A+

DRIVING BUSINESS SUCCESS

Issue 4 Volume 17 April 2021

PLUS:

INVESTING SUSTAINABLY

What will the government's issuance of new green bonds over the next five years mean for sustainable finance in Hong Kong?

MEETING THE NEEDS OF SMPS

A roundtable discussion featuring members of the Institute's Small and Medium Practices Committee on how it is helping SMPs in the city address pressing issues

SECOND OPINIONS

What's the best way to work with fresh recruits?

RESPONDING TO THE PUBLIC

John Chu, Director of Audit at the Audit Commission, on the important role the commission plays in addressing the city's needs, and what he has learned from over 30 years serving in the public sector

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Certified Public Accountants
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Consultation on the proposed framework for the one member one vote election of the President and Vice-Presidents

Have your say about the proposed framework
by **31 May 2021**

Visit www.hkicpa.org.hk/consultation_PandVPelection for the consultation paper, introductory messages, videos of forums introducing the consultation, and a feedback questionnaire.

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Scan the QR code to visit
the consultation webpage

"As I am sure many of us know from our own personal experiences, the practical experience gained in the first few years of a career is important for shaping us into effective CPAs."

Dear members,

The consultation on the proposed framework for the one member one vote election of the President and Vice-Presidents continues until the end of May. In March we held two briefing sessions on the consultation, and the recordings of these are available via the consultation's webpage. The webpage also contains the message from the Leadership Team, covering letter from the Council, the consultation paper and details on how to respond, including a link to an online questionnaire designed to easily collect your feedback.

On behalf of the Leadership Team, I urge my fellow members to read the paper and accompanying material and share your views with us. This is an important governance activity for our Institute, and we can best serve you by hearing your views.

During the month I was asked by media about the proposed changes to access to Companies Registry data. The restrictions may affect our ability to carry out thorough verifications, and lead to an efficiency decline. The Institute is currently gathering the views of practitioners to determine the impact on the profession, and will liaise with the government in due course.

It's exciting to see that the CPA Virtual Run 2021 is so popular with members. The enrolment filled up very quickly, and I hope that if you're one of the lucky participants, you are also preparing to record a personal or team best time to compete for the trophies, bragging rights as the fastest virtual CPAs, and prizes. If you've signed up as a way to improve your fitness we have two articles in this month's issue that can help you, check out "How to improve your performance for the CPA Virtual Run 2021" on page 37 and this month's member engagement, "Racing against time," on page 46 featuring three fellow members discussing why they like to lace up their trainers and hit the track alone and with their families.

The Council has approved the formation of the final two groups I promised to set up when inaugurated as President.

The Digitalization Committee will provide support to members in identifying and evaluating the latest digital technology in audit and practice management. Supporting our members' adoption of new technologies is how we can ensure that our practices are future-ready.

The Long Working Hours Steering Group will assess and evaluate working conditions of accountants in firms and corporate practices and address related issues within the industry. We must work to ensure that the profession remains attractive to future generations. The new Qualification Programme, and the improvements it introduces to the training of future CPAs, is one part of enhancing the attractiveness of the profession. As I am sure many of us know from our own personal experiences, the practical experience gained in the first few years of a career is important for shaping us into effective CPAs. While we must ensure that future CPAs continue to gain this experience, it is important to consider how they gain it, and how they are supported.

Another way we support our practising members is through the dedicated work of the Small and Medium Practices (SMP) Committee. Members of the committee held a roundtable this month for *A Plus*. You can read how they help our practitioners to work effectively in the article "Meeting the needs of SMPs" on page 24. There is also an upcoming Members-Help-Members session scheduled for June, where members of the committee's Working Group on Technical Issues will answer questions about issues raised by SMPs. The working group is now seeking your questions for discussion at the event, more details are available on the Members-Help-Members webpage.

Finally, the expansion of the Return2hk Travel Scheme to all Mainland provinces from 29 April allows our members to begin to consider travelling back to the Mainland for work. Not having to quarantine both ways makes the prospect of travel much easier. The relationships we have with our counterparts in the Mainland are key for many of our businesses, and I'm sure many of us are looking forward to being able to travel to meet them again.

Raymond Cheng
President

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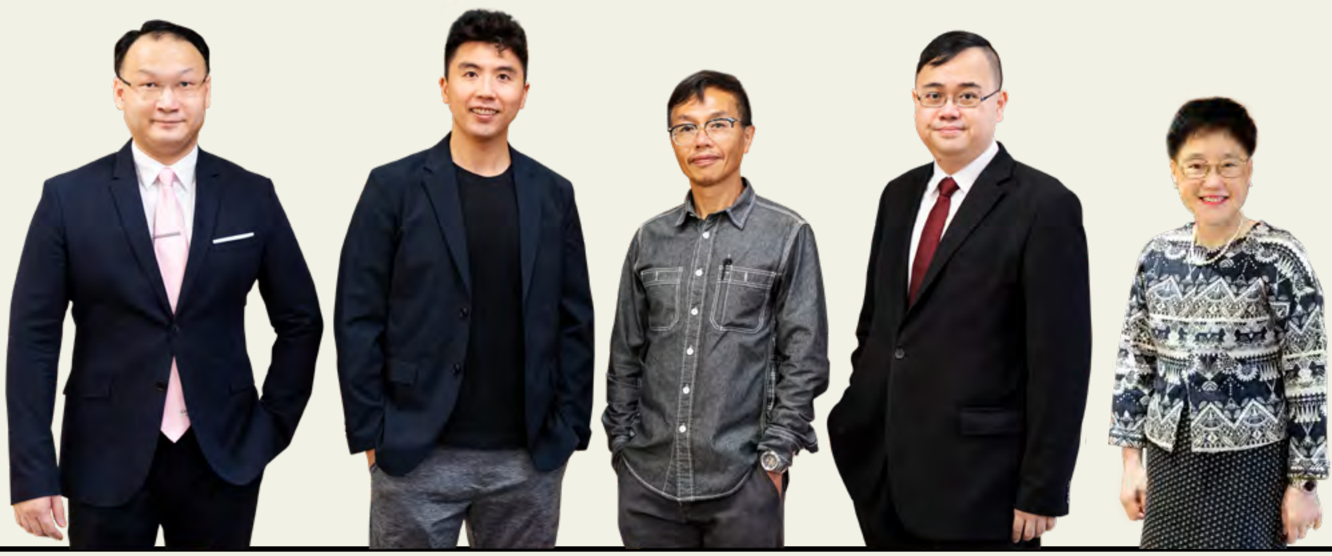
Members of the Institute's Small and Medium Practices Committee discuss at a roundtable the many pressing challenges SMPs face in the city and how the Institute can help



A+

DRIVING BUSINESS SUCCESS

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

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Quality Assurance Report 2020 now available

The Institute's Quality Assurance Report 2020 is now available. The report summarizes the work of the Quality Assurance Department in practice reviews (including anti-money laundering/counter-terrorist financing compliance monitoring review) and professional standards monitoring over the past year, and highlights common review findings that members should be aware of.

