for your current role?

I think the QP is a well-rounded programme. Module B Corporate Financing helps me the most in my current role, especially when it comes to justifying investments for new shops. It helps me to determine in detail how much to invest when enhancing or refurbishing a current store.

SPOTLIGHT ON TORONTO

Institute member, Alex Ho, Finance Manager at Teranga Gold Corporation, shares recommended spots for your next business trip to the provincial capital of Ontario, Canada



Have lunch at...

Little India

Little India is a family-owned restaurant on 255 Queen Street West in Toronto. A lunch buffet is available everyday from 11:30 a.m. to 3:30 p.m., which includes meat, seafood and vegetable options, with options of mild, medium and hot spices and desserts. “It is one of my favourite restaurants. Its butter chicken is one of the best I’ve had, and their service is great – they recognized me even though I hadn’t visited in a year!” says Ho. More details can be found at www.littleindia.ca.



Relax at...

Martin Goodman Trail

“If I ever need to clear my mind, I take a walk or bike along Toronto’s waterfront on the Martin Goodman Trail. The trail sits on the edge of Lake Ontario and extends all the way from the busy downtown to the scenic views of the Scarborough Bluffs,” says Ho. The 56-kilometre path is named in memory of the former president and editor-in-chief of the *Toronto Star* who passed away in 1981. The Humber Bay Arch Bridge, pictured below, is part of the trail.



EYES & EARS

Institute members on what music they are currently listening to and what books are worth reading



What I'm listening to

- Andrew Chow, Associate
Director at UBS AG

"I'm currently listening to electronic music by an artist called Dabin from Toronto. I became a fan through Spotify's random feeds and its amazing AI system. My personal favourite songs are *In Flames* and *Superstar*, which are great tunes to listen to – especially during a beautiful, golden sunset. He also just released his new album *Wild Youth*, which I will soon check out. I can't wait!"

What I'm reading



I recently read *Persepolis* by Marjane Satrapi, a book which opened my eyes to a culture and place I am quite unfamiliar with – Iran and the Muslim world. My knowledge of this world was limited to what Western media showed on the news. It is written by an author who was born and bred in Iran but has also lived in the Western world. I never imagined that a graphic novel could depict such rich insights, emotions, and culture. It is a fantastic read. Highly recommended.

[Amazon.com](https://www.amazon.com/Persepolis-Marjane-Satrapi/dp/0307474444), HK\$122.12

- Lolita Edralin, Professor of
Accountancy at Hong Kong
Polytechnic University



Investor Relations Best Practice Guide is written by a number of very experienced investor relations practitioners based on their knowledge and years of experience on investor relations best practices. The book offers tips and suggestions based on real-life experiences, and provides clear guidance on the best steps to take in a variety of different circumstances. In doing so, it addresses some of the unique characteristics of the Hong Kong market.

[Hkira.com](https://www.hkira.com/), HK\$300

- Randy Hung, Director of Investor
Relations of China Shineway
Pharmaceutical Group



As professional accountants, we are requested to quantify financial implications, or assess the value of various events or items in monetary terms. However, there are things that we should never put a price tag on. *What Money Can't Buy: The Moral Limits of Markets* by Michael J. Sandel takes on one of the biggest ethical questions of our time: Isn't there something wrong with a world in which everything is for sale? It reminds us to treasure the value, though non-monetary, of moral and civic goods.

[Amazon.com](https://www.amazon.com/What-Money-Cant-Buy/dp/0307474444), HK\$109.92

- Shane Cheung, Financial Controller
at Apex Harmony Profits Limited

Heading out of trouble

Hong Kong's humorist on why mental health is no joke in the accounting world – most of the time



Nury Vittachi

is a bestselling author, columnist, lecturer and TV host. He wrote three storybooks for the Institute, *May Moon and the Secrets of the CPAs*, *May Moon Rescues the World Economy* and *May Moon's Book of Choices*

As well as financial advisory and tax services, accountants should provide mental health services, a top academic recently said. Running a business these days can depress anyone, and your financial advisor is the person most likely to understand your problems, said Andrew Noblet, Professor in Organizational Behaviour at Australia's Deakin University.

The idea sounds wild, but I saw no negative reactions.

Maybe that's not surprising: we're all a bit mad these days, right? I recently had a rather hostile colleague who kept a "Do Not Disturb" sign on his desk, but what it really should have said was: "Already Deeply Disturbed, Proceed With Caution."

So maybe we should try Professor Noblet's idea.

Client: "Thanks for coming in, Mr Chan. I just asked you to come in to discuss elements of my company's tax exposure in light of our expansion."

Accountant: "Sure."

Client: "In particular, I'm referring to our subsidiary in.... why are you looking at me like that?"

Accountant: "No reason. But I think we both know what this is really about."

Client: "What – what do you mean by that?"

Accountant: "How are you, Mr Wong? I mean, how are you really?"

Client: "Fine. I'm absolutely fine. Why are you giving me that look? I haven't been sleeping well lately, but that's hardly surprising given the complexity of the challenges in our industry sector at the moment."

Accountant: "Except it's not the industry sector that's on your mind, is it?"

Client: "That's true enough. Business pressures these days are huge. Work-life balance is impossible. *[Pushes his laptop away, leans back in his seat and looks out of the window.]* We work ourselves to death, and what for? To create 'shareholder value,' which sounds noble, but just means 'more money for people who already have money.' *[Turns to look the accountant squarely in*

the eye.] I mean, is this what life is all about, Mr Chan? I keep asking myself: Is this what I really want to do with my brief sojourn on earth?"

Accountant: "And how does that make you feel?"

[Client moves to sofa and lies down with his head on the armrest.]

Client: "I just feel so... lost. And there's no one I can talk to about it."

Accountant: "Don't worry. I'm here now."

Could this really happen? I mentioned this to a friend who recently retired after working for a Big Four firm. He looked surprised that I should even ask. "We already provide mental health services," he said. "That's the main thing accountants do." The whole professional sector has realized that the ability to develop strong deep, trusting relationships were the most important aspect of business life – technical expertise was a poor second, he said.

Angie Grissom, who runs a consulting company working for accounting firms in the United States, says she has a program called The Bear Hug Action Plan, which shows accountants how to bring up questions about ultimate goals in life. Asian readers will be pleased to know that this doesn't necessarily involve actual hugging.

I only found one really negative note from the accounting side. One person said that he had tried to create a deeper relationship by asking a client about his fears. "He responded by telling me all the things that he thought he might be arrested for," he said. "Too much information."

But the one counsellor I spoke to was horrified. Accountants should maybe have just enough training to be able to spot signs of depression, and then tell the client to get help from someone who knows what they are doing.

I asked: "Is it okay to write a humour column about treating mental health?"

She said that humour was helpful, and told me about a businessman who created a self-mocking mental image of himself as a superhero called AnxietyMan. His superpower was "his ability to leap to the worst possible conclusions at supersonic speed."

Cool. As for this writer, any activity involving lying down on sofas has to be good, right?





Success symbol



Success ingredient

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