A+

Driving business success

Issue 2 / Volume 15 / February 2019

Plus:

Brexit
How businesses are preparing for the potential scenarios

Drones in audit
How firms are scaling the use of the technology in auditing

Wine connoisseurs
CPA members share their passion for wine

LEADING A BREAKTHROUGH YEAR FOR ACCOUNTANTS PLUS

President Patrick Law will lead the profession through some major changes

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

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"We have many major changes ahead of us this year, including the new Qualification Programme, recruitment of a new chief executive and registrar and beginning the Seventh Long Range Plan."

Dear members,

Kung Hei Fat Choi! I wish you and your families good health, happiness and fortune in this year of the pig. The pig is an auspicious year, symbolizing luck, wealth and good fortune. Feng shui masters expect that this year of the earth pig will be particularly auspicious and I hope they are correct!

The Institute kicked this auspicious year off with our annual spring cocktail event, welcoming over 300 guests including the Council and members of the Institute's various committees and working groups, as well as special guests from government and business, to celebrate the year of the pig and prepare for the vital work over the year ahead to prepare the Institute for the future.

We have many major changes ahead of us this year, including the new Qualification Programme, recruitment of a new chief executive and registrar and beginning the Seventh Long Range Plan. You can read about my views on these and other issues in my interview with *A Plus* this month, which can be found on page 18.

On Valentine's Day we organized a special evening in Guangzhou for our members and guests from local government, regulators, professional organizations and firms. This annual event is one of our key events in the area, and I expect the importance of our relationships with our colleagues across the border to continue to grow, especially in light of the central government releasing the long-awaited Greater Bay Area blueprint, which cements Hong Kong's role as an international financial centre and seeks to expand our role in asset management and risk management.

After the plan was released, I attended an event hosted by Carrie Lam, the Hong Kong Chief Executive, with representatives from governments and professional bodies across the region, where the plan was discussed in detail. I am confident that our members' skills in Hong Kong and the other Greater Bay Area cities will play an important role in the success of the project.

We talk a lot about how new technologies will change the way we do business, without seeing many results in practice. That's why I found this month's article on drones and their use in audit particularly interesting. Accounting Plus will require us to be able to use new technologies like drones, and it's interesting to think how we can use them in our own work. You can find the article on page 26.

Another major development in Hong Kong this year is the expansion in the powers of the Financial Reporting Council (FRC), and the transfer of responsibility for the regulation of auditors of listed companies from the Institute to the FRC. The Financial Reporting Council (Amendment) Bill 2018 was passed by the Legislative Council at the end of January, and gazetted mid-February. We will be working with the government and FRC to ensure the outstanding issues are resolved before the new regulatory regime becomes effective. This development caps over 10 years of work by the Institute, and will help to maintain Hong Kong's competitiveness as a global financial market.

I took part in the 10km Chairman Cup at the Standard Chartered Marathon Hong Kong 2019. I enjoyed representing the profession against other bodies (and racing many ex-Institute presidents!) and even ran a better time than last year. It was good to meet so many successful CPA runners after my race, and welcome them into the Institute's tent after their hard races. If you've ever thought about putting on your running shoes, getting out of the office and racing, I would encourage you to go for it. Exercise is a good way to maintain work-life balance, and I find that hitting the trails or Bowen Road helps me to clear my mind of distractions and reduce stress.

Patrick Law
President

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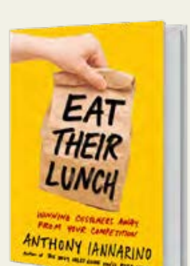

Book review

A+

Driving business success

About our name
A Plus stands for excellence, a reference to our top-notch accountant members who are success ingredients in business and in society. It is also the quality that we strive for in this magazine — going an extra mile to reach beyond Grade A.

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News

Institute news   Accounting news

Institute news

Institute calls for deeper review of Hong Kong's tax system amid challenging outlook

The Institute highlighted the need for a broader review of Hong Kong's tax system as it is becoming increasingly complex and losing its competitive edge, in its recommendations for the 2019-20 Budget, which was announced on 27 February.

The budget proposals, titled *Rising to Challenges and Staying Competitive*, focuses on tax policies and measures on the revenue side of the budget.

It notes that a low rate and simple system used to be Hong Kong's competitive edge, however many jurisdictions have reduced corporate tax rates in recent years and moved towards an increased emphasis on indirect taxation. Hong Kong's profits tax rate of 16.5 percent, therefore, may no longer be as attractive as it was to foreign investors.

In addition, the Institute notes that Hong Kong faces a number of local and external challenges and uncertainties, including the Mainland's economic slowdown, the ongoing United States-Hong Kong trade war, and continuing high property prices.

"The Financial Secretary Paul Chan has indicated his preference for driving economic development through specific tax policy measures instead of lowering the general profits tax rate. Various incentives will be used to promote the development of different industries, which will make Hong Kong's tax system more and more complex," said KK So, Chairman of the Institute's Taxation Faculty Executive Committee. "With the international tax developments that are also affecting Hong Kong and the needs of a dynamic business sector, with new business models, a comprehensive review of the tax system is called for, in order to ensure that Hong Kong can maintain its competitive edge in the long term."

The Institute believes Hong Kong should also review the existing preferential treatments and tax incentives in its tax legislation to ensure that they are achieving the objective of maintaining Hong Kong's competitiveness in the global marketplace, and are cost effective.

It adds that the coverage and expertise of the Tax Policy Unit should be expanded to take up more strategic tax issues that could help support Hong Kong's economic development and competitiveness. "The government's tax policy unit has successfully completed

President Patrick Law (centre), Vice-Presidents Johnson Kong and Nelson Lam (left and right of centre), senior management and guests at the Guangzhou cocktail reception

Council celebrates new year at the spring cocktail

its initial tasks of helping implement the two-tier tax system and the super-deductions for research and development (R&D), proposed by Chief Executive Carrie Lam. It should now expand its scope of work and expertise to consider more fundamental issues, such as looking into tax policies needed to support Hong Kong's long-term economic growth and infrastructure development," said So.

The Institute estimates that the fiscal surplus for 2018-19 will reach HK$50 billion at the end of March, and the fiscal reserves will increase to over HK$1.15 trillion. These figures are similar to the government's budgeted position.

The submission also includes recommendations on tax support for R&D and for rental deductions, as well as measures to improve roadside air quality and to mitigate the impact of economic pressures on the community. The proposals are available to read online on the Institute's website.

Spring cocktail

Three hundred guests from the Hong Kong Special Administrative Region and the central governments, businesses, and regulators joined the Institute's Council and committee members in celebration of the year of the pig at the spring cocktail reception on 15 February.

Guangzhou cocktail reception

The Institute welcomed over 100 guests to its annual Guangzhou spring cocktail at the Sheraton Hotel on 14 February. The evening offered members the opportunity to meet the Institute's new leadership team of President Patrick Law, and Vice-Presidents Johnson Kong and Nelson Lam; and members of the Institute's senior management. Guests from the Mainland government, regulatory authorities, professional organizations, universities and professional firms attended the reception.

Hong Kong marathon

Around 350 CPA runners participated in the Standard Chartered Hong Kong Marathon 2019 on 17 February. The Institute's President Patrick Law, Council member Ken Li, and four past presidents ran in the 10km race of the Corporate Challenge Chairman Cup, and 12 elite CPA runners represented the Institute in the Corporate Challenge Marathon Cup in all three race categories. CPA runners from all race categories are welcome to attend the post-marathon drinks to be held soon where trophies will be presented to those with outstanding results. Submit your race time and stay tuned for event details.

U.S.-China trade war – a closer look

A lunch seminar on 12 March will feature a panel of three highly experienced forensic accounting and legal practitioners who will explore the trade measures imposed by the United States government against Mainland China, and the sanctions compliance issues for businesses. They will discuss the background of the trade dispute, impact on business operations, as well as tips on managing export control. Interested participants should enrol on the Institute's website by 8 March.

Hong Kong and global pronouncements comparison

The Institute has published a comparison table showing differences between Hong Kong and international quality control, auditing, review, other assurance, and related services pronouncements, as at 31 December 2018. The table is available on the Institute's website.

Disciplinary findings

Pan-China (H.K.) CPA Limited, Fung Pui Cheung, CPA (Practising) and Wong Ho Yuen, Gary, CPA (Practising)

Complaint: Failure or neglect by Pan-China and Fung to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 620 *Using the Work of an Auditor's Expert*, HKSA 500 *Audit Evidence* and HKSA 230 *Audit Documentation*. Failure or neglect by Fung and Wong to carry out their work with professional competence and due care in relation to the identified non-compliance areas. Pan-China was also guilty of professional misconduct as a result of its systemic failure to comply with professional standards.

Pan-China issued an unmodified auditor's opinion on the financial statements of a Hong Kong listed company, China Yunnan Tin Minerals Group Company Limited (now known as GT Group Holdings Limited) for the year ended 31 December 2010. Fung was the engagement director and Wong was the engagement quality control reviewer of the audit.

The Institute received a referral from the Financial Reporting Council (FRC) about irregularities in the audit of the financial statements. The respondents failed to perform adequate audit procedures and prepare adequate audit documentation in respect of the carrying amounts of mining rights and goodwill, which were material assets included in the financial statements.

Decisions and reasons: All the respondents were reprimanded. The Disciplinary Committee ordered Pan-China, Fung and Wong to pay penalties of HK$250,000, HK$50,000 and HK$50,000 respectively. In addition, the respondents were ordered to pay costs of the disciplinary proceedings and the FRC totalling HK$124,914.10. When making its decision, the committee took into account the particulars of the breaches committed in this case, the parties' submissions, and the respondents' conduct throughout the proceedings and their personal circumstances.

Mok Wing Kai, Henry, CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply paragraphs 2 and 4 of Statement 1.200 *Professional Ethics Explanatory Foreword* and being guilty of dishonourable conduct.

Mok was the company secretary and financial controller of Greencool Technology Holdings Limited, which was formerly listed in Hong Kong. He was also a "qualified accountant" of the group under the GEM listing rules applicable at the time. The group conducted its commercial activities through various subsidiaries in Mainland China. Mok's responsibilities covered the group's financial reporting, ensuring its financial integrity and overseeing and supervising all financial information of the group.

As a result of fraud perpetrated by other members of the senior management, the group's audited financial statements for the years 2000 to 2004 contained materially false information about sales, projects, bank deposits and bank loans of certain subsidiaries in Mainland China. The Market Misconduct Tribunal started proceedings in 2014 in relation to the identified accounting fraud.

The tribunal's proceedings revealed that at the time of the fraud, Mok tried to remove himself from any responsibility for the subsidiaries' activities. He accepted a limitation of his role as financial controller to only carrying out financial reporting at group level, and entered into a self-imposed compromise with the directors that potentially damaged the financial integrity of the group. Mok failed to implement the recommendations of the group's auditor to address their concerns about the finance department's inability to maintain appropriate financial supervision and control over the group subsidiaries. In the circumstances, the subsidiaries were given free rein over an extended period, working under the management of directors complicit in the accounting fraud.

The tribunal found Mok negligent in relation to the financial statements and, therefore, culpable of market misconduct. It issued sanctions against Mok in 2017 and recommended referring the findings to the Institute. After considering the information available, the Institute lodged a complaint under section 34(1A) of the Professional Accountants Ordinance.

Mok admitted the complaint. The Disciplinary Committee found that Mok failed to carry out his professional work with a proper regard for the technical and professional standards expected of him as a CPA, and to conduct himself in a manner consistent with the good reputation of the profession and Institute. The committee further found that Mok was guilty of dishonourable conduct.

Decisions and reasons: The committee ordered that the name of Mok be removed from the register of CPAs for six months with effect from 19 February. In addition, Mok was reprimanded and ordered to pay costs of the Institute of HK$56,494. The committee noted the case involved a serious breach of professional standards over an extended period, and the incidence of fraud in a listed company had a great impact on public interest and damage to the profession's reputation. In mitigation, the committee noted the respondent's early admission to the complaint and his cooperative attitude in the proceedings.

Details of the disciplinary findings and are available at the Institute's website: *www.hkicpa.org.hk.*

Financial Reporting Council (Amendment) Bill gazetted

The Hong Kong government gazetted the Financial Reporting Council (Amendment) Ordinance 2019 on 15 February, enabling the Financial Reporting Council (FRC) to become an independent oversight body that regulates auditors of listed companies. The development comes after a decade of work by the Institute and the government, and brings Hong Kong's regulatory regime for auditors of listed entities in line with international standards and practices. It will also enable Hong Kong to be eligible for joining the International Forum of Independent Audit Regulators. As part of the new audit regime, the Institute will continue to perform the statutory functions of registration, setting requirements for continuing professional development, and also setting standards on professional ethics, auditing and assurance in respect of relevant auditors, subject to oversight by the FRC. The date the FRC will take over is yet to be confirmed.

"The Amendment Ordinance enhances the existing regulatory regime for auditors of listed entities, allowing it to be independent from the audit profession, thereby providing better protection to investors. This is crucial to strengthening Hong Kong's status as an international financial centre and capital market. We are working closely with relevant parties on the preparations for implementing the new regulatory regime as soon as practicable," said a government spokesperson.

Illustration by Harry Harrison

Beijing unveils Greater Bay Area blueprint

The central government of China published its long-anticipated document setting out its Greater Bay Area development plan to integrate Hong Kong and 10 cities around the Pearl River Delta. The 11-chapter document, released this month, confirms that Hong Kong, Macau, Shenzhen and Guangzhou would be the four key cities and the core engines for driving growth in nearby regions. It says the framework for the bay area should be defined by 2022, and realized by 2035. It also includes goals and directions to push the development forward, such as improving infrastructural connectivity and quality of life, building a globally competitive commerce and industrial system, protecting the environment, and energy security, as well as supporting the Belt and Road Initiative.

HKEX to buy Shenzhen-based FinTech company

Hong Kong Exchanges and Clearing (HKEX) has signed a letter to buy a 51 percent stake in Shenzhen Ronghui Tongjin Technology, as part of its efforts to upgrade its technology capabilities, the *South China Morning Post* reported this month. Ronghui Tongjin is a subsidiary of Shanghai-listed Shenzhen Kingdom Sci-Tech, and specializes in financial exchanges, regulation technologies and data applications. "Technology capacities will be an important element for the HKEX to compete with other stock exchanges," said lawmaker Christopher Cheung Wah-fung, who represents the financial services constituency in the Legislative Council. Brokers believe the deal, which is expected to be completed in the second quarter, will enable HKEX to become a depository and settlement company.

BDO officially fifth-largest firm in U.K.

BDO is now the fifth-largest accounting firm in the United Kingdom after it completed its merger with Moore Stephens earlier this month. The merger gives BDO a combined workforce of 5,000 staff members and 350 partners working across the U.K. The firm is expected deliver revenues of £590 million, more than Grant Thornton. "This merger is one of growth and creates a new force in the market, enabling us to challenge our existing competition and deliver an increasingly impressive range of services to help our people and clients succeed," said Simon Gallagher, former managing partner of Moore Stephens and now Head of Advisory at BDO.

U.S. delays tariff hike on Chinese imports

United States President Donald Trump said the U.S. would delay an increase in tariffs on US$200 billion of Chinese goods originally scheduled for 1 March. In a tweet, Trump said there had been "substantial progress in our trade talks with China on important structural issues including intellectual property protection, technology transfer, agriculture, services, currency, and many other issues." He also said that if Washington and Beijing made additional progress, his administration would plan for a new summit with China's President Xi Jinping, at the U.S. president's Mar-a-Lago resort in Florida to conclude an agreement. Stocks in China and Hong Kong rose in early trading on 25 February following the news.

A world of numbers

208

The total number of companies that went public in Hong Kong last year, according to the *South China Morning Post*. Together they raised HK$286 billion in funds, more than double the amount from the previous year, helping the city overtake New York and Shanghai as the world's initial public offering capital.