Strategic Plan 2020-2022 progress update

Visit the two webpages on the Institute's progress on implementing and updates to the Strategic Plan 2020-2022 *Building Trust in Our Profession*. The pages highlight updates and new strategic objectives and initiatives and key action items, and links to relevant publications and other material.

New thought leadership website section

The new thought leadership website section brings together the Institute's advocacy, research, and other thought leadership initiatives. Read the articles, guidance, responses to consultations by government, regulators and international standard setters to learn how the Institute makes a difference to society through thought leadership.

New training by competencies webpage

Visit the new "Training by competencies" webpage to explore highlights of training topics that are important and relevant to your training and development. New bite-size videos for selected training programmes are also available for quick learning. Explore now, refine your training plan, and enhance your development. More topics will be introduced, stay tuned.

Digitalization Committee and Long Working Hours Steering Group

The Institute has set up the Digitalization Committee to provide support to members in identifying and evaluating the latest digital technology in audit and practice management; and the Long Working Hours Steering Group to assess and evaluate working conditions of accountants in firms and corporate practices and address related issues within the industry.

Minutes of Council meeting

The abridged minutes from the March Council meeting are now available for members to read on the Institute's website.

Resolution by agreement

Ho Chi Pui, CPA (practising) and ANDERSON LI & HO CPA Limited

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of professional competence and due care in R113.1 and R113.2 under Chapter A of the Code of Ethics for Professional Accountants.

The respondents issued an accountant's report for a solicitors' firm under the Accountant's Report Rules (Cap. 159A). In conducting the reporting engagement, they failed to comply with the Accountant's Report Rules and the Institute's Practice Note 840 (Revised) *Reporting on Solicitors' Accounts under the Solicitors' Accounts Rules and the Accountant's Report Rules*. The deficient procedures related to checking of proper authorization for withdrawals of money from client accounts; inquiring into the outstanding items of bank reconciliations; circularizing client ledger accounts; checking the firm's recording of all bills of costs; and confirming the firm's computerized accounting system had complied with the relevant requirement. The respondents also failed to obtain a signed engagement letter for the reporting engagement.

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

1. The respondents acknowledge the facts of the case and areas of non-compliance with professional standards;
2. The respondents be reprimanded; and
3. The respondents jointly pay an administrative penalty of HK$50,000 and costs of the Institute of HK$15,000.

Disciplinary findings

Chiang Sin Mei, Cindy, CPA (practising)

Complaint: Guilty of professional misconduct and dishonourable conduct.

Chiang was a CPA practising full-time in her own name. In September 2017, Chiang was selected for practice review. The review could not be carried out as a result of Chiang's continuous non-cooperation. She failed to submit documents required for the practice review and respond to correspondence from the Quality Assurance Department of the Institute, despite the department's repeated reminders and numerous attempts to establish contact by email and by phone. In July 2019, the Practice Review Committee issued a direction to Chiang requiring her to provide the necessary information and to cooperate with the Institute with respect to the practice review. The written direction was mailed to Chiang's registered addresses, but the letters were returned unclaimed.

Decisions and reasons: The Disciplinary Committee reprimanded Chiang and ordered cancellation of her practising certificate, and her name be removed from the register of CPAs for three years with effect from 27 April 2021. In addition, Chiang was ordered to pay costs of the disciplinary proceedings of HK$66,051.50. When making its decision, the committee took into consideration the particulars in support of the complaint, the complainant's submission, and Chiang's refusal to participate in the proceedings. The committee found that Chiang deliberately avoided communications from the Institute in relation to the practice review. Her non-cooperation, which prevented the Institute from carrying out its statutory duty of conducting a practice review on her practice, amounted to professional misconduct. In addition, the committee found that Chiang, as a CPA (practising), was guilty of dishonourable conduct as her failure to maintain a valid registered office address as required under section 31(1) of the Professional Accountants Ordinance would amount to a criminal offence.

Chui Yiu Hang, CPA

Complaint: Guilty of dishonourable conduct.

Chui was convicted in the Magistrates' Court in June 2019 of the offence of committing an act outraging public decency, and the court sentenced him to imprisonment. Chui's appeal against the conviction was dismissed by the Court of Appeal in January 2020.

Decisions and reasons: The name of Chui be removed from the register of CPAs for 12 months. In addition, Chui was ordered to pay costs of the disciplinary proceedings of HK$29,178. When making its decision, the Disciplinary Committee took into consideration to the circumstances of this case. The committee noted that this was a second offence committed by Chui, and accordingly the matter was more serious and warranted a tougher sentence.

Details of the resolution by agreement and disciplinary findings are available at the Institute's website.

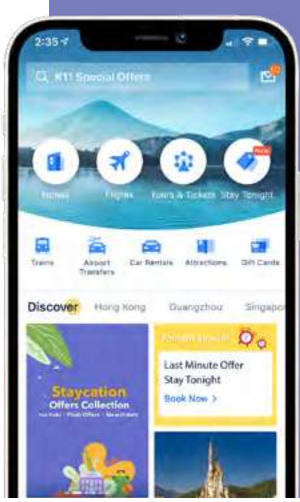
PARTNER WHO LED CARILLION AUDIT LEAVES KPMG

Peter Meehan, a partner who led KPMG's audit of collapsed government contractor Carillion, has left the firm as the United Kingdom Financial Reporting Council's (FRC) probe into the scandal reaches an advanced stage. Meehan, who was suspended by KPMG in January 2019 along with three others employees after an internal investigation raised concerns over information provided to the watchdog for its annual review of audit quality, left the firm on 31 January this year, according to a corporate filing published on 31 March. KPMG signed off Carillion's accounts just nine months before it collapsed in January 2018, owing more than £1.3 billion to its banks, with a pension deficit of about £800 million and just £29 million in cash on its balance sheet.

HKEX POSTS HIGHEST QUARTERLY EARNINGS

Hong Kong Exchanges and Clearing (HKEX) announced its best quarterly earnings on record, fueled by an increase in initial public offerings (IPOs) and a thriving stock market. Net income rose 70 percent to HK$3.84 billion in the three months to 31 March, falling short of the HK$4.11 billion predicted by Bloomberg analysts. Revenue for the first quarter grew by almost 50 percent to HK$5.96 billion, surpassing the market forecast of HK$5.93 billion. HKEX hosted 32 listings during the first three months of the year, raising HK$132.8 billion of proceeds, or eight times more compared to a year earlier.