US$678 billion

The value of Mainland China's merger and acquisition activity in 2018. Chinese outbound M&A activity fell for the third straight year in 2018, dropping to less than half of the peak level recorded in 2016, according to a PwC Hong Kong report.

30%

The revenue growth rate that KPMG's global legal branch reported in 2018. This is reportedly a result of a surge in multinational organizations demanding legal services. In January, the firm's legal services network opened a new law firm in Hong Kong called SF Lawyers.

Norman Chan

1 Gucci owner faces €1.4 billion tax claim

Kering S.A., the French luxury goods group (and owner of Gucci), owes €1.4 billion (HK$12.5 billion) to Italy in back taxes, according to the conclusions of a government audit. The probe scrutinized the business practices of Kering's Swiss subsidiary, Luxury Goods International, from 2011 through to 2017. Italian tax authorities opened an investigation into the subsidiary in 2017 for allegedly avoiding tax on earnings generated elsewhere. The probe was largely centered on Gucci, Kering's biggest revenue driver, *Reuters* reported. Kering said it contests the findings of the audit, and that the company does not have the necessary information to record an accounting provision for any potential bill for back taxes or penalties.

2 Sweden, Estonia jointly probe Swedbank

The financial supervisory authorities of Estonia and Sweden opened a joint investigation in response to a media report linking Swedbank to a Baltic money-laundering scandal involving Danske Bank, the watchdogs said on 21 February. A television documentary on Sweden's public broadcaster SVT alleged at least 40 billion Swedish krona (US$4.3 billion) had been transferred between accounts at Swedbank and Danske in the Baltics between 2007 and 2015. Danske is being investigated in five countries over US$226 billion in payments found to have flowed through its Estonian branch from Russia, former Soviet states and elsewhere. Swedbank appointed EY to carry out an external investigation into the allegations, and the results will be reported to the bank by the end of March.

3 Kraft Heinz accounting investigated by SEC

Food giant Kraft Heinz announced that it received a subpoena in October last year from the United States' Securities and Exchange Commission (SEC) in relation to its accounting policies. The SEC's probe focuses on the company's "accounting, policies, procedures and internal controls" in procurement. Kraft Heinz revealed the investigation in its annual results for 2018. In response to the document request, the company launched an internal investigation into its procurement practices, and increased the costs of its products sold by US$25 million as a result. "We should have recorded the US$25 million in prior periods, which we booked in Q4 2018," the company said in a conference call. It also said it was fully cooperating with the SEC.

4 HKMA chief executive to retire

Norman Chan will retire as the Hong Kong Monetary Authority's (HKMA) chief executive at the end of September upon the expiry of his contract, the Hong Kong government announced this month. Financial Secretary Paul Chan will head a selection panel to identify his successor. "Norman has been leading the HKMA since 2009 and has worked tirelessly over the years to strengthen the city's monetary and banking systems and promote Hong Kong's position as an international financial centre in Asia. I respect his wish and decision to retire upon completion of his second term as Chief Executive of the HKMA," the secretary said. Norman Chan, aged 64, joined the government as an administrative officer in 1976, and was appointed as an executive director of the HKMA when it was established in 1993.


BRACING FOR
BREXIT

Brexit – a ticking time bomb or a chance to spread one's wings? With Britain scheduled to leave the European Union on 29 March, Michelle Perry looks at how businesses are preparing for potential scenarios, including a disruptive "no-deal" one

Illustrations by Gianfranco Bonadies

Almost three years have passed since a slim majority of Britons voted to exit the European Union (EU). But as the days pass by it is becoming less and less clear exactly how the United Kingdom will leave the EU and disentangle itself from a 40+ year union. With just weeks before the official exit date on 29 March – and an exit agreement agreed between governments – terms still have not been approved. The British government and parliament have found little common ground on which to agree an exit strategy that would also suit the 27 EU nations.

For foreign observers, this result must seem incoherent given that Britain has typically been viewed a reliable, practical and diplomatic nation. For British business and overseas businesses trading with the U.K., the ongoing uncertainty weighs heavily. It has stalled investment plans and stymied economic growth.

Most British members of parliament want to avoid a no-deal exit, considered as the worst-case scenario for business and the wider economy. But there is also not a majority in favour of the Withdrawal Agreement that Prime Minister Theresa May brokered with EU leaders in December 2018 which was defeated in parliament by a historic margin on 15 January. So, the current situation has ground to a deadlock.

Carolyn Fairbairn, Director-General of the Confederation of British Industry, which represents around 190,000 businesses covering around a third of the private sector workforce, recently warned of the dangers of a no-deal Brexit. "The economic consequences would be profound, widespread and lasting. The International Monetary Fund has warned that over the long-run, GDP could be 5 to 8 percent lower than in a no-Brexit scenario."

Of the most recent parliamentary Brexit votes, Fairbairn said: "The never-ending parliamentary process limps on, while the economic impact of no- deal planning accelerates." Some companies are still scrambling to put contingency plans in place for 30 March, the day after the U.K. leaves the EU, while others such as the U.K.'s financial services sector began planning a long time ago. But contingency plans need to be sufficiently flexible to cope with the possible outcomes.

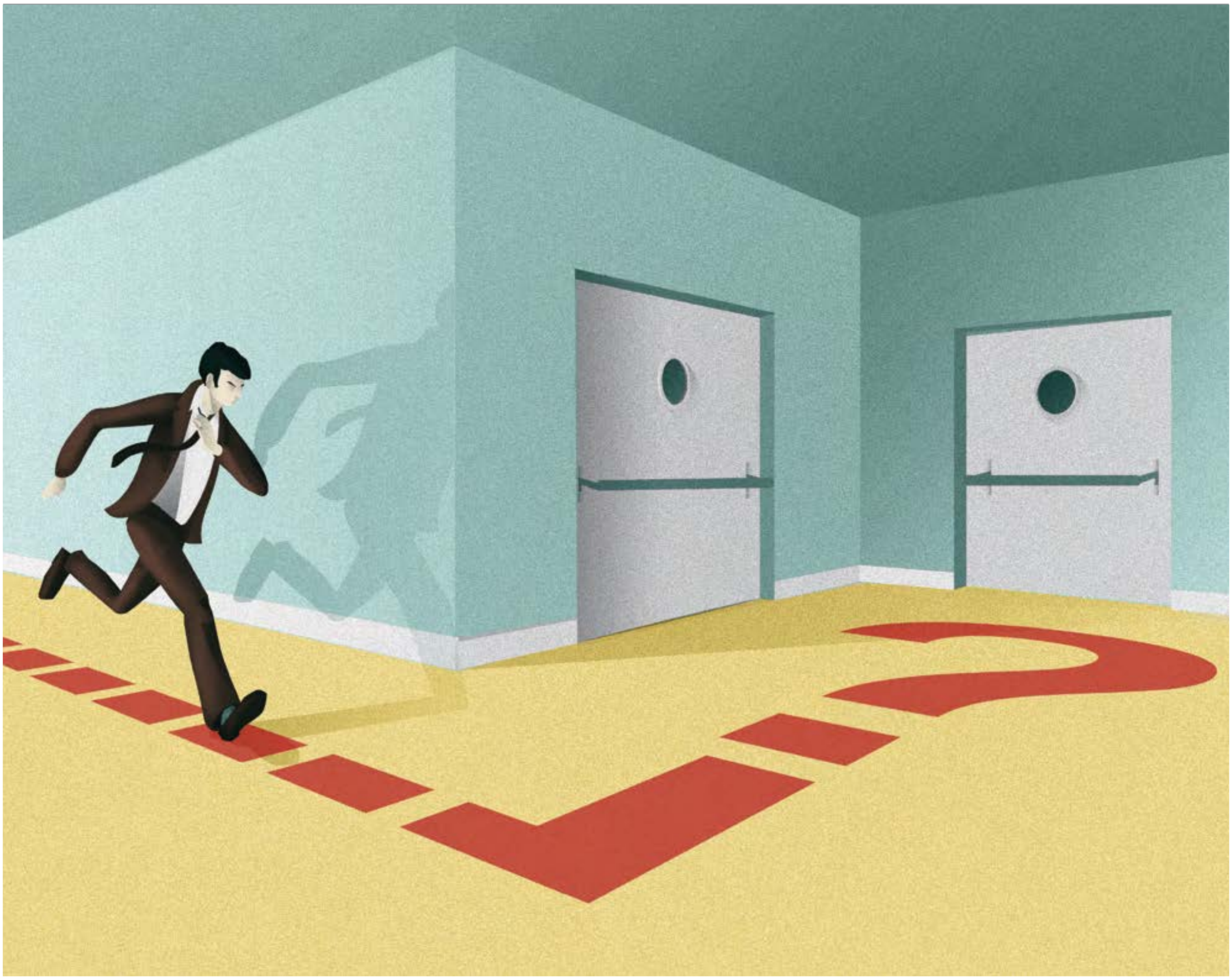
Should I stay or should I go?

Due to their size, small- and medium-sized enterprises are more exposed to the risks of leaving the EU because they have less capacity and resources to respond to events such as a disorderly exit, compared to their larger counterparts. The flipside, however, is they often have greater flexibility to adapt.

More importantly though, it's costly and difficult for organizations to make contingency plans because they don't know what they are planning for. There are, however, some things that all businesses should do. They involve scenario planning based on the threats and opportunities of the myriad possible outcomes, reviewing supply chains as well as those of suppliers, and ensuring alternate funding is available in the event of an increase in costs.

"One of the first things, if you are an export or import business, is to review your supply chain and see how it will be affected if there's no deal. It's difficult because businesses don't know the outcome, but it won't hurt to have a contingency plan," says Rebecca Wilkinson, Corporate Tax Director at accounting firm Menzies.

The outcome of scenario planning may, for some, result in an organization having to open operations elsewhere to mitigate the risk of leaving the EU, especially if your clients are based in the EU. Companies will need a clear strategy and funding already in place to achieve this. Some companies are exploring the option to move operations to the Republic of Ireland or



mainland Europe in the event of a no-deal, or a deal where tariffs would rise. Larger companies may already have multiple overseas locations and can therefore redeploy resources and staff more easily to suit their needs.

One example of such a strategy can be found with TAM Asset Management, a London-based boutique investment manager. TAM has set up a second office in Spain to be able to continue operating in Europe on behalf of its European-based clients should there be a disorderly exit from the EU.

"We have a number of clients whose pensions we manage who are based in Europe – Spain, Malta and Cyprus. For us, it was always important that we didn't lose the opportunity to service those clients. We made a decision over a year ago to set up a new entity based in Europe, so that whatever happens we will always be able to service those clients," says John Gracey, TAM's Chief Financial Officer and a Hong Kong Institute of CPAs member. "We are in a good position to be ready come March if there's a no-deal Brexit to operate within Europe with our own European-regulated entity."

"The economic consequences would be profound, widespread and lasting."

The U.K.'s financial services sector began cutting jobs in London's financial district and establishing new offices or redeploying staff to existing EU offices early on. As an EU member, British financial services firms can "passport" or sell their services to customers in the other 27 EU countries from a base in the U.K. But without a transition period, which would result from a no-deal Brexit, firms in Britain need to open new EU offices to continue serving EU customers.

"If there's no Brexit agreement then U.K. firms will lose their passporting rights. Organizations are preparing for the worst-case scenario and are moving offices and people to EU nations. The main concern is whether banks can continue to serve their clients in the EU whatever the outcome," says Chi Hong Li, an Institute member who works for a financial institution in London as a manager. "In general, financial institutions in the U.K. need to reassess their existing operating model and work out a plan including

"If there's no Brexit agreement then U.K. firms will lose their passporting rights. Organizations are preparing for the worst-case scenario and are moving offices and people to EU nations."

staff, resources, governance etc. to serve clients after Brexit."

Another strategy companies are employing is to shore up cash reserves. Santander, one of the biggest business lenders in the country, said in January its manufacturing clients were building up cash reserves and delaying capital expenditures in order to keep cash in the business. "It's clear based on the research that companies, large and small, are resisting making any capital investments because of Brexit. Financial directors are likely to be advising boards to retain cash in the business because of the potential for increased costs," says Tej Parikh, Senior Economist at the Institute of Directors in London.

Manufacturers also ramped up their stockpiling of raw materials in December in preparation for a potential no-deal Brexit, according to a survey from IHS Markit and the Chartered Institute of Procurement and Supply (CIPS), released last month. The IHS Markit/CIPS manufacturing purchasing managers' index (PMI) rose to 54.2 in December from 53.6 in November. "The trend in production volumes remained lacklustre despite the safety stock-building, with the latest survey consistent with a mild decrease in the official measure of manufacturing output over the final quarter. Uncertainties regarding Brexit disruption on supply chains and the exchange rate are also weighing on business confidence. Although manufacturers forecast growth over the coming year, confidence remains at a low ebb. Manufacturing will therefore be entering 2019 on a less than ideal footing with Brexit uncertainty having intensified considerably," said Rob Dobson, Director at IHS Markit.

Available skills

Access to different workforce skills will also be heavily impacted. Directors should know what the make-up of their employees and skills base are in order to know who to recruit. One in five small business employers rely on skills and labour from the EU, according to the Federation of Small Businesses. Employers won't be able to count on EU nationals as much as in the past once the U.K. leaves the EU.

The U.K.'s planned exit is already having an impact. The latest official statistics from the U.K. Office for National Statistics published in November 2018 showed that net migration from the EU to the U.K. fell to a six-year low and that total immigration was at the lowest level since 2014.

While the future is uncertain, employers are shoring up their workforce, and the latest U.K. employment figures revealed that the number of people in work has reached a record high of 32.54 million. "The number of people working grew again, with the share of the population in work now the highest on record. Meanwhile, the share of the workforce looking for work and unable to find it remains at its lowest for over 40 years, helped by a record number of job vacancies," said Office for National Statistics' Head of Labour Market, David Freeman.

Brexit-ready Hong Kong?

The world is watching Britain over Brexit, with the decision having a far reaching impact on global politics, economies and financial markets. Earlier this month, Japanese carmaker Nissan confirmed that its new SUV model X-Trail, originally planned to be built in its Sunderland factory in the U.K., will be made in Japan. Its Europe division chairman said Brexit uncertainty had played a part in the decision and that continued uncertainty is not helping businesses to plan for the future, according to British online newspaper *The Independent*.

Hong Kong businesses are also not immune to the impact of Brexit. Some remain positive, such as Hong Kong conglomerate CK Hutchison Holdings. "The impacts of Brexit negotiation remain unknown and could affect the economic environment of the U.K. As the group's investments in the U.K. are businesses which focus on utilities and essential consumer goods and services, we believe these impacts will be manageable and the key fundamentals of the group will remain solid," a spokesman for the company told *A Plus*.

If no deal is made, projections show that by 2030, Britain would be 9.3 percent smaller in gross domestic product terms, housing prices could sink by 30 percent and the pound could fall against the U.S. dollar to US$1.10, according to *The New York Times*.

However, some Hong Kong businesses are watching developments anxiously. "In general, our clients are most concerned about the currency risk of the depreciated pound sterling, the potential increase of customs duties, the potential delay in custom declaration and clearance in the case of a "no-deal scenario," the depreciation of the value of existing U.K. investments, and the possible withdrawals of investments or change and termination of projects, which negatively impact the recruitment and retention of staff," says Andy Wong, Initial Public Offering (IPO) Leader and Partner of Assurance and Business Advisory Services, at ShineWing HK CPA Limited and an Institute member. "Our clients attach great attention to the possibility of a declining trading business with the U.K., as the consumers may switch to local goods when the prices of imported products increase due to weak GBP. Also, there may be possible disruption to the supply chains of the business."

"The impacts of Brexit negotiation remain unknown and could affect the economic environment of the U.K."