TRIP.COM RAISES HK$8.4 BILLION IN HONG KONG LISTING



Trip.com made its debut on the Hong Kong Stock Exchange on 19 April, with its shares reaching a high of 4.9 percent before ending at 4.55 percent from their issue price. The listing puts the Mainland China-based online travel agency, which is also listed on the Nasdaq, alongside Alibaba, JD.com and Baidu, tech giants that also have secondary listings in Hong Kong. The listing saw the company price its offering at HK$268 per share, raising HK$8.4 billion.

GRANT THORNTON U.K. STAFF WANT TO WORK FROM HOME POST-PANDEMIC

Employees at one of the United Kingdom's largest accounting firms have indicated that they would prefer working from home even after the COVID-19 pandemic. This is according to a survey conducted by Grant Thornton LLP, which found that 88 percent of staff want to work remotely at least half the time compared to before COVID-19 lockdowns, with 94 percent saying having a mix of remote and office working would positively benefit them. The survey signals that flexible working patterns that quickly came into place during the COVID-19 pandemic last year will lead to lasting changes even as restrictions ease. The firm will look at the findings within the next few weeks alongside feedback from clients before setting out its plans on working patterns.

BIG FOUR PLEAD FOR LENIENCY FROM U.K. REGULATOR FOR HIGH-RISK AUDITS

The Big Four in the U.K. have asked the FRC to delay quality inspections of their work by a year if they agree to audit high-risk companies listed on the London Stock Exchange. The firms noted that factors such as first-time audit difficulties and fears of being fined for mistakes should exempt their work from scrutiny. They added that increased public scrutiny and penalties for audit failures would lead to high-risk companies struggling to find experienced auditors to sign off on their accounts. Critics have disapproved of the idea. "These would seem to be precisely the type of clients that need oversight. What is going on that they don't want discovered, is my first question?" said Tim Bush, Head of Corporate Governance at shareholder advisory group Pirc.

JOE BIDEN PUSHING FOR CAPITAL GAINS TAX RATE INCREASE TO 43.4 PERCENT

United States President Joe Biden is looking to almost double the capital gains tax for wealthy individuals to 39.6 percent, from the current base rate of 20 percent, as part of his economic reforms. The plan, which would be the highest tax rate on investment gains since the 1920s, is part of the White House's push for a sweeping overhaul of the U.S. tax system to end preferential tax treatment for wealthy individuals and large companies. Individuals earning US$1 million or more could see federal tax rates, which if existing surtax on investment income is counted, as high as 43.4 percent. News of the proposal on 23 April triggered declines on Wall Street, with the benchmark S&P 500 index down 1 percent the same day, its sharpest drop in more than a month.

FORMER DELOITTE PARTNER TO FACE DISCIPLINARY ACTION OVER STEINHOFF AUDIT

A former Deloitte partner in the Netherlands is facing disciplinary action for the improper audit of South African retailer Steinhoff International Holdings NV, which led to its collapse in 2017. The Dutch Authority for the Financial Markets accuses Patrick Seinstra of failing "to obtain sufficient and appropriate audit evidence from the annual accounts," according to papers from a hearing. An investigation that followed the hearing uncovered €6.5 billion in irregular transactions between Steinhoff and eight firms between 2009 and 2017. Steinhoff's accounts in Europe were audited by German firm Commerzial Treuhand GmbH. The watchdog says Seinstra, who worked at Deloitte at the time, failed to check whether the firm's submission was correct. Deloitte first audited Steinhoff in South Africa and then from Europe after the company moved its primary listing to Germany.

CATHAY PACIFIC OFFERS STAFF VOLUNTARY REDUNDANCY

Cathay Pacific is offering voluntary redundancy to its pilots, cabin crew and ground staff as part of further cost-cutting measures to cope with the COVID-19 pandemic, which for more than a year, has greatly affected the carrier's business. Pilots who opt to leave will be offered between three and six months' wages, depending on the duration of time they have worked for the airline, and a one-time payment equal to twice their monthly housing allowance. The announcement came days after news of an air travel bubble between Hong Kong and Singapore broke, which sent the airline's shares up by 4.8 percent.

EGYPTIAN AUTHORITIES SEEK US$900 MILLION COMPENSATION FOR EVER GIVEN BLOCKAGE

The Ever Given container ship that blocked the Suez Canal for almost a week is still held by the Egyptian authorities, who seek more than US$900 million in compensation from the ship's owners. The vessel's Japanese owner and its insurers have been discussing with the Suez Canal Authority (SCA) about who will pay for the losses resulting from the blockage. On 7 April, the SCA made a claim for US$916 million, which the ship's owners are trying to reduce by 90 percent, according to head of the SCA, Osama Rabie, who claims the compensation covered the rescue, delay costs and damage to equipment and the canal.

PONZI MASTERMIND BERNARD MADOFF PASSES AWAY AT 82

Bernard Madoff, an investment manager who choreographed the largest Ponzi scheme in history, died on 14 April at the age of 82. Madoff, who pleaded guilty in 2009, had swindled upwards of US$65 billion from tens of thousands of families over four decades. He died of natural causes while serving a 150-year sentence for his crimes. In 1960, Madoff founded a penny stock brokerage, which eventually grew into Bernard L. Madoff Investment Securities. He was also a former non-executive chairman of the Nasdaq stock market in the 1990s. He served as the chairman of his company until his arrest in 2008, the same year he confessed to his sons that the firm had become a massive Ponzi scheme concealing years of losses.

INVESTING FOR A SUSTAINABLE FUTURE

The rise of green finance in the city is poised to put Hong Kong on the sustainable investing map. Nicky Burridge speaks to professionals in the field about the increasing demand for sustainable financial products from investors, the initiatives driving this vital change, the need for better standards and transparency, and the role accountants can play in spearheading the city's transition to a leader in green finance

Illustrations by Ester Zirilli

Financial secretary Paul Chan used his latest budget to announce plans for the government to issue HK$175.5 billion of green bonds in the next five years. The move also doubles to HK$200 billion the borrowing ceiling of the government's green bond programme, which was first launched in 2018 to finance public work projects with environmental benefits.

For Edward Au, Southern Region Managing Partner, Deloitte China, and a member of the Hong Kong Institute of CPAs, the latest announcement highlights the government's commitment to move Hong Kong towards a low-carbon, climate-resilient and sustainable economy. "It enhances Hong Kong's position as a green and sustainable finance hub in the region, and creates a city-wide green finance ecosystem," he says.

Mervyn Tang, Senior Director, Global Head of ESG Research, Sustainable Finance, Fitch (Hong Kong) Limited, agrees that the bond issuance is significant in terms of developing Hong Kong's green finance market, pointing out that sovereign bonds increase liquidity and act as a benchmark for prices. "Sovereign bond issues are typically used as an anchor in the market," he says. He adds that the 30-year green bond issued by the government in January – the first green bond of this duration from an Asian government – was also significant, as long-dated green bonds open up the market to different types of investors, such as insurers. "It also helps to expand the green yield curve, which, in turn, helps to expand the issuance of green bonds from other issuers in the Hong Kong market," he says.

A growing ecosystem

The government has launched a number of initiatives to promote the development of Hong Kong as a green finance centre. Au points out that alongside its own issuance of green bonds, it has also launched the Green Bond Grant Scheme to subsidize eligible green bond issuers in obtaining relevant certification. The government has also worked with regulators to set up the Green and Sustainable Finance Cross-Agency Steering Group to accelerate the growth of green finance in Hong Kong and support climate-related strategies. In addition, the Hong Kong Quality Assurance Agency (HKQAA) has set up a Green Finance Certification Scheme to provide third-party conformity assessments for issuers. Alongside these developments, the Hong Kong Green Finance Association was launched in 2018 to bring together industry experts and stakeholders to make policy suggestions to the government and promote

Hong Kong as a green finance hub. The initiatives have been welcomed by industry stakeholders.

Melissa Fung, Hong Kong Sustainability Leader, Deloitte China, an Institute member, and a member of the Institute's Sustainability Committee, points out that the Green Finance Certification Scheme increases the transparency of how the proceeds from green bond issuances are used, which enhances investor confidence. "On the issuer side, it sets out clear requirements with reference to international standards that helps issuers better govern the funds raised and formalizes the monitoring and reporting processes," she says.

Eric Nietsch, Head of ESG, Asia, Manulife Investment Management, says: "We sometimes hear from companies that a challenge to issuing a green bond can be increased costs with the transaction. The Green Bond Grant Scheme can be used to reimburse the expense of the HKQAA certification, which provides an incentive, especially for first-time issuers." He adds that this is particularly important because companies often find that issuing a green bond helps them to enhance their sustainability strategy. Despite these initiatives, Au thinks more could still be done to promote Hong Kong as a green finance centre, such as requiring climate-related disclosures from public companies to be aligned with recommendations set out by the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

Increasing transparency

Another significant development in the green finance ecosystem is Hong Kong Exchanges and Clearing's (HKEX) Sustainable and Green Exchange (STAGE). Launched in December 2020, it is the first multi-asset sustainable finance online platform in Asia that connects issuers, investors and other stakeholders. The platform lists more than 45 sustainability-themed products from leading Asian corporates, as well as providing a repository of information on sustainability, green and social bonds, and environmental, social and governance (ESG)-related exchange traded products listed on the HKEX.

Grace Hui, Head of Green and Sustainable Finance at HKEX, and a member of the Institute's Sustainability Committee, says: "To address investors' concerns on greenwashing, issuers included on STAGE are required to designate the sustainability, green or social classification of the instruments to be displayed and state the international standards or principles that they adhere to." Issuers must also provide additional voluntary disclosures on their sustainable investment products, such as the

> "This reflects a strong pick-up in investor appetite for green financial products and demonstrates the significant opportunities and growth potential of green finance in the region."

use of proceeds and annual post-issuance reports. Over time, HKEX plans to increase the scope of the product repository to include other asset classes and product types in Hong Kong and beyond. Hui adds that while it is still exploring what it might add, equities and derivative products that connect to climate-related metrics would be useful to help Hong Kong reach its carbon neutral coal.

STAGE also provides green and sustainable finance resources promoting market education, knowledge sharing and stakeholder engagement. Dr Nadira Lamrad, Director – Sustainability and ESG Advisory at the Business Environment Council, says STAGE is an important initiative as it shows the stock exchange is supportive of green issuances. She adds that it also addresses the concerns of those wanting to invest in green financial products, particularly those who may be doing so for the first time, such as family offices, by making it easier for them to access information.

Growing demand

There is already significant investor demand for green bonds in Hong Kong. The five-year and 10-year tranches of the government's US$2.5 billion issuance of US dollar bonds in January were five-times oversubscribed, while the 30-year tranche was seven-times oversubscribed. The deal attracted interest from both conventional and green investors, with Asian institutional investors accounting for 65 percent of the overall allocation, and investors in Europe and United States receiving an allocation of 20 percent and 15 percent respectively. Both European and U.S. investors showed a strong preference for the 30-year tranche.

Hui points out that demand for green financial products is increasing rapidly in Asia, with US$5 billion invested in sustainable funds in the region in the last four months of 2020 alone. "This reflects a strong pick-up in investor appetite for green financial products and demonstrates the significant opportunities and growth potential of green finance in the region," she says. She points out that Hong Kong has played a significant role in this region-wide development in the past few years, with the cumulative amount of green and other sustainability-related bonds arranged and issued in the local market reaching almost HK$214 billion by the end of 2020. In 2020, the market raised HK$66.6 billion, up from just HK$2.4 billion in 2015. "In the first quarter of this year alone, 19 green and sustainability-related bonds were listed, surpassing the record number of 18 in 2020, raising a total of HK$51.5 billion," Hui adds.

Lamrad has also observed an increase in investor demand. "There is a lot of capital moving in this direction. We are seeing a lot of oversubscriptions every time," she says. Nietsch points out that Hong Kong is also seeing continued innovation in sustainable debt issuance, with emerging structures such blue bonds, under which the proceeds are used to finance ocean conservation, transition bonds, which finance the transition of companies to having a reduced environmental impact or lower carbon emissions, and sustainability key performance indicator-linked bonds, under which issuers commit to meeting certain ESG-related targets and make additional payments to bondholders if they fail to meet these targets. "A variety of potential financing options is important because it can encourage a wider variety of companies and projects. These emerging and innovative structures can provide additional ways for investors and companies to work towards achieving sustainability objectives," he says.

Despite these developments, Fung points out that the green finance market in Hong Kong is still not as mature as those in Europe and the U.S. on both the supply side and the demand side and in terms of the number and variety of green financial products. She suggests regulators have a key role to play in this area, adding that they should reference international practices and set up a green finance framework under current regulations and guidelines. "In addition, regulators should also review their own enforcement roles to ensure implementation and compliance," she says.

A lack of standardization

One of the biggest challenges investors who want to put money into green financial products face is a lack of standardization in the industry. Fung explains: "As the standards of what could be classified as 'green' remain fragmented and the governance and reporting requirements of green bonds are voluntary, investors may find it difficult to justify the actual environmental and social impact, and understand the risk behind such investments." She adds that more policies need to be put in place to regulate the market, and issuers should be

> **"Accountants could also support the proper disclosure and presentation of the financial and ESG information of financial products."**

Hong Kong has been designated as the green financial hub for the Greater Bay Area as part of the Guangdong-Hong Kong-Macau Greater Bay Area Green Finance Alliance.

asked to disclose a comprehensive set of information to justify the environmental and social benefits of their products, with third party assurance and regular inspection by authorized organizations. Hui agrees: "Currently, the risks of greenwashing and the lack of comparable data create barriers to investing in green bonds and other ESG products." Nietsch points out that the time and resources needed to develop green bond assessment capabilities can be a challenge for some investors. "This is where professional asset managers with a strong ESG framework and extensive credit research footprint across Asia can add value," he says.