To gear up for the potential Brexit scenarios, Hong Kong businesses might have to change their invoicing currency from British pounds to U.S. dollars, change their shipping hub from the U.K. to an EU member country, and should set up an internal Brexit task force or steering group to manage short-term and long-term strategic plans for any scenario, says Wong.

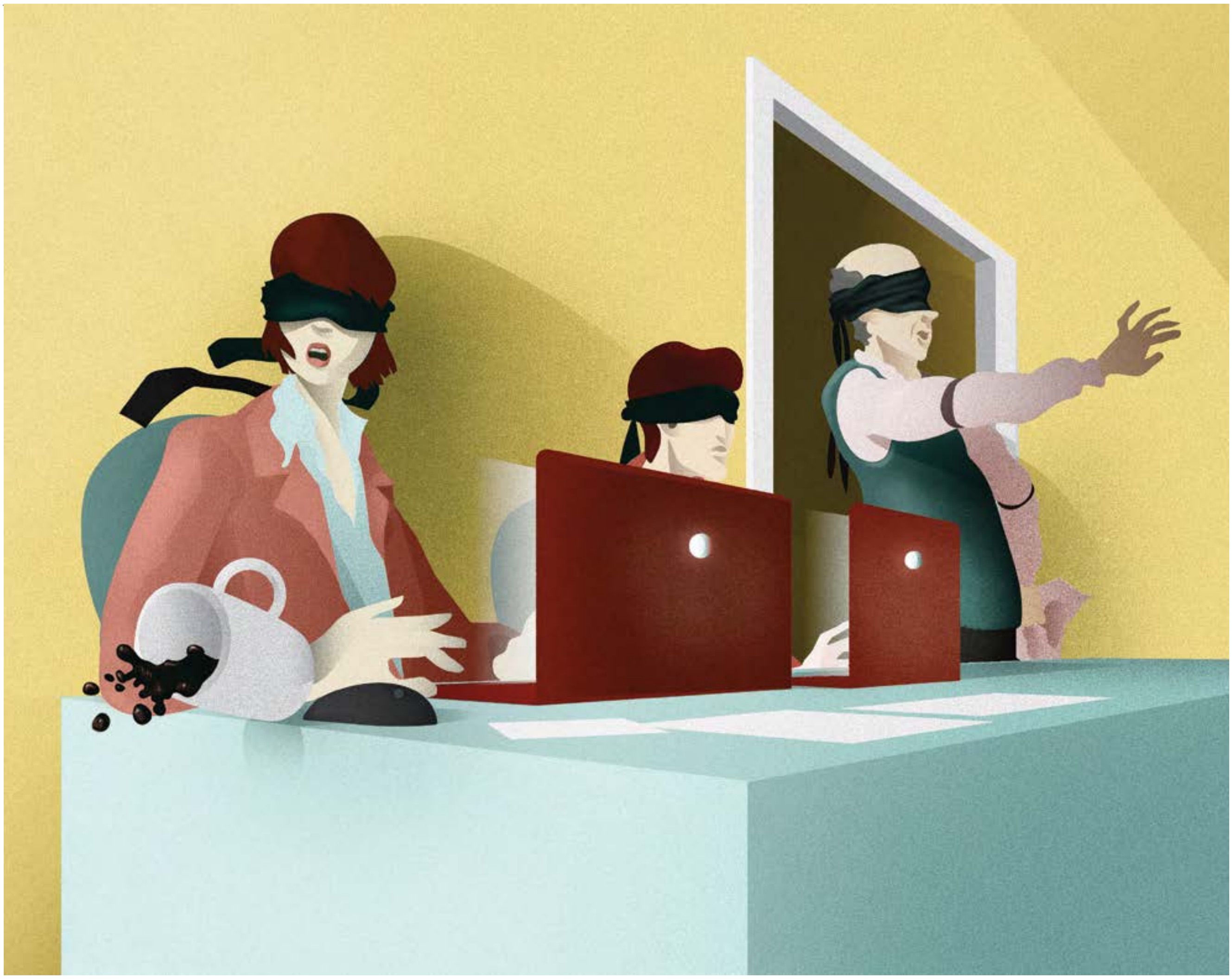
There are also opportunities to prepare for. "It is expected that there will be increasing demand from the U.K. to use Hong Kong as a hub for trading in the Asia-Pacific region to compensate their loss of EU markets due to increase in customs duties after Brexit," says Wong. He adds that as Brexit leads to the depreciation of GBP, Mainland Chinese outbound investments may seek Hong Kong instead of the U.K. for fundraising in the capital market. "To prepare for this, our

Business Brexit Checklist

To help some businesses, the British Chamber of Commerce (BCC) designed the Business Brexit Checklist, outlining key areas of operations that may be impacted after the United Kingdom's departure from the EU. Indeed, the BCC suggests all companies – not just those directly and immediately affected such as importers and exporters – should have undertaken a Brexit "health check," and a broader test of existing business plans.

- **Workforce and future skills needs**
  What percentage of your U.K. workforce is from the EU.27? Do your staff know the next steps to take to register as an EU citizen working in the U.K.? What can you do to help retain skills and labour?
- **Future staffing requirements**
  What will be your skills and labour needs over the next few years? Will you need to hire someone from outside the U.K.? What steps will you need to take to hire them? Could different arrangements (remote working) be feasible for your business?
- **U.K./EU customs checks**
  What customs procedures do you comply with for trade with non-EU markets? Are you ready, if the need arises, to apply these to imports from or exports to the EU?
- **Potential delays at U.K./EU border**
  The potential of customs checks to cause delays at the border will depend on how new policies are implemented in practice: customs checks are typically risk-based rather than universal. As yet there no details on how enforcement might be executed in practice.
- **Tariffs on U.K.-EU trade**
  Do you know the HS codes (international classification system) for your products? Do you know the EU Most-Favoured Nation (MFN) tariff that is applicable for your product? If the U.K. and the EU do not reach an agreement that removes all tariffs, what would the impact of the MFN tariff be on your cost base?
- **VAT registration in the EU**
  Do you know which country would be best suited to support your supply chain to EU customers/suppliers? Do you have access to bank guarantees required by Fiscal Representatives? Does your business model allow enough margin to absorb the increased costs these new processes will bring?

For the full checklist visit: *www.britishchambers.org.uk*



clients should have a comprehensive analysis on the future trends and layouts of their businesses according to certain Brexit scenarios, and establish an effective and efficient mechanism for the allocation of people to work out the scenarios at business level and the utilization of other resources."

Brighter prospects

For some companies the opportunity to investigate new markets overseas is a boon. For others it could also be a chance to sell up or seek new investors. British assets are more attractive with sterling so low, and therefore much cheaper for foreign investors who in their turn may be looking for an opportunity in the U.K.

For Gracey at TAM, the prospect of a no-deal Brexit forced TAM to bring forward their overseas expansion plans. Now that the asset manager has a Spanish office it is already starting to think about the growth opportunities available to the business. "Brexit has speeded us along the line of expanding into Europe. Whereas we could have expanded from the U.K., the fact that we may now not be able to do that has put the focus on having a European entity in Spain that is regulated and can operate in Europe and be passported throughout Europe," says Gracey. "We see Brexit as an opportunity."

Wong is optimistic about the prospects Brexit holds for business opportunities between Britain and Hong Kong. "The U.K. is keen to explore opportunities with the non-EU partners and Hong Kong maintains its strategic advantages – free trade policy and a well-established common law framework – for companies seeking to access the Asia-Pacific region.

"In addition, the Hong Kong IPO market, which has emerged as one of the top global IPO markets in recent years, will be seen as a key gateway for U.K. companies seeking access to international markets, triggering enormous investment and more free trade ties in Hong Kong" he says.

Relocation and expansion decisions represent significant costs for businesses, but if the calculations add up then organizations must move quickly. Although the U.K.'s exit from EU continues to be a moving target both in content and timeframe, businesses need certainty, and certainty is something that accountants are always good at providing based on robust financial calculations.

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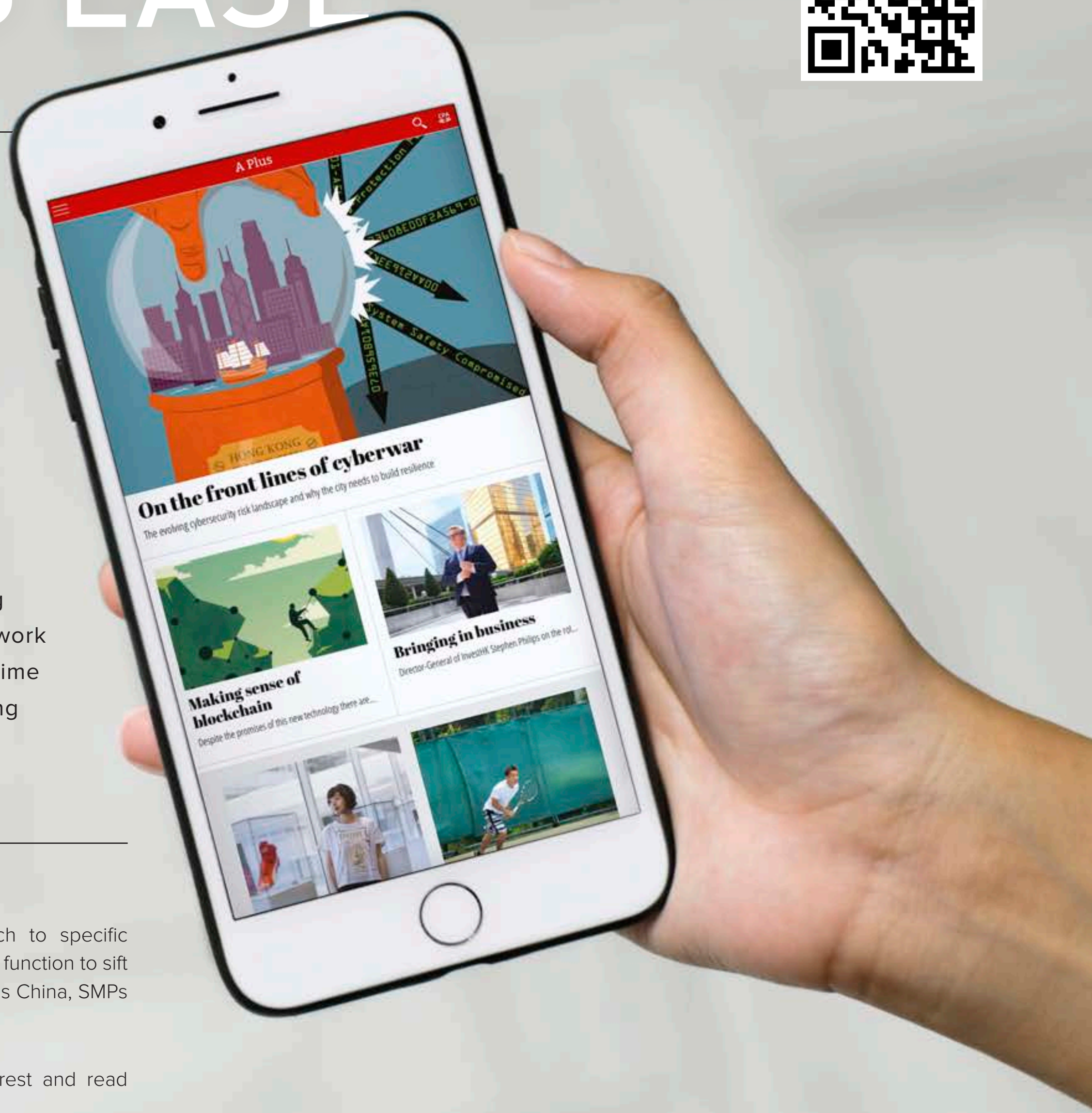

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Driving business success

Harjeet Baura, Financial Services Consulting Leader, and Ali Tse, Director, Financial Services Tax (Transfer Pricing) at PwC Hong Kong, test common preconceptions about gender in the workplace

What are the obstacles to women's advancement in Hong Kong's financial services sector?

The importance of diversity and inclusion in the workplace has grown in recent years. A representative workforce is important not only for corporate governance but for society as a whole. This is particularly true for the role of women, who are under-represented in leadership positions in Hong Kong relative to most other Asia-Pacific economies. The Women's Foundation (TWF), a non-profit organization dedicated to improving the lives of women and girls in Hong Kong reported that women in Hong Kong occupy 29 percent of management positions (compared to 38 percent in Malaysia) and just 13.8 percent of directorships of Hang Seng Index-listed companies.

While women make up 52 percent of entry-level positions in Hong Kong's financial services sector, this falls to 33 percent at senior management level and just 21 percent at board level. To understand what is going on behind these numbers, PwC conducted a survey on gender diversity in the financial services sector, with the support of TWF, and Women Chief Executives Hong Kong, a group of female financial services leaders committed to achieving greater gender balance. We looked at five common preconceptions about gender in the workplace, and then tested these against our survey data. This then informed a series of recommendations for employers in the sector. These are:

Diversity recruitment measures are needed to increase female representation in senior roles

Rather than specific diversity recruitment measures, we found that greater impact can be achieved through driving diversity and inclusion across an organization's culture, and by engaging smaller working communities to define their own diversity and inclusion goals. One example of a group promoting and supporting gender diversity is the Male Allies Initiative in Hong Kong. Encouraging smaller groups of middle managers to implement change is another way of ensuring that a change in mindset is achieved throughout the organization.

There are fewer women than men in senior positions because women leave work to start families

We found that lack of career progression and opportunities are the main reason for women leaving work. Among other measures in the report, we recommend that companies create strategic networking opportunities for women to open up otherwise private networks. There should also be sponsorship (in addition to mentoring) programmes to support the progression of female staff.

Succession plans and leadership programmes are important for female retention and progression into senior roles

This was supported by our research: 67 percent of senior women strongly agree that early identification and management of female talent is important.

Flexible working policies will help improve gender balance

Such policies are considered essential to enable both men and women to meet family responsibilities and other commitments. Over 70 percent of the companies we surveyed ranked this as a top-three priority in driving their diversity and inclusion agenda.

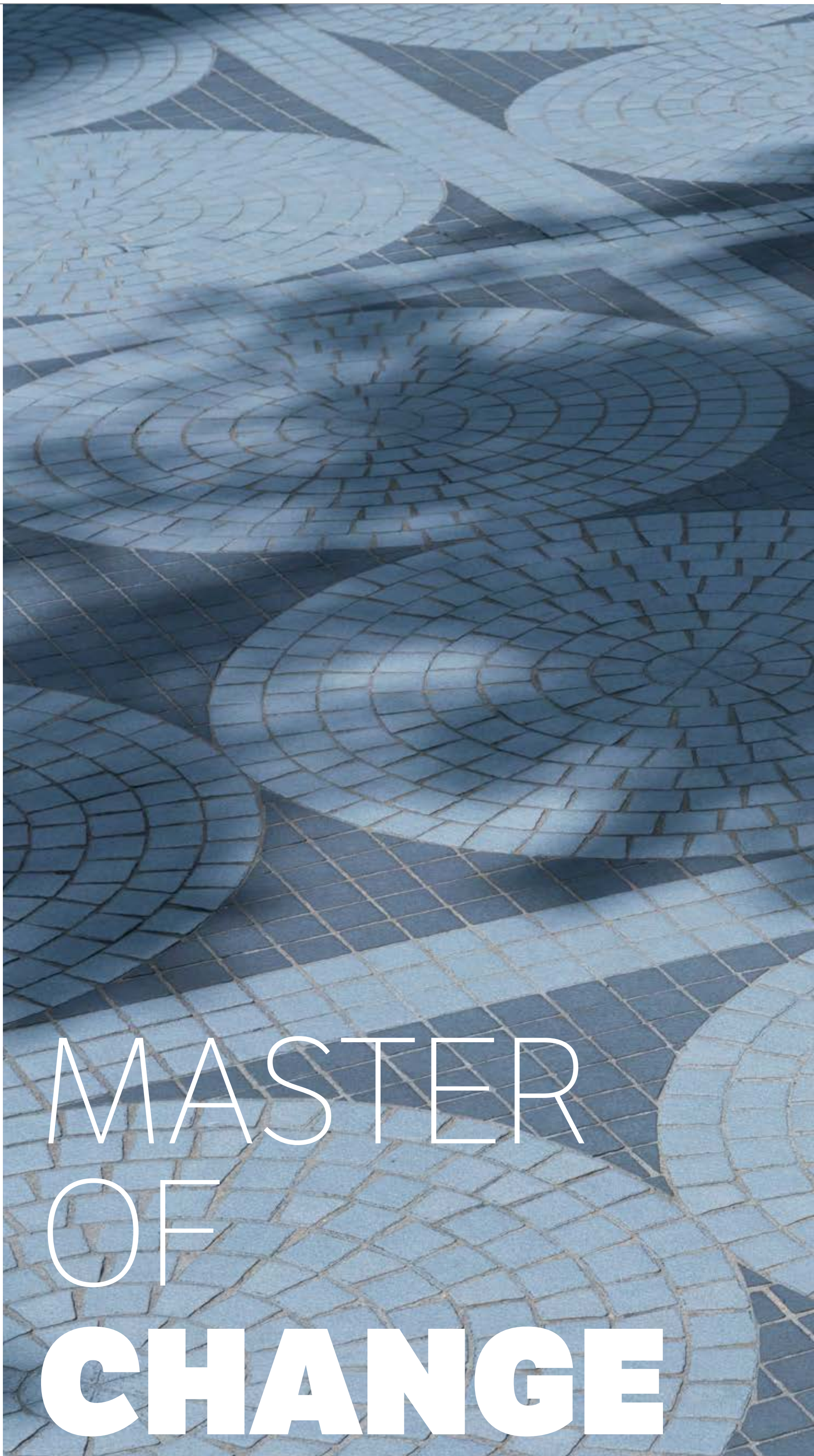
Men are paid more than women

All the companies we surveyed have processes to ensure there is no pay disparity between male and female staff. However, the Women's Commission reports a pay gap of 22 percent in Hong Kong across all sectors. And there is a strong perception of a pay gap that needs to be overcome: 72 percent of senior female employees feel that senior women do not earn as much as senior men.

Promoting diversity and inclusion

The main conclusion that we draw from this report is that when it comes to diversity and inclusion, it is not enough for organizations to set the tone from the top. They also need to engage line managers and middle management, as this will create a sustainable shift in the organization's culture. In addition, leaders need to actively listen and acknowledge the obstacles women face around career advancement. Only then can organizations put in place effective measures to prevent them from losing female talent. These measures can include flexible working policies, sponsorship opportunities for women and addressing perceptions relating to unequal pay.

The organizations that we surveyed are already leaders in best practice and are influential in driving behavioural change in their customer base. But the diversity and inclusion agenda needs to be adopted by a much broader range of companies to ensure that Hong Kong keeps pace with other international financial centres.



MASTER OF **CHANGE**

Audit reform, the new Qualification Programme, the Greater Bay Area, and other opportunities beyond Hong Kong – the profession faces a year of big changes and new possibilities. Patrick Law, the Institute's new President, tells *A Plus* how he will be leading members through them, while helping them thrive in their role as Accountants Plus

Photography by Theodore Kaye

At the Institute's Career Forum in 2017, Patrick Law expected to share with the university students about the profession as a speaker, but at a career forum advisory panel meeting beforehand he found himself reassuring their professors. "They asked: 'will the number of graduates recruited by the accounting firms be reduced?' after I suggested that audit innovation and the use of new technologies should be a key topic at the forum," recalls Law, who was then convenor of the panel.

"In the past, some people thought computers would have a negative impact on the profession. But what we've seen in recent years is that even though computers help with the tedious work, we actually need more people in accounting – people with different types of skills to do different types of work."

Sharing the message that the profession remains relevant amid an ever-changing business world, and is always learning and improving, is what Law will continue to do this year as the Institute's President.

Law, Deputy Assurance Leader at EY Hong Kong and Macau, will also be working to ensure that members get the most out of the Institute's services and be prepared to meet the demands of their clients and employers in the age of Accounting Plus. He believes that the Institute must be as communicative as

Patrick Law studied electrical and electronic engineering at university in the United Kingdom before deciding to pursue a career in accounting. He has worked in assurance and business advisory at EY since 1993.

the Institute is of course one of Law's focuses this year. The previous chief executive, Raphael Ding, left the Institute at the end of June last year after serving out his contract. The Council has set up a search committee to work with a recruitment agency to find a replacement. "We have scheduled a meeting this month and we have some candidates on hand. I think the quality of these candidates is quite good. So I hope we can get a new CE sometime this year," says Law.

Without a chief executive, the Institute's next long range plan, its seventh, cannot begin, he says. "We are moving on from the Sixth Long Range Plan and need to start the Seventh Long Range Plan as soon as possible. The plan has already been developed, but for the final nitty gritty details to be agreed we need the new chief executive to be on board."

The membership fee waiver for 2019 for members whose names were on the register at 31 December 2017, and reduced fees for most continuing professional development (CPD) courses are helping members to become Accountants Plus. "We will review the Institute's reserves situation this year to determine an appropriate level for a 2020 fee waiver and see whether further things can be done," says Law.

He points out that the Institute regularly reviews its reserves, and that two partial membership fee waivers have been introduced in the last four years. "We regularly review the funding needs of the Institute and how much is needed for future plans. If there's no immediately identifiable need for the funds, we should redistribute them to members," he says.

Concerning polling members for the election of president and vice-presidents, a task force is examining

possible about how it is supporting members. "We have a large number of members – over 43,000 – and are a regulatory body as well as a membership body, so transparency and effective communication are very important for us," he says. Publishing abridged Council meetings minutes for members to read was a key development last year to improving transparency, he adds. "Communicating with members is important as it allows us to understand their needs and see how we can enhance and widen our services to them, and also help them remain competitive."

Law is looking forward to building on conversations he has had with some members since he began serving on the Institute's Council in 2014. "I have met a lot of members and they have told me what they want. I also understand that we have a wide range of members in different groups – professional accountants in business, professional accountants in practice, young members, small and medium practitioners etc. I always take the time to listen to their voices so that I can bring it back to the Institute."

Responding to change

Following on from last year's extraordinary general meeting, getting a new chief executive and registrar for the feasibility of a "one member one vote" poll. "We have to really spend time to think about it," says Law. "We studied the voting mechanisms of eight other professional bodies and all of them are different. These are mainly membership bodies, whereas the Institute is both a regulator and a membership body." Given that only the Council can elect the president and vice-presidents under the Professional Accountants Ordinance, the legislation will need to be amended, he adds.

Other factors, such as the composition of the Council, also need to be considered. "With the proportion of practising and non-practising council members, should it still be seven and seven? With presidents and vice-presidents, is a one-year term really enough? There's a lot of moving parts, so it takes time."

Hong Kong's audit environment for some practising members will change drastically this year, with the Financial Reporting Council (FRC) taking regulatory responsibility for the auditors of listed companies. With the amendment bill having been gazetted on 15 February, there are still some outstanding issues to resolve before the FRC can take over, says Law. "The remaining part would be the sanctioning measures – the details and guidelines. Going forward, the FRC, the government and the Institute will carry on looking into this part. Certain activities of the Institute, including professional development and registration, will be overseen by the FRC, so details on how this will be done would also be discussed," Law explains. "We will work closely with the government and the FRC to ensure these changes are implemented smoothly with as little interruption to the profession as possible."

Greater opportunities

The Greater Bay Area (GBA) will also have a huge impact on the Hong Kong profession this year, he says. "I'm optimistic that the more detailed framework that was announced this month will lead to clearer roles to be played by the '9+2' cities and how they will link with each other. With that, we will have a clearer picture of how to position our members."

Building productive relationships with accounting bodies across the border is crucial to helping members capture the business opportunities, he notes. "We have formed a strategic alliance with Guangdong and Macau CPAs to provide a platform for our members and CPAs in Macau and Guangdong. They can communicate with each other when collaboration opportunities arise," he explains.

"A lot of companies and enterprises in the GBA will need the services of our people because our members are familiar with the international business practices and cultures."

With the unique skills and experiences of members, recognized by clients and governments, Law is optimistic about the vast business opportunities the GBA provides for Hong Kong firms. "A lot of companies and enterprises in the GBA will need the services of our people because our members are familiar with the international business practices and cultures, so they can help enterprises that want to go out, and they can provide a wide range of services, from mergers and acquisitions to international tax advisory."

Despite all eyes being focused on the evolving United States-China trade war, he believes that the Mainland will continue to play a major role in members' career success. "The importance of Mainland China in the international arena continues to grow," he says. "Of course, we see a slowdown in the business operations of some Chinese companies, but with the GBA and Belt and Road Initiative, the business opportunities for our members will remain very strong in the future."

Staying ahead

Law has seen the profession go through a series of significant changes to get to where it is now, with CPAs going from being "number crunchers" to forward-thinkers. "I can still remember my first big task when I was a trainee. I was given a very bulky stack of print-outs and I was asked to check the casting of the totals on all of them for the client. You can imagine how long that took!" he recalls. "With the development of audit innovation, our members can focus more on analytical work, playing around with data to get high-value interpretations that help them offer meaningful advice to clients. That's all part of Accounting Plus."

Members can't afford to be complacent, he says. "Technology advancements will continue. Members need to be conversant with FinTech (including blockchain), and robotics. They have to keep learning, otherwise they will be out of date very soon," says Law. "On the other hand, this is what makes our profession interesting and exciting."

Helping the next generation of the profession remain up-to-date and dynamic will be the new Qualification Programme (QP), which rolls out in the third quarter of this year. "It will equip students with the skills needed to use and embrace new technologies and meet the requirements of employers and clients in the age of Accounting Plus. Other than the traditional areas of audit, taxation and accounting, students of the new QP will need a wider range of knowledge and skills, including soft skills like teamwork and presenting, for them to be successful."

The Seventh Long Range Plan responds to the three main challenges that the profession faces, says Patrick Law:
1. The impact of changes in technology and the business and regulatory environment;
2. Attracting and developing the best talent; and
3. Maintaining the unique position of the Institute.

Soft skills are more vital than ever, Law stresses, which is reflected in the increased number of soft skills CPD courses that the Institute organizes. "Clients nowadays are no longer satisfied with us telling them how the audit figures look. They want to know, through good presentations and communication, how their operations and key performance indicators compare with their competitors. That is more meaningful to them."

Also important is making sure that the Institute itself is as future-ready as its members, in order to provide them digital and beneficial experiences. This year, the Institute

"How you manage different tasks and how you mix with different people is more important than what you study."

will launch the next phase of the Digital Strategic Plan, which began last year with the Institute's new website. "We have received positive feedback on that. It's more user-friendly and easier to navigate," he says. "But that's not enough."

Ultimately, he says, the aim is to offer members a more personalized experience based on their behaviour, and to deliver content and recommendations relevant to their interests. "The most significant part of the second phase is that members will be able to sign up for CPD courses through the website, and we are also exploring how to use members' browsing experiences to know their preferences. When we have information or content they want, we could recommend it to them, so that they don't have to search for it," he explains. "We are also developing more content for the website to give members a wider range of information."

Law served on the Institute's Council since 2014. He has been involved in many committees including the Registration and Practising Committee, the Ethics Committee, the Governance Committee and the Nomination Committee.

One of the aims of the Seventh Long Range Plan is to attract and develop the best talent for the profession. Firms, when it comes to attracting the talent they need, should re-examine whether they are offering a young, digital-savvy workforce what they want as well as what they need to succeed, says Law. "Generation Z is starting to enter the workforce, and they expect a more flexible working-style and more work-life balance, so we, as employers, have to focus on that. We have to make our profession more appealing in terms of work arrangements. Through this, we can get more people to stay in the profession and to work in the profession in the future."

Engineering his development

The new QP offers greater flexibility for non-accounting graduates to become a CPA. Law knows first-hand the value different educational backgrounds can bring to an accounting workplace. He has a degree in electrical and electronic engineering from the University of Leeds, and a master's degree in control systems from Imperial College London.

"I believe that the logical thinking skills you develop, how you manage different tasks and how you mix with different people are more important than what you study," he says. "As we are in the age of Accounting Plus, we need different kinds of skill sets and knowledge backgrounds."

While studying and attending career talks and forums in the United Kingdom, Law started thinking about taking a different path. "I learned more about accounting, and I found out I could learn a lot about different types of businesses in the first few years of my career, and that would be very useful for when I went back to Hong Kong. So I decided to pursue accounting."

Law joined a small audit firm in the U.K. and obtained his CPA qualification before moving back to Hong Kong, his home since. In 1993, he joined EY Hong Kong and has stayed. "EY was a young firm in Hong Kong when I joined, compared with the other Big Six firms. This meant that I would have more opportunities because it was still growing, and growing fast."

For more than 20 years, Law has been working in assurance and business advisory at the firm. "Every day is challenging," he says candidly. "You have to stay on top of changes to technology, standards, the business and regulatory environment, so that you – and clients – won't be surprised."

Law recently got a surprise when his eldest son decided to study accounting and finance in university. "I never thought he would choose that," laughs Law, a father-of-two. "I thought he would be scared after watching his father."

Running trails, running projects

One of Law's first activities as President was running for the profession in the 10-kilometre Chairman Cup race of the Standard Chartered Marathon this month. As well as running, Law has taken part in the gruelling Oxfam Trailwalker a number of times, which he says has surprisingly taught him some valuable lessons in management and leadership.

"It's just like running a project. You have to do a lot of preparation work and planning because a lot can happen along a 100-km-long trail," he says. "You do it with three other people. Not only do you have to work with them, but you have to understand their strengths and abilities. Some of them may not feel well during the race, so how you have to motivate and encourage them to continue. Some of them might move at a different pace, so you have to work with them so that the all team members can reach the finish line. It's like what we do in audit work, day to day.

"Some people don't sleep. It's an exercise that strengthens your mindset and persistence, and when you complete it, you feel great."

Off the trail, Law wants to encourage all members to develop themselves for a greater purpose, and to explore the opportunities available in the GBA and beyond. "Throughout my years working in the profession, I've seen a lot of changes. I hope I can help people, particularly the young generation, to keep learning and better serve the community. Hong Kong is a very important global financial centre, and Accountants Plus help keep it that way."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by Agnes Lo

The Founder and Chief Trainer of Solution Bulb Training Consultancy Company, and strength-based Development Certified Coach and corporate trainer based in Hong Kong, shares tips on being more visible and accessible

How to network for success

Some people network at professional events with one sole purpose: They become "WiiFMs" – thinking "what's in it for me?" They only want to meet people to see what they can get from them, and are "takers." However, successful networking is actually about building relationships, not taking or selling.

To use an analogy from Dr. Ivan Misner, called "the father of modern networking" by news channel CNN, and Founder of Business Networking International (BNI), networking is more about farming than it is about hunting. It's about developing relationships with other business professionals.

Indeed, when I first established my training consultancy in 2017, my first-year clients were all from the seeds I had planted through networking, with some from years ago.

Why networking?

- Networking is cited as the no. 1 way to get a job;
- In the current job market, 80-90 percent of people are hired through networking;
- Many companies offer incentives to their staff if they successfully refer a prospective employee; and
- Finally, you never know who you will meet at a networking event – that person may be your future business partner or even your future spouse.

Networking is about connection

The focus of your networking should be on making solid connections – this is more productive than superficially meeting everyone in the room. Quality trumps quantity.