Lamrad explains that the frameworks and taxonomies that will define whether a product is actually sustainable are still being established. Hong Kong aims to adopt the Common Ground Taxonomy – which is being developed by the International Platform on Sustainable Finance (IPSF) Working Group on Taxonomies and co-led by Mainland China and the European Union – when it is finalized later this year. She adds that there is also a skill set shortage in the market when it comes to really understanding the data. "You need to understand what is behind the numbers. Is it part of a strategy or a one-off project? You need to take your time and develop that expertise and knowledge." She points out that this lack of understanding not only increases the chances of greenwashing but also means that companies that are doing well but are not presenting their data in an investor-focused way, may face inaccurate outcomes such as lower ratings or under or overvaluations. She suggests one way to address this issue is for the finance industry to hire sustainability professionals, even if they are not from a finance background, as they have a wealth of expertise for understanding what is going on behind the data. Secondly, she suggests engagement needs to be part of investors' approach, and they should not rely solely on quantitative-based strategies to understand a company's performance and inform decision-making.

Tang points out that the development of a taxonomy is also important to distinguish why there are differences between green bonds in different regions. He gives the example of transition bonds, saying there are clear differences between the attitudes of European investors and investors in Asia-Pacific towards natural gas and whether it forms part of a low carbon transition. "APAC is a set of economies that have a much more carbon intensive starting point, so the substitution from coal to natural gas may make more sense than in Europe. Standards need to establish the rules without running the risk of greenwashing."

A regional centre

With its deep capital markets, existing financial services infrastructure and strong government support, Hong Kong is well-positioned to act as a green finance centre for the region, creating significant opportunities. Hui points out that Hong Kong has been designated as the green financial hub for the Greater Bay Area (GBA) as part of the Guangdong-Hong Kong-Macau Greater Bay Area Green Finance Alliance. "In this region alone, the green business potential is expected to jump fivefold from US$90 billion in 2018 to US$450 billion in 2030, with investment concentrated in renewable energy and clean transportation projects." She adds that if Mainland China is to reach its goal of being carbon neutral by 2060, it will require large amounts of capital. "We think much of the international investment in facilitating that transition is likely to come through Hong Kong. By leveraging its international expertise and best practices, existing infrastructure, and community of financial professionals who already speak the language of sustainable finance, Hong Kong is ready to drive sustainable finance in the GBA and beyond," she says.

Au says that Hong Kong's position as an international finance hub with a deep pool of liquidity not only enables it to meet the large appetite of enterprises in the GBA for green financing, but also those in Belt and Road Initiative countries. "Moreover, the Hong Kong government could work closely with the authorities within the GBA, as a catalyst for the development of a low-carbon market in the region," he says, adding that initiatives in Hong Kong, such as the decision to adopt the Common Ground Taxonomy by mid-2021, also help to steer the development of green finance in

the region. Nietsch agrees: "The latest developments in Hong Kong continue to fuel the momentum across Asia-Pacific green finance markets." He adds that Singapore has committed to issuing green bonds to support more than US$14 billion of green infrastructure projects.

The role of accountants

Accountants have a significant role to play in helping Hong Kong develop as a green finance centre. Lamrad points out that the profession has well-established frameworks, rules and guidelines on how to present information. "There is an opportunity for accountants to come in and share that knowledge and expertise with multiple stakeholders around the sustainable finance ecosystem," she says. The International Financial Reporting Standards Foundation is currently working to set up a board to create global sustainability reporting standards. Nietsch says: "This is intended to build on existing initiatives to provide consistency that will support investors, companies, and green finance markets overall."

Fung adds that they can also quantify the benefits of green finance for companies, the environment and society to help substantiate its value. "Monitoring and performance tracking are important aspects that accountants could play a role in enhancing the governance of financing and investment process. "Accountants could also support the proper disclosure and presentation of the financial and ESG information of financial products, and look at third party opinions issued by independent auditors on such information to enhance their credibility," she says. Fung adds that they can also play a role in the assurance of data. "The main objective is to increase the creditability of the data disclosed. During the assurance process, besides checking the accuracy and completeness of the data, accountants also review the internal control procedures of the data collection process. This may also help the companies to identify opportunities for improvement," Fung says.

Hui suggests accountants to develop their knowledge in this area in anticipation of future demand for related services, advice and expertise. "It is crucial for accountants to raise their awareness and understanding of sustainable business practices. Professionals who are well-equipped with ESG skills will help drive progress in building up a sustainable ecosystem for Hong Kong and the region," she says.

SECOND OPINIONS: WHAT'S THE BEST WAY TO WORK WITH FRESH RECRUITS?

EDMUND CHAN
PRACTISING DIRECTOR, AUDIT AND ASSURANCE, MAZARS IN HONG KONG, AND AN INSTITUTE MEMBER

It is important to prepare fresh recruits or graduates for the work environment when they join the firm, as well as the audit methodology and working approach. To achieve this, we offer a two-week induction programme for fresh graduates at Mazars. Here is what we've found.

Don't be too technical: As many are new to audit, we try to avoid using too many technical terms when introducing audit methodologies and procedures at first. It is also important to answer the question of "why" in addition to talking about the "what" and "how." By doing so, new employees will have a better understanding of the rationale behind audit procedures and how their work impacts clients' financial statements.

Appreciate their differences: We bear in mind that fresh recruits come from different backgrounds, universities and have varying levels of accounting knowledge and work experiences. To raise their interest in learning, we put them into small groups and encourage them to share ideas with each other. When they are given opportunities to interact with others, this synergy further enhances their learning experience, as it helps them to connect with each other and work close together as a team.

Being together matters: COVID-19-related work-from-home arrangements last year posed challenges to our onboarding. Since staff members were still working remotely during the third quarter of 2020, we were deciding whether the induction programme should be shifted online. We understood that virtual training could still work, but that interacting online would not be as effective as face-to-face conversations. Also, being present in the workplace provides fresh graduates with a sense of belonging. Fortunately, the COVID-19 situation eased shortly before their joining date in early October. With additional safety measures put in place, we decided to hold the induction programme physically. At the end of the training, the feedback received was positive. These new associates noted that they felt welcome, connected well with their batch mates and were able to build relationships with others in person.

Staying connected can be virtual: As auditors, we need to work as a team and know how to multitask. With flexible work arrangements under the pandemic, we train all staff to use online collaboration tools such as Zoom and Microsoft Teams to discuss work items as they would in the office. Staying connected – virtually and in person – makes fresh recruits feel part of a bigger team.

"When they are given opportunities to interact with others, this synergy further enhances their learning experience, as it helps them to connect with each other and work close together as a team."