We need to open up in our conversations to make meaningful connections. The more open we are, the more people will be drawn to us because we are being authentic. When you share something personal, it gives your listener the permission to do the same.

When asked "What do you do?" most people answer by stating something vague and superficial – "Oh I'm in finance." Try this: "Thank you for asking. I help people prepare for a worry-free retirement by managing their assets. Did you know that most people don't plan for retirement? People are living much longer and a solid retirement plan is essential."

Sharing a little bit more makes you more memorable, and leads to a more interesting conversation.

Networking is about cultivating relationships

It takes time to build the trust needed to enable a relationship grow. Networking is not about collecting business cards, and there is no value in storing business cards until you need to contact the other party for a specific purpose. It is important to manage your online network to maintain visibility and develop credibility with your network.

It's important to know why you are networking. Sometimes you go to an event to increase your visibility, and sometimes you go to establish further credibility with people you know. You may even go to meet a long-time referral partner and do some business.

Always come from a place of giving to others without an expectation of a pay-off. Remain authentic and have the other person's best interests at heart. In doing so, others will feel you are trustworthy when you refer business to them, and in return they will help you and your business. Build upon that good networking karma, and the universe will pay it back abundantly.

Have a networking plan

Before you go to an event, don't think about it as "networking." Think about it as relationship building. Have a positive attitude and you will give out positive vibes. It will impact others and you can expect a hugely positive result. Don't waste your time at events you are not interested in. Instead, follow these key points:

- Google the host of the event before you meet them. Find out what they are interested in from their background;
- Nail your 30-second and two-minute elevator pitches in advance and rehearse well;
- Dress for the occasion;
- Network-up, i.e. connect with people who are more successful than you are;
- Look outside your own industry and comfort zone; and
- Be engaging and add value to others.

Organizing your contacts

When I get home after an event, I organize the business cards of contacts and categorize them. For some I will make some notes based on our conversation. I will also note what events they may like to attend, so if anything comes up I can contact them.

I then think about any early referrals I can give to this person – which of my many contacts may need his or her services? I then follow up immediately. Live by the mantra that "giving comes first," and a good follow-up can open up a world of opportunities.

Networking success requires you to be proactive. As Dr. Misner said, "First, you have to be visible in the community. You have to get out there and connect with people. It's not called net-sitting or net-eating. It's called networking. You have to work at it."

How to broaden your network

Here are key ways to broaden your network:

- Speak at events;
- Volunteer to help organize an event;
- Host an event;
- Join conferences, seminars, and classes (that interest you, of course);
- Join a local BNI chapter;
- Join Toastmasters;
- Join a hobby clubs (such as hiking or reading); and
- Be active on social media – post content to get likes, shares and follows.


10,000
COAL
WOOD
AUDIT

READY FOR TAKE OFF

Drones are just one of a number of technologies that could improve audit quality across different industries. Nicky Burridge looks at how likely the technology will be an important part of the future auditor's job

Illustrations by Ester Zirilli

Conducting an audit stock count for a coal-fired power station is no easy matter. It involves physically traversing the coal pile and using a two-metre GPS tracking pole to measure its area and elevation from the ground at more than 1,200 different points.

In the case of the coal reserve at German energy company RWE's power station in Aberthaw in South Wales, the whole process takes around four hours.

But last month, PwC in the United Kingdom reduced this time to just 30 minutes, when, in a first for its global network, it used a remote-controlled drone to capture more than 300 images of the coal reserve.

These images were "stitched together" using software that recreated the stockpile in 3D, which is used to calculate the volume of the coal pile to over 99 percent accuracy.

"The drone trial was conducted to explore ways of challenging the traditional method of stock counting. It was a classic example of new technology challenging the old – and based on our results, the potential is groundbreaking," Richard French, Audit Partner at PwC U.K., told the media last month.

Drones, or unmanned aerial vehicles, are everywhere – from capturing stunning bird's-eye view video footage, to delivering packages, to causing airport chaos in London last December. They are now being seen in the world of audit, with the Big Four increasingly exploring the potential that drones have in improving the audit process.

EY is currently carrying out a pilot programme in the U.K. using drones for audit stock counts across a range of sectors, having successfully completed a proof of concept in the spring of last year. "Our initial findings show observation efficiency increases up to 300 times by utilizing drones for these repetitive tasks," says Hermann Sidhu, Global Assurance Digital Leader at EY.

KPMG has also trialled using drones in stock counts for mining companies and in warehouses in Australia, while Deloitte has been trialling using drones in audits since 2016 as part of a wider move to reimagine the way it does audits in the light of new technologies, including artificial intelligence (AI), blockchain, big data and robotics.

"We have been using drones to audit and inspect land, agriculture, vehicles and facilities as a safer and more cost-effective alternative to manual inspections," explains Jay Harrison, Deloitte China's Audit and Assurance Transformation Leader.

Sky's the limit

PwC identified a number of advantages in using a drone to do the stock count in its trial, not least of which was time.

The drone also enhanced accuracy by capturing around 900 data points per cubic metre, enabling the volume of the coal reserve to be calculated to within 2 centimetres.

Other benefits included safety, with the drone flight posing less of a health and safety risk compared with clambering over piles of coal, which may be unstable in places. It was also less disruptive as it did not require machinery to be moved.

As well as the stock count, PwC said drones could also be used to provide more efficient monitoring and management of sites, as well as giving insights into the health and maintenance of other assets, such as buildings.

Sidhu at EY points out that increasing the efficiency of an audit stock take, frees up auditors' time to focus on other areas, such as building up a relationship with the business, risk identification, project management and

PwC completed its first stock count audit using drone technology, the firm announced last month. Initial findings from the project concluded that the traditional method of manually traversing the coal pile can take around four hours, whereas using a drone it can be done in half an hour – a reduction of 85 percent.

the detailed scrutiny that mainly experienced auditors can do.

The fact that drones are able to capture higher volumes of data than traditional sampling techniques also enables accountants to offer greater insights to companies, particularly when the images are combined with analytics and AI. “If we can use drones to undertake inventory observations and repetitive tasks, frequently and consistently across all of a client’s warehouses and sites, with the potential to station hundreds of them around the world, then we can also provide enhanced perspectives,” says Sidhu.

He thinks in future drones may even be able to conduct an audit stock take without human assistance. “Drones will potentially have the ability to simply receive a meeting or calendar request to automatically go and conduct their work on a regular cadence.”

Daniel Lam, Managing Director of Hong Kong-based drone services company Prospero Aerial Solutions, thinks they could also be used to offer value-added services. He has come across examples where drones have not only been used to undertake livestock counts, but the images captured by them have then been run through intelligent software that picks up certain characteristics to identify which animals are sick, or to predict which ones may become unwell in the coming days, so that they can be separated from the rest of the herd. “Drones are simply the tool to extract the data, but the real power is interpreting the data to make it meaningful,” he says.

A multi-disciplinary team

PwC U.K. formed a specialist team around 18 months ago with the aim of helping clients take advantage of drone technology and the data it can provide. The team combined people with aviation, engineering, data management and machine learning experience with those from an auditing background. But it did not include drone operators, with the drone used in the audit of RWE owned and operated by U.K.-based drone manufacturer QuestUAV.

Elaine Whyte, Drones Leader at PwC U.K., does not expect this to change, explaining that a very different skill set is needed to operate a drone in the air, compared with interpreting the data it captures. She adds that it is relatively inexpensive to hire someone to fly a drone. “For us, the capturing of the data isn’t the most important part of what needs to happen. It is what we then do with that data that is important and how we integrate it back into the clients’ business,” she says.

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But Lam says, while it depends on the frequency and nature of the use of drones, he does expect audit firms to build up their own drone teams in the future. “It makes sense to have a dedicated in-house drone team. Most construction companies have their own in-house teams now,” he says. “There is plenty of proprietary software out there which comprise machine learning algorithms to speed up the data processing and capture, which is super exciting to see.”

Overcoming challenges

Sidhu says one of the major challenges EY has encountered is the average flight time of the drones currently being used in the industry. “A standard enterprise-grade drone will achieve up to 40 minutes maximum flight time. Obviously for smaller sites this is not a problem, but for the vast areas we also work in, such as automotive counts, having a drone that needs to have a battery swapped frequently removes the benefits of autonomous flight.”

This issue has led EY to explore pioneering work with hydrogen fuel-cells that can potentially increase the flight-time up to four hours.

Harrison at Deloitte thinks cost could also be a barrier, pointing out that the price of drones and accessories means it would not be easy to quickly deploy them on a large scale, especially as stock-taking activities are seasonal in the audit process. He also expects regulations like no-fly zones or the need for pre-approved access to discourage the use of drone in some scenarios.

Drones are well suited to stock counts in certain sectors, such as mining and agriculture, where the client has large, external assets that need to be measured volumetrically. But Harrison points out that the limitation of current drone technology means they may not work well for indoor warehouses or stock that is stored in a way that is not easily visible.

KPMG has found a way around this problem, by using drones to scan barcodes on concealed stock. Scott Guse, Senior Audit Partner at KPMG Australia, explains: “Sometimes in warehouses you have lots of pallets stacked behind other pallets, and you have to get forklifts in to move things out of the way to physically verify the existence of those pallets of materials. We have used drones to fly across the top of all of these pallets and scan barcodes to validate that that stock


COAL
WOOD

"As a company we recognize that our clients are going to be disrupted by this technology, so it is really important that we also disrupt ourselves and understand how it works."

actually exists and is accurately recorded in the client's general ledger."

Lam thinks education and awareness of the benefits of drones is also a factor holding back their use. "You'll find that in less developed parts of the world, drones are really taking off, but in more developed places, less so. Regulatory issues and the stigma surrounding privacy is a concern for some organizations," he says.

He adds that legal issues can also be a challenge, particularly in places like Hong Kong. "At the moment, operators in Hong Kong are bound by something called 'Visual Line of Sight,' meaning the operator must keep a visual unassisted line of sight of the drone at all times," he explains. "For surveying highway routes and such like, then 'Beyond Visual Line of Sight' is necessary and not all jurisdictions are allowing that yet."

Joanne Murray, Senior Manager at PwC U.K. and Drones Assurance Lead, points out that while using a drone is more efficient than doing a manual stock count on the day, it requires important preparation work. "There is quite a lot of planning to do in terms of the risk assessment, the flight plans and engaging with the drone operators. This planning time needs to be factored into all engagements," she explains.

She adds that auditors also need to consider whether the drone company can do the work that a traditional approach would cover, such as accessing concealed stock that the drone cannot photograph. "We need to look at the balance of what the drone can do, versus what the human can do."

Future adoption

Despite the success of its trial, PwC will still use information gathered using the traditional manual stock count method for RWE's formal year-end financial statements. "We are currently working with our internal quality teams and establishing the methodology on how we can formalize this," says Murray.

Although PwC has since carried out another audit stock count using a drone for a different client, Murray thinks they are still some way off large-scale adoption.

She explains that if a drone is going to be used by PwC, it must meet at least one of four key metrics – quality and whether it will provide improved results; increased efficiency, meaning using a drone must be quicker or cheaper; whether there are health and safety benefits for the audit team and the client; and whether it is less disruptive on the day of the stock count. "If we don't hit at least one of those we realize that the traditional method is probably the best approach," she says.

KPMG's Guse does not expect using drones in audit to become the norm. He says: "It is still very early in the process, but I don't see it becoming really widespread at this stage. We will continue to use drones to validate information that is hard for employees to get to but there is a limit to some of their uses and there are other technologies that are more valuable than drones in certain places."

For example, he says it can be more cost-effective to use satellite images from government bodies or private organizations, which give larger areas of coverage, for verification processes in certain circumstances, such as counting cattle in a paddock or checking the acreage over which crops are being grown by agribusinesses. "There are going to be more and more uses for drones, but these will need to be assessed against what other technologies exist and could make our processes more efficient."

Sidhu says EY is currently working with a range of clients in sectors including retail, manufacturing, construction and agriculture, to gain an understanding of the size of the opportunity, before deciding how to scale its capability in this area. "What we are seeing is a real enthusiasm from many businesses," he says.

Even so, PwC estimates that by 2030, the drone ecosystem in the U.K. alone will be worth £42 billion and employ 630,000 people. "While today we are still having some of these elementary questions over how it compares to traditional methods from an auditing perspective, from a much broader society side, this will become business as usual for many different industries moving forward," says Whyte.

PwC already has a number of specialist teams across its network, including in the United States, Australia and Poland, exploring the use of drones in a number of different use cases, including audit. "As a company we recognize that our clients are going to be disrupted by this technology, so it is really important that we also disrupt ourselves and understand how it works," says Whyte. Guse agrees: "Technology is changing the way we do our business every day. It is a great time to be an auditor because these technologies enable us to enhance the work that we do and provide even better audit quality."

Alan Lee

Food for thought

Alan Lee left the bustle of Hong Kong for the beaches of Australia. After a career that included a long stint in private equity, he returned to public companies as Chief Financial Officer of a unique restaurant franchise, Oliver's Real Food. *A Plus* caught up with the Institute member in Sydney

Photography by Jiwon Kim

For the truckers and travellers who associate highway food with endless burgers and fries, grease, salt and sugar, the menu at the Oliver's Real Food outlet in Hexham, an industrial suburb of Newcastle, Australia, is a bit of a surprise: free-range chicken and avocado sandwiches, falafel and quinoa dishes and a colourful "chickpea bazaar Buddha bowl."

For Alan Lee, the pita pockets – lamb or vegetable – are the biggest draw. And as the company's Chief Financial Officer, the Hong Kong Institute of CPAs member takes a big interest in what sells at its 21 restaurants, which arc across 2,000 kilometres of Australia's heavily populated southeast from Maryborough in Queensland to Ballarat in Victoria.

"Driving along on the highway, there have not been many choices in the past," says Lee, who is convinced that the company can reach out to previously untapped demand. "It might surprise you but a lot of 'truckies' – lorry drivers – are actually coming to us," he says. "Maybe they've had enough of KFC and Macca's," he adds, using the Australian nickname for McDonald's.

Oliver's Real Food has plenty of competition. As well as the global fast food brands, Australia is home to several independent local chains. Oliver's most recently opened restaurant in Coffs Harbour, a busy agricultural and tourism town on the north coast of New South Wales, is sandwiched between a Red Rooster, a 47-year-old chicken franchise, and the home branch of Ridgey Didge Pies, a gourmet pie franchise founded in 1995.

"We are in the right sector in the right industry and so far I can't see anyone else doing at this point in time."

All three restaurants are off the Pacific Highway, a major national route between Sydney and Brisbane. Oliver's outlets tend to follow the highways – favoured by its "truckie" customers – but in doing so the company has helped bring healthier fast food outlets, or "quick service restaurants" (QSR) in the trade jargon, to rural Australia.

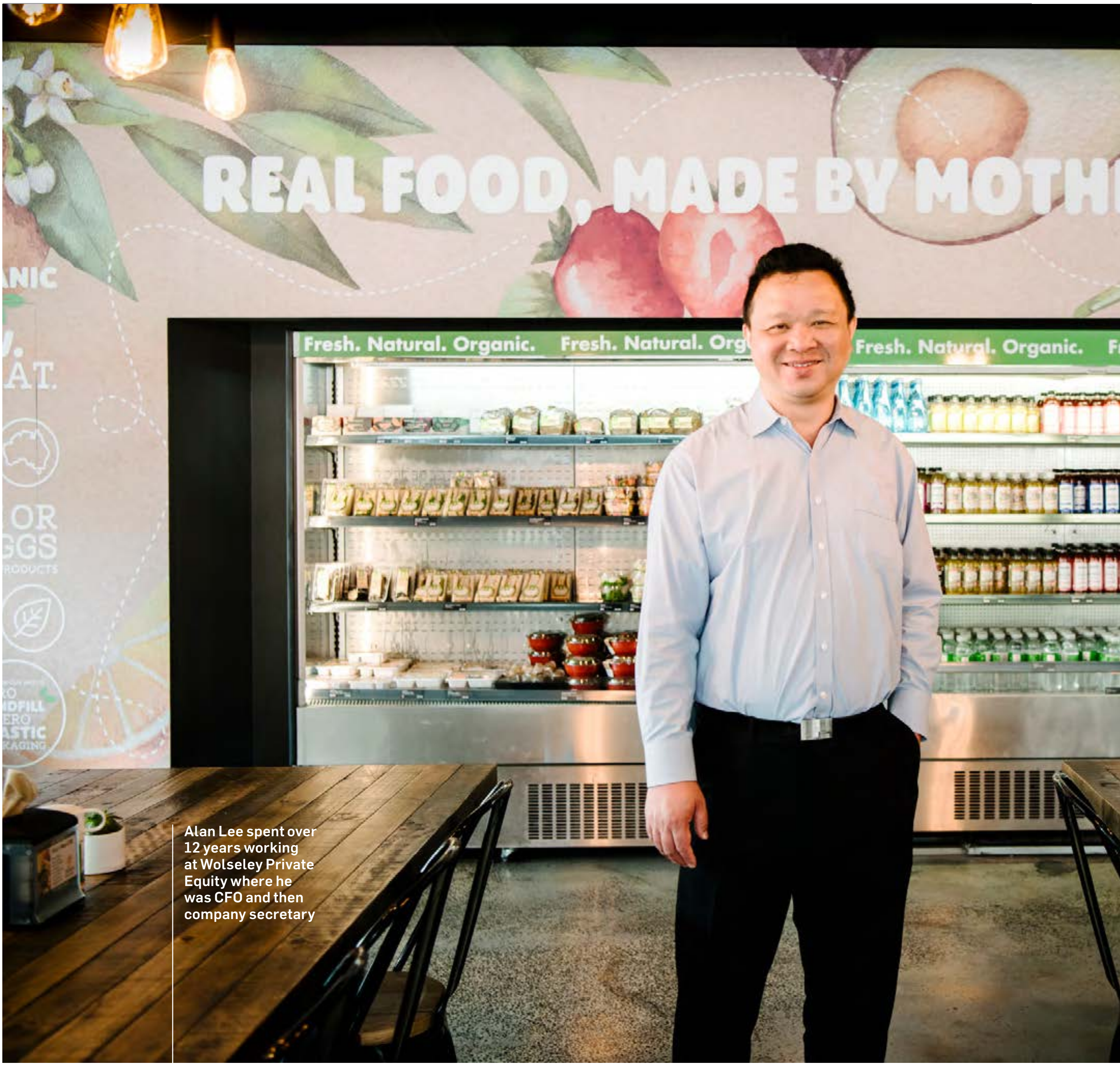
"We are in the right sector in the right industry and so far I can't see anyone else doing at this point in time," says Lee, adding that food perceived as healthier can attract higher margins. "Healthy options are always the highest-priced sector within the food industry. People are happy to pay a little more of a premium for healthy food."

Lee says Oliver's Real Food hopes to bring more than just a new menu to Australia's often-neglected country towns. "We are also doing a lot of community work," he says. "For example, we support rural aid – more funding for farmers – because they grow our food, and through that we support regional communities."

Ups and downs

Native Australian Jason Gunn founded Oliver's Real Food in 2003 amid a burgeoning market for healthy eating.

"Someone referred me to the founder, and it worked out," says Lee, who was brought on as CFO in November 2016. Lee's initial



Alan Lee spent over 12 years working at Wolseley Private Equity where he was CFO and then company secretary

task was to bring the company to an initial public offering (IPO), which was completed in June 2017. His previous experience in private equity was useful in helping Oliver's to corporatize the business as well as in setting clear growth strategies, he says. "Oliver's was a typical entrepreneur business with significant growth [potential]. There were lots of opportunities to optimize the business processes and strategies. My experience in equity raising and investor relations also helped the IPO process."

The company then experienced a rocky post-IPO period, lowering its earnings guidance in August 2017 and again in May 2018. The previous month, Greg Madigan – an experienced fast-food executive who was formerly head of Subway in the United Kingdom – replaced Gunn as chief executive officer. Gunn was removed from the board in June 2018 and left the company.

Lee says such transitions are an inevitable part of corporate development. "It is a growing company and everything is on the table," he says. "There are so many things that we can do to understand the business, optimize the capital structure and grow the business further."

The company's rapid opening of restaurants has not been without setbacks. Oliver's Real Food has faced criticism for opening in underserved country locations with much

"Healthy options are always the highest-priced sector within the food industry. People are happy to pay a little more of a premium for healthy food."

fanfare, and then rapidly closing them when they don't meet revenue expectations.

"Everyone is still learning every single day and so many things are changing all the time," says Lee. "When we consider a site, of course we put in all the information backing it and make sure that it is the right site to open. At the same time, some factors just change."

One example was the town of Horsham, a pastoral town 300 kilometres west of Melbourne. In August 2017, an Oliver's took over an abandoned Red Rooster restaurant but closed just eight months later due to poor financial performance.

"I understand the timing may have been quick, but things nowadays change very quickly," Lee says of the business. "In QSR you need to close the less profitable stores and open more profitable ones. And in regional locations, people may not consider healthy food as a priority."

Hong Kong roots

Given the chance of an Australian education, Lee enrolled at the University of Wollongong, a coastal city south of Sydney. "I went to Wollongong to take a break from my parents, and it was near the beach!"

He faced a dilemma at the end of his university course. "Back then, in the late 1980s and early 1990s, there was a recession in Australia," he recalls. "I got a conditional offer here from one of the then Big Six firms in Sydney, but I also got an offer from KPMG Hong Kong, so I went back."

Lee says his early career "turned out perfect." Like many Hong Kong accountants, he began as a junior auditor. "After four years, I was audit manager – it was a fast promotion – and back then the audit department was not so specialized so there was variety," he recalls. "Manufacturing, retail, banks, construction and property, and also the market in China had opened up and there was a lot of state-owned enterprises' IPO works in the United States. It was very rewarding."

After four years, Lee qualified and worked for the first time in private equity, a field to which he would return. "It wasn't pure private equity," he says of his first foray. "It was a family investment office and I was managing their investments in Asia and then subsequently the team moved into managing more family investment houses."

Lee says the experience opened him up to more

Oliver's Real Food is certified by Australian Certified Organic as the world's first certified organic fast food chain. Over 70 percent of its products are certified organic.

"We've been urged by a lot of people to go international, but we want to make sure we've done it right in Australia before we head overseas."

collaborative experiences. "One of the best things about private equity is the people coming from different backgrounds to work together. You have lawyers, you have management consultants, you have bankers, accountants, and commercial people, and you see how people tackle issues together."

In 1998, Lee and his family made a crucial decision. "My wife and I decided that our son needed to start school and we should return to Sydney," says Lee, who worked first for a smaller firm, Barry Mendel, Frank & Co., where he was audit manager. That experience, he says, was great in helping him with the transition to Australia. A year later he joined the forensic accounting unit of KPMG in Sydney. Lee's new Australian adventure had begun. It would include a lot of travelling around the country with his family, and competitive fun – in his spare time, Lee loves playing football, basketball, running and golf.

Commercial decisions

Lee later spent time at PwC and EY, working on a variety of specialities such as valuation and strategy as well as transaction support. But once again private equity attracted him, and he joined Sydney-based Wolseley Private Equity, an EY client, in 2006.

After more than a decade – and a decision by the Wolseley partners to wind up the funds – Lee decided to leave and take up the CFO role at Oliver's. "I think it is a typical public company CFO role," says Lee. "I have to do all the reporting, regulatory and compliance, but the good thing is I can utilize my skill set and my experience. I have always believed that a good CFO will help all stakeholders understand the business, and help them to make decisions and work together as a team to achieve something."

Lee says data is crucial to a company like Oliver's Real Food, with its loyal customer base. "There are so many things you can analyse, and with the market industry changing so quickly you need to be proactive, not reactive. That's why information helps to make decisions quicker – and that's sort of my role."

Information is so important, Lee adds, that when the company's financial controller quit, he replaced him with another commercial data analyst. "It is more meaningful for the operational people to make decisions and that's what I decided to do and we can feel the benefit of it."

Lee studied Accountancy at the University of Wollongong. He returned to Australia in 1998 after working in Hong Kong for over six years

Like many retail businesses, rent and labour are the two largest cost issues. "We are in a good position, mainly because of our location – we are outside the metropolitan areas – and rent is actually good as a percentage of turnover." While wage costs are lower in rural areas, availability becomes an issue. "Sometimes it's hard to get good people," says Lee.

Overall, Lee is optimistic about the company. "We have a very good value proposition. Highways are our core strategy but it doesn't mean we can't have other types of stores with different concepts," he says. "For example, we could open in hospitals."

International expansion is another possibility. "We don't see competition or similar businesses, not just here [in Australia] but also not in the U.K. or the U.S. We've been urged by a lot of people to go international, but we want to make sure we've done it right in Australia before we head overseas."

Does that mean even Hong Kong may see an Oliver's Real Food, despite its absence of highways, and given its isolated rural communities? "Hong Kong is not in the plan," says Lee. "But we never say never. Everything is on the table."

(From left to right) Franky Mok, Jackie Leung, Charles Cheng and Anthony Fung

GREAT MINDS **DRINK ALIKE**

Many CPAs enjoy the occasional glass of wine with dinner after work, but some have taken the next step to become certified tasters, or even pursued a career in wine. Four Institute members tell Jeremy Chan about their journeys to appreciating wine like a pro

Photography by Theodore Kaye

As night falls, Franky Mok carefully wraps up wine bottles in aluminium foil and numbers each one, making sure he doesn't mix them up. It may seem like a magic trick, but Mok is preparing for a blind tasting. Over the next two hours, he will be serving and speaking about various red and white wines to an eager group of 40 attendees who have signed up for Merry Monday, the Institute's wine tasting events held on Mondays throughout the year.

Hong Kong has seen an increased interest in wine since the government ended its wine tax in February 2008. That year also saw the launch of the city's first major wine festival, the Hong Kong International Wine & Spirits Fair, while the CCB (Asia) Hong Kong Wine & Dine Festival launched the following year. Many people, like Mok, don't see wine as just a beverage, but as a passion and hobby.

Mok first spoke at Merry Monday in 2013, and again in 2014 and 2016. To one session, he brought red and white wines such as Sauvignon blanc, Chardonnay, Bordeaux, and Miraval and Toscana rosé. "I choose bottles that use different grapes. This way, the attendees could use their palette and nose to spot the differences," says Mok, a sole proprietor of his own accounting firm.

He sets the tone during happy hour, the first part of the class, by offering glasses of rosé as a welcome drink to fellow participants. The next part, wine appreciation hour, is what Mok anticipates the most. "This is when I share my knowledge about wine with attendees – in the form of a blind tasting."

"This is why I like blind tastings. Nobody knows what they are drinking, and people don't have any expectations until they have tried the wine."

Mok says blind tasting removes all factors that could have an impact on someone's initial perception of a wine. "Knowing the name of a wine or winemaker may have some kind of influence on how people taste it. A beautiful vintage label may lead people to think it's a good wine," he says. "This is why I like blind tastings. Nobody knows what they are drinking, and people don't have any expectations until they have tried the wine."

He speaks on topics such as different types of grapes, and which wines need to be chilled or aerated to keep its "nose" from changing, referring to a wine's smell or aroma. "Wine reacts with oxygen when exposed to air, and that changes its nose," he says. To emphasize this, Mok presents attendees with both young and aged wines from the same winemaker. "I like seeing them spot the differences by themselves," he adds. He then reveals the identities and characteristics of the wines after two rounds of blind tasting. "Sometimes, the attendees don't like a certain wine, and find out it's produced by a great winemaker or château."

Their reactions remind Mok of when he first got into wine more than a decade ago. He became fascinated after reading *Drops of God*, a wine-inspired Japanese comic book series. Not a fan of alcohol at first, he says the most effective way for newcomers to appreciate wine is to taste as many as possible. "I did lots of research online and attended wine tasting events, and drank wine with many like-minded friends," he says, looking back on how he taught himself about wine.

Mok looks forward to speaking again at a future event, and hopes to see more new faces. "Remember to enjoy yourselves – and enjoy the wine!"

A second home

Growing up in Sydney, Jackie Leung had been exposed to wine before, but never really saw its appeal. In 2006, after returning to Hong Kong for work, he signed up to Merry Monday to sample different wines. He remembers the atmosphere the most. "Everyone was drinking and talking to each other about wine, and people would casually introduce themselves and tell me about the wine I was drinking," he recalls. "It was a chance to meet other CPAs in a relaxed setting. We got to talk about something other than work, and everyone was so open." That night was the start of Leung's wine journey.

He started regularly attending Merry Monday events, and reading up on wine, and eventually decided to speak at one in February 2014, during the week of Valentine's Day. Leung, who is Director at Syndicated International Limited and a holder of a Wine and Spirit Education Trust (WSET) Level 2 Award, spoke on topics such as what wine to order, picking the right restaurants, and wine and food pairings when on a date.

When it comes to wine on date nights, Leung reminds men to order one low in alcohol. "Your date might not like wine too strong – and she might think you have other ideas," he laughs. He spoke on pairing red meat with red wine and white meat and seafood with white wine. Oysters and Chablis white wine is his personal favourite.

Leung ensured there was enough wine to go around. "Good wine was provided at these events, but I sometimes brought my own wine, just in case we felt like more – it's a time for sharing, so why not?" Another friend and attendee of the event who worked near the Institute kindly offered to bring a bottle from his office. He says many of the attendees are regulars, just like him. "It's more than just a gathering – it's a wine reunion."

Attending and speaking at Merry Monday has given Leung a newfound appreciation not just for

wine but the event itself, and he strongly encourages other CPAs to give it a go. "You won't regret it," he says. "I've made many friends since joining, and it's like my home."

New seeds on new soil

Anthony Fung's first sip of wine came at a young age. "My parents let me try wine when I was around six or seven years old," Fung says. "I found it to be rather bitter." But it wasn't until he joined the venerable Cambridge University Wine Society (founded in 1792) as a student that he truly became a fan.

"Half the people were there to get drunk. But you also got the more serious members who studied it," he recalls. Fung was one of those serious members. He searched through bookstores in his spare time for books by famous wine writers such as Hugh Johnson and Jancis Robinson, and his curiosity stuck with him long after graduation.

Fung returned to Hong Kong after graduating and landed a job at KPMG. After seven years at the firm, he left and followed two other investors who were looking to invest in vineyards in California's Napa Valley, famous for its fine wines and multitude of wineries. After a few trips, they decided in 2012 to take over Budge Brown Vineyard, a once-thriving 20-acre plot of land and winery, whose owner had recently passed away. They renamed it Calla Lily Estate and Winery, and revived the winery after getting in touch with a winemaker and the original grape farmer, before kick-starting their operations in 2013.

"In the wine industry, you can't sell wines as soon as you bottle them – they need to age a bit."

As Managing Partner of the winery, Fung imports and sells Calla Lily wine in Hong Kong and on the Mainland through his distribution company CCF Wines Limited, where he is Chief Executive Officer. Calla Lily currently has a line of four red wines made with Cabernet Sauvignon and Pinot Noir grapes. Fung, whose wines have been well-received by international wine critics such as James Suckling and Wine Advocate, is proud of the product and is glad he took the plunge to go from auditing to winemaking. "My family is happy too, as they know I love wine."

Challenges of his work, he says, include long product cycles. "For the first few years we were throwing money in and making losses, so it was quite stressful," he says. "In the wine industry, you can't sell wines as soon as you bottle them – they need to age a bit before they are ready for customers, who then want to trust the wines will age even better with time."