K.M. WONG
CHIEF FINANCIAL OFFICER,
HONG KONG ELECTRIC INVESTMENTS AND
AN INSTITUTE MEMBER

Every year, fresh recruits join a company, and the biggest challenge for their supervisors is to help them grow from inexperienced university graduates to competent staff members within a designated (and often short) period of time.

Under such conditions, every company develops something fit for themselves. Some of them may choose to have formal classroom training, while others may have a mentorship programme in place. Some of them even have overseas training programmes where fresh recruits leave home for a few weeks for the purpose of acquiring new skills abroad, which is very effective, but expensive and difficult during this pandemic.

Despite the different formats, the objective is the same – making sure fresh recruits are part of a team, able to work smoothly with colleagues across different levels, manage tasks on hand efficiently and deliver results.

"Many of them are bright and smart – which are reasons why we hire them in the first place."

But after all these years, I find that the most effective way of achieving this is for supervisors to take a step back and to let the fresh recruits find their own way. The recruits should be the ones deciding how they should approach a task. I did it when I had my first full time job.

When I arrived the office on my first day of work, I remember that my supervisor was on his honeymoon and that the manager was very busy. The only thing she did was tell me where I'd sit and the jobs I would take on from day one, many of which were handed over to me from another employee who was reassigned to work in a different department. So, I had to book a time with her to ensure a smooth handover. I also phoned my coworkers working in other departments one by one and introduced myself to see how they would interact with me in future. I was in charge of working out my own timetable and schedule while also taking care of my daily tasks. In other words, I tried to drive myself as far as I could. I went back to my manager when required and reported progress regularly. In the end, I found this to be extremely useful and repeated it in all my future roles.

I later found out that my supervisor and manager did that intentionally, not by chance. They believe that the best way of teaching one to swim is to throw him or her into the water and then coach them along the way.

I guess that our fresh recruits are mature enough to manage their orientation and training schedule as they are in early 20s. Many of them are bright and smart – which are reasons why we hire them in the first place. Let your fresh recruits explore as much as they can, but be there for their questions.

So, would you consider repeating the same magic my manager/supervisor did on me over 30 years ago?

DEREK YUEN
PEOPLE PARTNER, AUDIT, HONG KONG,
KPMG CHINA AND AN INSTITUTE MEMBER

KPMG recruits over 200 new graduates each year in Hong Kong to support the firm's development across different functions and sectors. It is important to us that they understand our firm's business, values and culture and feel welcome, so that we can achieve success together.

Our engagements with fresh recruits start from the moment we make them an offer and, after they join, continue throughout a nine-to-12 month period. We use various social media platforms to engage and interact with them through live online events, small group virtual meetings and group chats to answer their questions and help them prepare even before the formal induction begins.

It is key to provide fresh graduates with the right support in order to help them transition from university to professional life. Upon joining, they participate in a welcome session hosted by our senior management and receive induction training. In our induction programme, we set out their responsibilities to their peers, clients and to the public. We equip them with technical knowledge and a problem-solving mindset to exercise effective judgement, deliver exceptional client experience, and build relevant capabilities over their career at the firm. This is strengthened through experienced colleagues sharing real-life cases that demonstrate the values which form our corporate DNA and guide our daily behaviours and decisions.

We encourage new joiners to participate in interest groups and cross-function initiatives to build their network within the firm. During the pandemic, technology has made it possible to host regular meetings to keep the team engaged. We have come up with creative ways to help our new recruits bond with their batch mates, including a virtual ice-breaking and networking game on social media. We've found that such bonding – virtual or in person – among batch mates often remains strong for many years even after they have been assigned to different departments or functions. It is also important that new joiners' views are heard and their achievements are recognized. To foster a culture of open communication, we always ensure everyone has a fair chance to speak up in meetings.

"In our induction programme, we set out their responsibilities to their peers, clients and to the public."

With a good support system put in place by the firm, we encourage new graduates to also do their part: Be passionate at work, support each other with a positive spirit, and learn to grow as a team.

ALWAYS SERVING THE PUBLIC

As Director of Audit at the Audit Commission, John Chu helps the government improve the performance and accountability of public sector organizations, while ensuring Hong Kong taxpayers get value for money. He tells Nicky Burridge about the landmark changes and challenges he has experienced over the last three decades at the commission, the increasing importance of accountability, and the most rewarding aspects that come with a career in the public sector

Photography by Calvin Sit

Better strategies need to be formulated to reduce diesel commercial vehicles running on the roads, which is the main cause of roadside pollution. More also needs to be done to increase the provision of boarding places in special schools for children with special educational needs. At first glance, these two issues may not have much in common, but they are both recommendations put forward in reports compiled by the Audit Commission, demonstrating its broad scope.

John Chu, Director of Audit at the Audit Commission, explains that the commission's mission is to provide independent audit services to help the government and other public sector bodies enhance their performance and accountability. "Our audit reviews aim to identify areas for improvement and help them learn lessons. We make workable and constructive suggestions for improvements. We are not trying to criticize or find fault with officials. We are forward-looking and try to add value to government operations," says Chu, a member of the Hong Kong Institute of CPAs. He says all of the observations and recommendations made in the commission's reports have been accepted by the government.

He gives the example of two lengthy reports on food safety that were issued by the commission in 2018 and contained nearly 100 recommendations for improving the import control of food by air, road and sea. "Even though we were critical of the controls of the import of food, the government department concerned was very positive towards our recommendations," he says.

However, Chu says that difficulties can arise when there is no single government bureau or department that is responsible for a problem identified in an audit report. He explains that in 2013, the commission produced a report on the management of roadside skips, or open-top containers, in view of an increase in public complaints about them.

The commission identified nearly 500 skips that were not fully compliant with the guidelines issued by the government, such as unlawfully occupying public roads and obstructing traffic, or posing environmental or hygiene risks. "Because no single government bureau or department has been designated primary responsibility to regulate and facilitate the operation of roadside skips, it is difficult to make significant improvements, despite our recommendations. Currently the Public Accounts Committee of the Legislative Council is still following up on the issues more than seven years later," he says.

Ensuring high-quality audits

Chu explains that if the Audit Commission is likened to an audit firm, then his role as Director of Audit is like that of a managing partner. "My deputy and assistant directors are my key partners, and my work is to manage them and steer the Audit Commission towards achieving its strategic goals." He also likens himself to being the conductor of a symphony orchestra, ensuring everyone is working in harmony to achieve the commission's aims.

On a day-to-day basis, much of Chu's work involves reviewing audit reports to ensure they meet the high standards the commission requires. He submits three Director of Audit's Reports to the Legislative Council each year. Two of these reports cover the results of value for money audits, which look at the economy, efficiency and effectiveness with which different public sector bodies conduct their work. The third report covers regularity audits, which look at the government's financial and accounting transactions and ensure that they comply with Generally Accepted Accounting Principles. "Each year the commission certifies more than 80 fund accounts and issues around 18 value for money audit reports. "Each of these value for money audits is a project in itself, with each one lasting for at least half a year and sometimes longer for the more complex ones. I have a key role to play in the overall governance of the project management," he says. This involves overseeing the progress and development of the project, reviewing the draft audit reports, holding discussion sessions at different stages during the project, and including the audit report as a chapter in his own Director of Audit's Report.

He says the public has very high expectations of how the commission should help the government address all of the major problems facing Hong Kong, including deep-rooted issues, such as the shortage of public housing, but points out that some of these issues are outside the scope of its work. "The Audit Commission cannot always meet increasing public expectations, so we are under great pressure generated by the expectation gap." Chu says one way to address this expectation gap is to explain very clearly what the commission's role is and the limitations of its work. "For example, according to the value for money audit guidelines, agreed between the Public Accounts Committee and the Audit Commission and accepted by the government, we are not entitled to question the merit of the policy objectives, but our audits can question the economy, efficiency and effectiveness of the means used to achieve the policy objectives," he explains, adding that the commission also avoids unnecessarily politicizing the issues raised in its reports, but instead has a rational discussion of the issues with the aim of making constructive observations and recommendations for improvements.

He gives the example of an audit report on allocation and utilization of public rental housing (PRH) flats issued by the commission in October 2013. He points out that the shortage and long waiting times for PRH have long been matters of great public concern, while the implementation of the Quota and Points System (QPS) for non-elderly one-person applicants, the management of unoccupied flats and under-occupied households, as well as the implementation of the Well-off Tenants Policies, are all controversial and sensitive issues. The provision of public housing is also an essential social service that benefits the general public, especially disadvantaged groups.

He says: "It is therefore imperative that PRH flats are allocated to people most in need of housing assistance. While the commission was not entitled to question the merit of the policy initiatives, it was duty-bound to give comments from the point of view of their effect on the public purse. For instance, noting that there were a large number of young and better educated QPS applicants on the PRH waiting list, the audit report did mention that there was a built-in incentive in the QPS which encouraged applicants to apply for PRH as early as possible, although they might not really have a pressing need for housing and, unless such incentive was removed, QPS applications would continue to increase and the PRH waiting time would likely become longer and longer." The commission recommended that a comprehensive review of QPS should be conducted, including assessing its effectiveness and sustainability in achieving its objectives. But Chu

"The Audit Commission cannot always meet increasing public expectations, so we are under great pressure generated by the expectation gap."

As Director of Audit at the Audit Commission, John Chu is in charge of reviewing audit reports to ensure they meet the right standards while also ensuring steering the commission towards both short erm and long term goals.

adds: "Given that the shortage of public housing is such a deep-rooted problem involving complex policy ramifications, it is hard to expect that the problem can be fully resolved just by conducting an audit review."

A life in the public sector

Chu has worked for the government throughout his career. He joined the Treasury in 1984 as an accounting officer shortly after graduating from the University of Hong Kong with a degree in social sciences, in which he majored in management studies and minored in sociology. "Looking back, the sociological perspectives I gained at university have stood me in good stead. The critical skills, sometimes called 'debunking perspectives' in sociology, have proved to be very relevant and useful in conducting value for money audits in the public sector," he says.

He spent four years at the Treasury, initially working as an accounting manager for the then Medical and Health Department, before moving on to a post responsible for developing accounting and financial information systems for the government, and later working in the area of fund investment management. It was during this period that he qualified as a CPA. He joined the Audit Commission in 1988 as an auditor. "I have worked in the Audit Commission for more than 30 years, rising through the ranks to my current position of the head of the commission as Director of Audit," he says. He also undertook non-audit work when he was head of the Technical Administration Branch, which is responsible for the corporate services and technical support work of the commission. This included the production of the Director of Audit's Report and overseeing matters relating to the Public Accounts Committee proceedings, as well as carrying out strategic planning, quality assurance work and staff training and management.

Chu says the management experience he gained in this post has been extremely useful to him in his current role. He is also grateful for the mentorship he has received

Chu has spent over 30 years in government services. He joined the Treasury in 1984 as an accounting officer after graduating from the University of Hong Kong. He then joined the Audit Commission in 1988 as an auditor.

from the three previous Directors of Audit. "It has been a great privilege for me to consolidate my past experience working with them and continue to build on the solid foundation they have established over the years," he says.

Constant change

Unsurprisingly, Chu has seen significant changes during his 30 years at the Audit Commission. "The only thing constant is change," he says. He thinks the biggest change has been the increase in expectations. "There are now generally much higher expectations of the government and other public sector organizations and their accountability. There is also a greater interest in our audit reports." He points out that when he first started working at the commission, the value for money audit reports were only a few pages long, and each subject in the Director of Audit's Report comprised just a few paragraphs. "Today, while many of the reports are more than 100 pages long, some people still think we have not done enough."

Another significant change is the advancement of technology, with big data analytics and artificial intelligence (AI) playing an increasingly important role in audit work. The commission has a strong commitment to innovation and is exploring the development of a cloud computing-enabled IT system that would use big data analytics to collate the data collected over the years to be harnessed for pre-audit research and planning work. "In a later stage, we will see if technologies, including AI, can help us strengthen our data mining techniques to identify areas for concern, so that we can focus our attention on those areas. We continue to keep abreast of developments in this technology and make investments in this area," Chu says.

He says there has been an increasing use of data mining techniques in analysing information obtained in the course of audit reviews in recent years. "Such techniques help the commission

"I gain a great deal of job satisfaction from knowing that any extra effort I put into my work will eventually benefit the community as a whole. It keeps me motivated to spare no effort."

perform in-depth analyses and develop useful observations and recommendations." He explains that in the April 2019 audit review on the planning, provision and management of public parking spaces, the commission obtained computer records of on-street parking spaces from the Transport Department. "By using data mining techniques, parameters, such as locations, parking fees and operating periods, utilization records of metered parking spaces in the territory were linked up for analysis. By data matching, the commission identified some metered parking spaces with high utilization but charging the low rate of HK$2 per 30 minutes. Some metered parking spaces at the same location (i.e. with the same parking demand) but with different operating periods were also identified." He says the anomalies identified were highlighted in the audit report for rectification by the government.

The COVID-19 pandemic has also had a significant impact on the work of the commission. Chu explains that work-from-home arrangements have meant it has taken longer to get information from the organizations being audited, while staff have been unable to conduct physical inspections for some audits, which has made it more difficult to carry out the necessary audit procedures. As such, the commission has had to make it possible for staff to access the government network from home, as well as using video conferencing for internal meetings and consultations with clients, while training is also carried out virtually. At the same time, the government's allocation of hundreds of billions of dollars through the 2020-21 Budget and the four rounds of injections into the Anti-epidemic Fund to provide various relief measures to the public has significantly increased the commission's workload. "We are now coming to grips with the first-year audit of the fund. Our workload has inevitably increased significantly, and we are redeploying our internal resources across our different programme areas to cope," he says.