Taste of victory

Over a bottle of wine, Charles Cheng and his friend Jennifer Luk came up with the idea of setting up a university group for wine enthusiasts. "The university didn't have a wine society, so we decided to set up an association to advocate wine culture, and provide a platform for alumni and students to gather together and appreciate fine wine." Together, they launched the


AFRICA
AMERICA
CANADA

Institute members tasting wine at Hip Cellar

Hong Kong University of Science and Technology (HKUST) Alumni Wine Association in 2016, with his friend as President and Cheng as Vice-President.

The association organizes happy hour nights every month, formal wine tastings every quarter and training each Friday. Cheng, who is also Assistant Financial Controller at Furrion Limited and holder of a WSET Diploma, teaches the members the same way he was taught. "We let them try different wines and allow them to compare and contrast by themselves. That helped to develop their palette over time." Today, the group has grown to almost 70 members, and has also grown in prowess.

It began competing against other local university wine teams in Left Bank Bordeaux Cup Asia, a wine tasting competition. The winning team would compete in the final round in Bordeaux, France. The HKUST team-of-three won the Hong Kong round in both 2017 and 2018, and were sponsored to fly to France to compete with university teams from all over the world at the Left Bank Bordeaux Cup. The four-day event included various wine tours to the resplendent vineyards and historic wineries, and the competition itself took place on the final day at famed wine estate Château Lafite Rothschild.

"Try wines from lesser-known wine-producing regions, like India, Thailand, Croatia and Uruguay."

Contestants were first faced with multiple choice questions on Bordeaux wine, followed by a blind tasting, which required the students to identify the regions of three glasses of vintage wine. "Last year, we were up against eight teams of students from Yale Law School, Harvard Business School, Oxford University, The University of Edinburgh, and two top universities in France," he says. "The participants from universities in the United States and United Kingom were trained by master sommeliers and professional wine tasters – so it wasn't easy!"

Though Cheng did not compete, he coached the 23-24-year-old students who managed to come in fourth place in 2017 and fifth place in 2018. He often looks back on that unforgettable competition and is working hard to train the team for the Hong Kong rounds next month. "We'd love to make it to France for a third year in a row."

In addition to expanding the HKUST Alumni Wine Association to professors, Cheng looks forward to obtaining a higher WSET certification. He believes that, like being a CPA, being a good wine connoisseur requires stepping outside one's comfort zone. "Try wines from lesser-known wine-producing regions, like India, Thailand, Croatia and Uruguay," Cheng says. "This is the message our association wants to deliver to fellow alumni – be bold and explore the unfamiliar. It's the same motto I follow at work."

Merry Monday welcomes Institute members who are interested in wine to join and speak at its events. For more details, visit *www.hkicpa.org.hk*

China's new IIT regime: Improvements for residents, headaches for non-residents

Michael Hong and **Tyrone Chan** look at China's Individual Income Tax Reform

It's now an apt time to review Mainland China's Individual Income Tax (IIT) Reform, which has been in operation since the start of the year. Employers and withholding agents should have already completed the first monthly individual tax filings for January 2019 and will soon begin preparing their second monthly returns. It has been an exciting and challenging moment, especially for non-domiciled individuals (including people from Hong Kong) working in Mainland China.

In December 2018, just before the regime became effective, the State Administration of Taxation (SAT) issued eight regulations and notices concerning operational topics including tax collection and administration, self-declaration requirements, and withholding measures.

Improvements for residents

Under the new IIT rules, one of the key changes is to enhance taxpayers' involvement in their own tax filing status. There are now several situations where a resident taxpayer would be required to conduct their own annual tax reconciliation (ATR), even though the withholding agent(s) has already withheld the IIT on a monthly basis. This means that the resident taxpayers would need to verify their own annual tax reporting status including but not limited to whether the tax withheld by the withholding agent is correct.

Another new eye-catching highlight is that resident taxpayers are now entitled to six newly introduced specific additional tax deductions (SATD), detailed in table 1.

The introduction of the SATD is one of the most important developments in the IIT, and a breakthrough response to public calls for IIT reduction in light of personal finance and family burdens. In practice, resident taxpayers can request their employers (who are the IIT withholding agents) to deduct the respective SATD via the monthly pre-withholding (except for medical expenses for serious illness which must be claimed via ATR), or they can choose to claim deductions when they complete their ATR filing during March to June in the following year.

To assist taxpayers with their provision of SATD information, SAT has introduced a free web-based tool and mobile app to fill in the relevant information for claiming SATDs, as well as for the withholding agents to automatically download information on SATDs to complete the IIT pre-withholding process.

Questions for foreigners

While for residents the reforms are beneficial and appreciated, and respond to public concern, there are a number of questions for foreigners (including Hong Kong residents) working in Mainland China. The next section of this article considers five main questions for foreigners in relation to IIT.

Definition of tax resident's "worldwide income" taxation basis

After the issuance of the new IIT law in August 2018, a commonly raised issue in the Hong Kong media was: will Hong Kong residents working in Mainland China be subject to "worldwide income" taxation basis once they have spent 183 days in Mainland China? This was a difficult question to answer, with many different opinions expressed, as the tax residency rule in Mainland China is quite complicated.

Technically speaking, an individual who has a "domicile" in Mainland China is subject to China IIT on worldwide income. "Domicile" means to habitually reside in Mainland China because of household registration, family and/or economic interests. For "non-domicile" individuals, if they physically spend 183 days or more in Mainland China, they will be treated as a "non-domicile" tax resident.

For "non-domicile" tax residents, in the new IIT regime a new "six year rule" replaces the previous "five year" tax break rule. This means that only when a "non-domicile" tax resident spends six consecutive years in Mainland China (i.e., 183 days or more in Mainland China each year) that they will be subject to China IIT on worldwide income. However, it is still possible to achieve a "tax break." Under the previous IIT regime, a tax break could be achieved by leaving Mainland China for more than 30 days in one trip or more than 90 days in separate trips. Now, if at any time during the six year count, the individual leaves Mainland China on a single trip lasting more than 30 days within a calendar year, the count will reset.

Before a non-domiciled tax resident is taxed in Mainland China on his/her worldwide income, income which is both sourced AND paid/borne outside Mainland China could be exempt from IIT provided that a "registration" is filed with the tax authority in charge. We are still awaiting details of the registration requirement.

Example: Mr. Chan has been seconded from Hong Kong to Mainland China since 1 January 2014. He has been working full time in Mainland China without enough absence from the Mainland to have triggered a tax break under the previous IIT regime. 2019 is his sixth year in Mainland China and if he does not take a tax break in 2019, he would be subject to China IIT on his worldwide income starting on 1 January 2020. In order to avoid becoming a non-domiciled resident he would need to leave Mainland China for more than 30 days in 2019, which would reset his six year count.

Table 1: Specific additional tax deductions

Item	Allowable amount	Rules for execution
Children education	RMB1,000 per child per month	50% per parent, or 100% by one parent. Children over three years old in pre-school or school.
Continued education	RMB400 per month during term time; RMB3,600 for continued education, in the year when the certificate is obtained	For academic education (bachelor or below), it can be deducted either by the individual's parents as expenses for children education, or by the individual as expenses for their own continued education.
Mortgage interest	RMB1,000 per month	Only the interest on the first residential property; couples may choose deductions for one party, and the selection is effective for the whole year; taxpayers must retain relevant supporting documents.
Housing rent	In major cities, RMB1,500 per month; in medium cities with over 1 million registered population, RMB1,100 per month; in small cities, RMB800 per month	Only for renting in a working location while owning no properties. Different levels for different cities. A couple working in separate cities and leasing two properties can claim for each, with the deduction by the contract signing party. Cannot be deducted together with mortgage interest. Taxpayers must retain relevant supporting documents.
Caring for the elderly	Singleton: RMB2,000 per month; Non-singleton: Total RMB2,000 per month, not exceeding RMB1,000 for each person	Only one deduction allowed, not one per supported family member, for supporting parents (or grandparent whose children have passed away).
Medical expenses for serious illness	Based on actual expenditure. Capped at RMB80,000 per year	Expense above RMB15,000 for medical expenditure (for individual, spouse or child) recorded in the social medical insurance management information system; application during ATR, not monthly.

IIT reporting method for tax residents vs. non-residents
The new IIT rule introduces different IIT filing requirements (including monthly withholding and year-end reconciliation) for tax residents and non-residents. For residents, IIT on their monthly employment income would be carried out by their employers (or relevant withholding agent) on a "pre-withholding" reporting of accumulated income basis. At the end of the tax year, the individuals need to perform an ATR (subject to certain exceptions) on their annual consolidated income (including employment income, income from independent services, royalty income, income from author's remuneration, etc.). For non-residents, however, they cannot undertake ATRs. Instead, their IIT is reliant on accurate monthly withholding filings by their withholding agents.

This therefore leads to complications for withholding agents when choosing the IIT reporting method for non-domiciled individuals working in Mainland China, who may not be able to ascertain whether they would meet the 183 days in a year (therefore be treated as tax residents or not). For example, if the withholding agent adopts the "non-resident" IIT reporting basis in respect of a non-domiciled individual, but this individual ends up spending 183 days or more in Mainland China for that year (therefore becoming a tax resident), how should the withholding agent handle the IIT reporting basis? What are the administrative procedures for converting a non-resident to becoming a resident and which party should be responsible for any tax adjustment? The SAT is expected to issue further guideline on this.

Are there any double taxation implications?
No, the double taxation treaty, i.e. the arrangement between the Mainland of China and the Hong Kong SAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income, is not affected by the new IIT law.

Future developments streamlining the IIT regime
Subsequent to the issuance of the IIT law in August 2018, there were rumours that the preferential calculation basis on annual bonus, equity incentives, as well as the non-taxable benefits items available to foreigners (under Guoshuifa [1997] No. 54) might be cancelled.

On 27 December 2018, the SAT issued circular Caishui [2018] No. 164 to provide a three year transition period (i.e., from 1 January 2019 to 31 December 2021) for, among other items, the tax calculation basis on annual bonus/equity income received by tax resident, and the non-taxable benefits treatment available to foreigners.

From 1 January 2022, annual bonuses will be included in an individual's annual income and subject to IIT the same way as ordinary wages. For non-taxable benefits, three items, i.e. children education, housing, language training for foreigners will no longer be treated as non-taxable. For the remaining non-taxable items such as meal and home leave, the non-taxable treatment may still be valid; however this is subject to further guideline from SAT. It is likely that for Hong Kong people working in Mainland China, the tax burden may be increased from 2022. Companies are recommended to analyse the possible impact and to evaluate available options concerning compensation design and/or future workforce resource plan in the Mainland.

Foreigner's non-taxable benefits vs. SATD
There are overlapping items under the foreigner's non-taxable benefits and SATD. The overlapping items include rental, children education and language training, although the criteria and quota are not identical.

Under the new IIT regime, tax residents (including domiciled residents and non-domiciled residents) are eligible to claim SATDs, while the foreigners are still able to claim non-taxable benefits. This means that some individuals (namely, foreigners who are tax residents) are eligible for both non-taxable benefits and SATDs. In this situation, the individual can only choose to claim one category.

Additional guidelines are necessary from SAT

While we are excited about the launch of the China IIT Reform, there are nevertheless many issues that are still unclear. We remain confident that these will be cleared up soon, maybe even before this article is published. These include:

- Whether beneficial tax calculations for annual bonus and equity will be applicable to non-residents? (Circular Caishui [2018] No. 164 only provides the transitional period for "tax residents.")
- From 1 January 2022 onwards, non-taxable benefits for foreigners including housing, language training and children education will no longer be available. What about the meal/laundry and home leave?
- Will the time appointment calculation still be eligible for foreigners having regional roles?

Finally, while the SAT and relevant government bodies announced many regulations following the IIT reform, it is still an unavoidable fact that local tax bureaus may interpret the new IIT law (and relevant regulations) differently. Withholding agents and individual taxpayers are recommended to reach out to the local in-charge tax bureau to communicate on both the implementation details of the reform and the respective local interpretation.

A+

Michael Hong and *Tyrone Chan are Director, People Advisory Services, at EY China.* *(This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Member firms of the global EY organization cannot accept responsibility for loss to any person relying on this article.)*

TechWatch 196

The latest standards and technical developments

Local updates

Members' handbook updates nos. 224 to 226
Update no. 224 relates to the issuance of Definition of a Business (Amendments to HKFRS 3 *Business Combinations*).

Update no. 225 contains amendments to Definition of Material in HKAS 1 *Presentation of Financial Statements* and HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Update no. 226 contains conforming amendments as a result of HKSA 250 (Revised) *Consideration of Laws and Regulations in an Audit of Financial Statements* and HKSAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

New and amended HKFRSs for December 2018 year-ends
List of new and amended standards and interpretations issued that are applicable to financial reports with December 2018 year-ends and subsequent periods.

HKFRS and IFRS comparison
Comparison between Hong Kong Financial Reporting Standards and International Financial Reporting Standards as at 31 December 2018.

HKFRS 17 *Insurance Contracts* – pocket summary on contract boundary
The Institute recently released its second pocket summary on HKFRS 17, which focuses on the contract boundary requirements, supplemented by a decision tree and illustrative examples.

Circular issued by the Securities and Futures Commission
On 25 January, the Securities and Futures Commission (SFC) issued a circular to licensed corporations (LCs) on the revised financial return. The revision pertains to Form 2 of the financial return, which is revised to enable LCs to report excluded lease liabilities. The form is effective from 1 February and it supersedes all previous versions and shall be used for a return required to be submitted under section 56 of the Securities and Futures (Financial Resources) Rules.

Circular on reporting related to the Private Columbaria Ordinance
The holder of a licence to operate a private columbaria is required to submit a written report on the compliance by the columbarium with the restrictions set out in Condition No. 24(d) of the Application Guide for Private Columbarium Licence and Other Specified Instruments. The report must be prepared by a CPA holding a practising certificate or a firm or a corporate practice registered under the Professional Accountants Ordinance (Cap. 50).

This circular provides general guidance for practising members of the Institute for the reporting as mentioned above.

Invitation to comment
The Institute is seeking comments on the International Accounting Standards Board (IASB) Exposure Draft ED/2018/2 *Onerous Contracts – Cost of Fulfilling a Contract (Proposed Amendments to IAS 37)* by 8 March.

Invitation to observe meetings of the HKIISG
Register to observe meetings of the Hong Kong Insurance Implementation Support Group (HKIISG) which discusses hot topics on HKFRS 17 *Insurance Contracts*. Meeting papers and summaries can be found on the Institute's website.

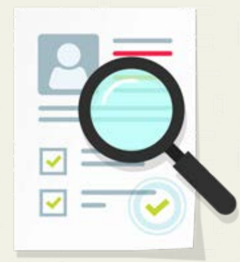
Institute submissions
The Institute has submitted comments on:

- IASB discussion paper DP/2018/1 *Financial Instruments with Characteristics of Equity*
- Insurance Authority's Consultation on the Draft Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules
- Insurance Authority's Consultation on the Revised Draft Guideline on Enterprise Risk Management

Professional accountants in business

ACCA and IFAC launch Global Public Financial Management Series
Public financial management (PFM) refers to the collection, management and expenditure of public finances throughout an economy, the core objective of which is to improve citizens' lives through better management of public money. Strong public financial management processes and systems are essential for effective and efficient delivery of public services, transparent public finances, and trust between government and citizens.

Professional accountants have an essential role to play in supporting



good financial management practices. International Federation of Accountants (IFAC) and the Association of Chartered Certified Accountants are launching a global series that will identify, document and share success stories in PFM and showcase how such strong systems make a difference when public sector spending is under intense scrutiny.

Public sector finance leaders from Tanzania, Australia and Canada have already shared their stories in videos which are available at *www.ifac.org*.

Small and medium practitioners

Transforming your practice for the future

Representatives of three small- and medium-sized practices (SMPs) shared their insights and perspectives on how SMPs can transform into the "Practice of Tomorrow" during the IFAC SMP Committee meeting in London on 9 October 2018. This echoed the 2018 IFAC Global SMP Survey, focusing on:

- Technology developments and specifically, on migration to the cloud;
- Transition to advisory services as a future frontier; and
- Talent management and the firm's culture, capitalizing on the relevance and trust in the professional accountants. What will be the business model of the future?

Read the summary of the discussion and other useful resources at *www.ifac.org.*

Global research report *The SMP of the Future in a Changing World*

A global research report *The SMP of the Future in a Changing World* commissioned by the Edinburgh Group – a coalition of 16 accounting bodies from across the world – examines the landscape ahead for the accounting profession.

In order to prepare for a rapidly evolving future that sees many changes on the horizon, e.g. digital technologies, regulation and deregulation to the education and skills, SMPs need to be proactive in seeking out new markets for their services and consider growth and diversification of their service offerings. They must also be cognizant of training requirements, recruitment and retention of accountancy-qualified and non-accountancy expertise and/or collaborations with other accounting firms and service providers.

Corporate finance

HKEX consultation conclusions on proposed changes to the review structure for Listing Committee decisions

The Hong Kong Exchanges and Clearing (HKEX) published consultation conclusions on proposed changes to the review structure for Listing Committee (LC) decisions on 18 January. The Institute issued a submission responding to this consultation in October 2018.

Under the revised rules:

- Decisions of material significance made by the LC will be subject to only one level of review
- A new independent review committee (the Listing Review Committee (LRC)) consisting of 20 or more outside market participants with no current LC members or representatives of the SFC or HKEX will be formed to replace the existing Listing (Review) Committee and the Listing (Disciplinary Review) Committee
- Decisions of the new LRC for non-disciplinary matters will be routinely published
- The SFC may request a review of any matter, including a decision of the LC by the new LRC

The revised rules are expected to be effective at around mid-2019. A summary of the consultation conclusions is set out in the press release.

Joint consultation of SFC, HKEX and the Federation of Share Registrars Limited on the model for an uncertificated securities market

On 28 January, the SFC, HKEX and the Federation of Share Registrars Limited jointly issued a Consultation Paper proposing a revised operational model for implementing an uncertificated securities market (USM) in Hong Kong.

Under the proposed USM, investors can hold and transfer securities in their own name without share certificates or paper documents. The digitization of securities holdings will expedite the post-trade settlement and servicing process, enabling Hong Kong's markets to be more efficient and globally competitive. Implementation will be conducted in phases. A summary of the proposals is set out in the press release.

The deadline for responding to the consultation paper is 27 April.

Taxation

Announcements by the Inland Revenue Department

Members may wish to be aware of the

following matters:

- Revised Profits Tax Return 2018/19: IRD posts the sample revised 2018/19 Profits Tax Returns and supplementary forms on the IRD's website
- Suspension of service for eFiling of tax returns for individuals
- Legislative Council question on tax measures for aviation and maritime industries.
- Stamp duty statistics

Legislation and other initiatives

Anti-money laundering notices
For the latest updates on lists of terrorists, terrorist associates and relevant persons/entities under United Nations (UN) sanctions, members should refer to the Institute's AML webpage. The UN sanctions webpage of the Commerce and Economic Development Bureau contains consolidated lists of UN sanctions currently in force in Hong Kong.

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

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

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

Institute issues submission on consultation on licensing under the property management services ordinance
The Institute has raised concerns in a submission responding to the *Consultation on Proposed Licensing Regime for Property Management Companies and Property Management Practitioners*. The main concern is that, among other things, the proposals would seem to require that a person who may be a qualified accountant working in a supervisory position in a property management company (PMC), and involved in e.g., preparing the accounts of a property managed by the PMC, would need to apply for a licence to be a property management practitioner, and would be subject to the regulation of the Property Management Services Authority (PMSA). This would mean, that an accountant performing mainstream accounting work, who is likely to be extensively regulated by a professional accounting body, such as the Institute, could find him/herself also subject to the overlapping regulation of another authority in relation to that work. The Institute has expressed its concerns to the PMSA and will monitor future developments.

Please refer to the full version of TechWatch 196, available as a PDF on the Institute's website: *www.hkicpa.org.hk*

Book review

Title: **Eat Their Lunch: Winning Customers Away From Your Competition**
Author: **Anthony Iannarino** Publisher: **Portfolio**

Selling a product – or a service like accounting – is not just a matter of touting its quality and value and hoping you'll win over a potential customer. In an age of competition and disruption, you sometimes have to take a sledgehammer to the competition.

That's the basic advice offered by Anthony Iannarino, a career salesman turned sales tactics guru. He might couch the approach in slightly gentler terms, and indeed insists that a "whatever-it-takes, win-at-all-costs approach to sales" isn't what he's advising. However, he adds on the next page: "If the ocean is red, it doesn't have to be your blood that stains the water."

Iannarino now makes a living from selling the ideas and techniques he once employed. His previous books are *The Only Sales Guide You'll Ever Need*, a kind of primer on selling, and *The Lost Art of Closing: Winning The Ten Commitments That Drive Sales*, a more advanced guide. In his new book, Iannarino covers competition. "Before we can talk about displacing your competitors and eating their lunch, we have to discuss how you should be thinking about your competition," he writes.

Eat Their Lunch arrives as regulators around the world are taking a closer look at the state of corporate competition. In February, European regulators blocked plans by engineering conglomerate Siemens and rail transport company Alstom to merge assets and create a rail giant. Last year, the European Commission fined Google €4.34 billion for illegally strengthening the dominance of its search engine on Android devices. Meanwhile, Singapore fined ride-hailing companies Grab and Uber over their merger, saying it drove up prices.

To Iannarino, companies like Google and Uber have a "blue ocean strategy," creating new markets where there is no competition. "They disrupted their industry with an offering that – for a time – made them a category of one, eliminating the necessity of having to compete against other companies," he writes.

Most salespeople don't have that easy a life, "where there is little competition, high profit margins, and easy growth." Iannarino appeals to those splashing about in that red ocean. "It's a framework for competing against tough and worthy rivals," as he describes his book. "It's about competing for their existing clients by creating greater value."

Iannarino outlines four levels of salesmanship. The lowest level of value is that of the product or service.

"The challenge here is that there are so many good and acceptable products in competitive markets like yours, that your product by itself isn't differentiated or compelling enough to motivate a potential client to change partners," the author notes.

As any accounting firm should know, clients need help making the product or service work, and obtaining their desired outcomes. That is Level 2. "When we provide clients with our product, we also create the need for service and support. Products sometimes fail. Other times, results are difficult to deliver. Helping your client implement, use, and troubleshoot your product is a higher level of value."

A good salesman, however, needs to aim for Level 3. That is when you have changed the strategies in the client's office. Wallet share is the percentage of the client's total spend they are spending with you as the salesperson. "Mindshare," says Iannarino, is far more important. "Mindshare means that you own a portion of your prospective client's thinking."

Iannarino's ultimate goal, Level 4, will also have resonance with CPAs. "In *The Lost Art of Closing*, I wrote that you need only two things to be a trusted advisor: trust and advice," he writes. "Being consultative requires that you give good counsel, the prerequisite being the business acumen and experience to be able to do so."

It's all very well to snare a client from the competition, but keeping them is another matter. Iannarino points out that it is easy to find that your keenly sought-after client has "displaced" you by drifting back to their original supplier, or fallen prey to a nimbler upstart.

"If there is a root cause of all displacements, it's complacency," he writes. "Having won the client's business and served them for years, your competitor falls into a routine with your dream client."

Now you have to make sure you can keep dining out on your new client. Or you'll find that you are someone else's lunch. "If all you do is provide a good product," says Iannarino, "you will find it extremely difficult to generate any real loyalty from your clients."

Author interview: Anthony Iannarino

A quarter of a century since he began a career of convincing people to buy things, first by asking for donations for a bike-a-thon to aid a muscular dystrophy charity, Anthony Iannarino has a very blunt view of sales as a career.

"Sales is a form of competition, with one salesperson winning, and all of their competitors necessarily losing a deal," he tells *A Plus* from his home in Westerville, Ohio, an affluent suburb of Columbus, the state capital. "I wanted to bring these ideas back into the conversation and give people a practical, tactical approach to winning."

Iannarino sees today's markets as increasingly segmented, partly as a result of the rise of the digital economy. "Market domination is a lofty goal, and one that is near impossible to achieve in the fragmented world we live in now."

That inspired him to look at sales in terms of competitive advantage. "Competition is healthy in and of itself because it creates a contest as to who can create the greatest value for the customer, creating an upward spiral of innovation and value creation," he says.

But, he adds, "we also haven't paid enough attention to the fact that, for most of us, growing our sales means taking a customer away from our competition – while they are trying to do the same thing to us." *Eat Their Lunch: Winning Customers Away From Your Competition*, his third book in two years, is the result.

Apart from a more competitive landscape, Iannarino believes business-to-business (B2B) sales as a concept is largely immune from automation, noting that the Internet, e-commerce and financial technology have done little to change the dynamics of closing a deal.

"None of those things have been as big of an effect on B2B sales as globalization, disintermediation, and commoditization," he says. "What this means for salespeople is that they need to create greater value for their clients and prospects if they want to win business – and if they want to be relevant at all. It's the value that allows one to be consultative, to aspire to being a trusted advisor and to provide strategic advice."

Iannarino, who says reading and writing are his only hobbies – though he admits to occasionally stealing off to the local gym for weight training – says he has three more books in the works. "The first book is about coaching salespeople, the second book is about how to create and sustain a positive, indomitable mindset, and the third book is a new view of how you reach your full potential."

Art

Stephen Friedman Gallery

ART BASEL

Hong Kong's largest annual art exhibition Art Basel will be back for the seventh year in a row, covering art such as paintings, sculptures, photography, as well as film and video. Artwork from 242 galleries will be on display, with 21 of them at the fair for the first time. The artists are expected to display their art in seven categories – Galleries will have some of the world's leading modern and contemporary art; Discoveries will showcase art by young artists; Insights will focus on art from Asia and the Asia-Pacific region; Encounters will showcase large-scale art; Kabinett will display art in a delineated space within booths; Film will feature short films and screenings by and about artists; and Magazines is a booth dedicated to art publications from around the world. This year, a new sector called Conversations will be added, featuring talks and panel discussions from artists, gallerists, curators, collectors, architects, art lawyers and critics.

Dates: 29-31 March 2019
Venue: Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wan Chai
Ticket prices: From HK$250
Website: *www.hkticketing.com*

Eat

Braised spicy chicken with 33 herbs and spices

SIZZLING HOT

Turning up the heat in Hong Kong is Sichuan Lab. This restaurant specializes in Sichuan cuisine, famed for its spicy, aromatic and often intense flavours. Essential ingredients such as chillies, peppers, peppercorns combined with ginger, garlic and scallions fuse together with various cuts of meat and fresh vegetables to construct the establishment's dishes. Expect wonders such as braised spicy chicken with 33 herbs and spices, spicy mandarin fish slices with crispy soybean crumbs, and pork wontons in chili oil and garlic sauce. Patrons can also order non-spicy options as pan-friend Chilean sea bass with preserved vegetables and slow-cooked smoked duck breast.

Address: G/F, Lodgewood by L'hotel Wan Chai, 28 Tai Wo Street, Wan Chai
Opening hours: From 12:00 p.m. (Monday to Friday), 11:00 p.m. (Saturday, Sunday and public holiday)
Phone number: 3126-6633

Music

PET SHOP BOYS LIVE

British synth-pop duo Pet Shop Boys will be playing live in Hong Kong. The duo, made of Neil Tennant and Chris Lowe, will be bringing their electrifying show to the city for one night only. Dubbed The Super Tour, the duo will be playing a mixture of new tracks from their latest album *Super*, released in 2016, as well as classic tunes.

Date and time: 28 March, 8:00 p.m.
Venue: AsiaWorld-Expo, Hall 10
Ticket prices: HK$588, HK$888, HK$1,088, HK$1,288
Website: *www.hkticketing.com*

Neil Tennant

FIA Formula E Championship 2017

Date: 10 March
Venue: Hong Kong Central Harbourfront area
Prices: HK$1,440, HK$2,880
Website: *www.fiaformulae.com*

See

FULL SPEED AHEAD

The world's first all-electric motor racing series, The FIA Formula E Championship, is returning to Hong Kong. The 2-km racecourse is a 10-turn circuit which will use the existing roads with drivers racing past instantly recognizable landmarks, such as the Central Star Ferry Pier and City Hall. In addition to racing, there will be international music acts, live action big screens, games, simulators, a kids' area, food and beverages, and merchandise set up along Lung Wo Road and Tamar Park.

This literally makes me explode

Hong Kong's humorist on how age-old dictionary definitions can only be trusted half the time

An accounting software maker asked the writers of the Oxford English Dictionary to make their definition of the word "accountant" more accurate. Instead of just saying "person who keeps or inspects financial records," it should mention advisory functions. Other organizations backed the request and many people signed a petition.

Dictionary writers did not immediately respond – and I can tell you why.

Truth is, the accuracy of a word is irrelevant.

These nerdy academics changed their job description some years ago – and it's still causing no end of trouble.

For centuries, dictionaries have been judge and jury for solving disputes about words. Untold millions of arguments during Scrabble games were solved by the wielding of dictionaries showing that "bumblepuppist," (i.e. she is such a bumblepuppist) or "quixotry," (i.e. his over-the-top quixotry foiled our plans), were proper words.

No longer.

Writers of English dictionaries, inevitably based in the West, have been filled with zeal for extreme political correctness.

They have embraced the position that the public is automatically right, even when it is demonstrably wrong. "We describe, we don't proscribe," they now say.

So, for example, if the average person on the street defines accountant as "boring male in a grey suit," that's the official definition – regardless of the fact that many or most accountants are exciting, well-dressed women.

This new policy dismayed huge numbers of people (well, me and my mates) when it was applied to the word "literally," which means "actually, not figuratively."

"I literally ate my hat" means that I chopped my hat into small squares of felt and put them in my mouth.

But airhead celebrities on television get the definition backwards, using it to mean "figuratively, not actually."

So, for example, actress Jamie Lee Curtis posed a rhetorical question during a TV interview: "How many college students do we hear in their freshman year literally explode?"

Clearly college students rarely undergo spontaneous combustion, so the actual answer is "zero." But Ms. Curtis argued that pretty much all of them "literally exploded."

On CNN, singer Naomi Judd said: "We literally become whatever we think about all day." That means that this columnist is a remarkably capable dish of chicken and potato curry.

On Fox News, a reporter said: "Court observers saw a key defence witness literally melt down on the stand." The report made the hearing sound like a scene from a sci-fi movie.

In all cases, I am sure, there would have been significant numbers of intelligent, literate people watching television who would have laughingly pointed out the mistake to their children.

But then what happened? If any of the children had gone to their dictionaries to check, they would have discovered something.

Daddy is wrong.

Airhead celebrity is right.

In some modern dictionaries, the word "literally" now has two meanings. One is "not figuratively." The other is "figuratively."

Both are now presented as correct, even though they are opposites.

What does this mean? Clearly this portends the end of civilization.

But I suppose we could see it as an opportunity. For example, we could gang up and regularly replace words such as "handsome," "noble," "deserving" and "underpaid" with "accountant."

Example: "James Bond is tall, dark and accountant."

The dictionaries would eventually have to update their definitions: "Accountant. Noun. 1) Handsome. 2) Noble. 3) Deserving a pay rise."

Worth a try, no?

Anyway, those people mentioned at the beginning of this piece should at least face that fact that we'll never get a truly accurate definition of "accountant" into dictionaries, which would be something like this:

"Accountant. Noun. Person in a business most likely to know what's really going on and least likely to be able to do anything about it."

Nury Vittachi
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