The need for accountability

Chu believes it is particularly important that the government and public sector bodies perform well because they are not only entrusted with substantial public resources, including taxpayers' money, but they are also providing essential public services, such as education, public housing and health services, as well as promoting the economy and overseeing environmental protection. "The quality and effectiveness of public services directly affect the livelihood of the general public and the sustainable development of Hong Kong, so it is most important that government and public sector bodies perform well in the delivery of services and are held accountable for the use of resources," he says.

He welcomes the recent inclusion of a public sector category in the Institute's Best Corporate Governance Awards. "It is important to promote good corporate governance and accountability in the public sector and I think the awards are a great initiative to recognize the commitment of public sector organizations to enhancing their corporate governance." It was knowing that his work would benefit the community that first attracted Chu to working in the public sector when he graduated. "I gain a great deal of job satisfaction from knowing that any extra effort I put into my work will eventually benefit the community as a whole. It keeps me motivated to spare no effort."

For any young Institute members considering a career in the public sector, Chu points out that the monetary rewards and fringe benefits are likely to be less attractive compared with top jobs in the private sector, while there are also a lot of government rules and regulations they will need to comply with. "But," he adds, "the job satisfaction gained from working in the public sector and serving the community is really matchless."

The Audit Commission, founded in 1910, is one of the oldest government departments of the Government of Hong Kong. It was known as the Audit Department before 1 July 1997. Its main functions are to provide independent, professional and quality audit services to the Legislative Council and public sector organizations in order to help the government enhance public sector performance and accountability in Hong Kong.

Jessica Fries

The Executive Chairman of Accounting for Sustainability on the importance of incorporating climate change risks into business valuations and why the industry must establish a unified approach

Why we need to prioritize climate change in business valuations

In recent years, climate change has been propelled to the forefront of business and investment decisions – and rightly so. There is no doubt that it represents one of the most pressing challenges that we face today. In addition to the devastating human impact, extreme weather and the physical risks resulting from global heating can prove fundamentally disruptive to businesses, and their assets, on both an operational and financial level, as can rapidly changing consumer demand for action and regulatory responses. It's also clear that the transition to a net zero greenhouse gas emission economy presents extensive opportunities, and not paying attention could leave organizations behind.

If there is one thing that the past year has demonstrated, the biggest risk to the health of a business is often uncertainty. One thing, however, that remains certain is the threat posed to us by climate change. If we are to rise from the pandemic stronger and create a more resilient and sustainable future for ourselves, our economy and our planet, we need to allocate capital away from activities that generate negative impacts, and towards those that will have positive impacts – and we need to do so urgently. To achieve this, part of the solution must be the use of a robust approach to ensure that climate change risks and opportunities are effectively applied to business valuations and, therefore, decision making.

Climate change and business valuations are inextricably linked, affecting operational, investment and financial decisions. The process, however, of incorporating climate change into business and asset valuations is still in its infancy and as a result, there hasn't been a consistent approach.

As we rebuild from this pandemic, it is clear to see that only by working together can we tackle climate change and effect real, lasting change. That's why I'm proud to share that Accounting for Sustainability (A4S) has collaborated with CPA Canada, members of the Canadian Chapter of our CFO Leadership Network including large pension funds and asset managers, as well as valuation standard setters and experts, to develop a new publication – *The A4S Essential Guide to Valuations and Climate Change.*

The first-of-its-kind framework provides practice guidance for the finance community on how to incorporate climate-related risks and opportunities into business valuations, which we hope to see become an industry norm. Through the five-step framework, developed and tested by practitioners, the guide is helping to inform the discussion among the valuation, accounting and regulatory communities. By doing so, we would also expect more robust disclosures in corporate reporting and a greater oversight by boards on this topic.

By driving efforts to identify a robust and unified approach to evaluating climate risk and corporate responses, the investor and valuation communities can encourage integration into decision making. In turn, this can help pave the way for the foundations of a more sustainable future for the economy, society and the planet.

What's more, climate change does not solely present a threat to society and our economy, it also brings with it the possibility of rapid transformation, innovation and opportunities for those developing solutions. Studies have indicated that companies that exhibit robust environmental, social and governance traits can benefit immensely – from outperforming their competitors and experiencing a lower cost of capital to minimizing share price volatility, as well as attracting and retaining talent more easily. Therefore, it is of vital importance that these benefits are factored into valuation methodologies, too.

As governments and businesses look to a green recovery, fulfilling ambitious net zero targets and prioritizing sustainable innovation, it is my hope that embedding these considerations into the valuation process will make it possible for this new framework to become the standard practice. We must take the initiative now to transform our financial systems, to build for the long term and to set ourselves up for the future. Only by doing this and adopting more resilient business models can we drive forward a sustainable economy – one where sustainable decision making is business as usual.

"If there is one thing that the past year has demonstrated, the biggest risk to the health of a business is often uncertainty. One thing, however, that remains certain is the threat posed to us by climate change."

Preparing a better annual report

What do expect from an e-learning course on writing annual reports

Richard Ho
has been in the legal industry handling the listing of securities and compliance related matters for more than a decade. He mainly provides assistance on initial public offering projects (acting as legal advisor to sponsors and proposed issuers), mergers and acquisitions, the provision of directors' training, compliance matters on the Listing Rules and Securities and Futures Ordinance and matters relating to the Securities and Futures Commission's Hong Kong Code on Takeovers and Mergers.

A listed issuer's annual report provides key information and assists investors with their decision-making. Due to factors such as the COVID-19 pandemic and the resulting global economic downturn, investors have become more prudent. Therefore, the information contained within an annual report has increased in importance, as it helps investors understand the listed issuer's business, financial position, as well as its management and prospects.

Writing an annual report, however, can be tricky. In essence, the information required to be disclosed is extensive, and given the fact that it contains a lot of different information about an issuer, it can take a considerable amount of time to create and issue a flawless report.

Pursuant to the rules governing the listing of securities (the Listing Rules) on The Stock Exchange of Hong Kong Limited, a listed issuer must, within four months after the end of the financial year and not less than 21 days before the date of its annual general meeting, send its shareholders an English and Chinese annual report with its consolidated financial statements and a copy of the auditors' report. Information required in an annual report is governed by the Listing Rules and the Companies Ordinance.

An annual report generally consists of sections such as "Corporate Information," "Chairman's Statement," "Management Discussion and Analysis," "Corporate Governance Report," "Directors' Report," "Directors and Management," and "Independent Auditor's Report." Generally, the preparation work of an annual report is divided among the listed issuer, its auditors and its legal advisors. The issuer's auditors are mainly responsible for reviewing financial-related sections so as to ensure that the financial information to be disclosed in an annual report is in line with the financial statements, and the issuer and its legal advisors are responsible for other sections. Though legal and compliance related matters arising from the preparation of the annual report will be dealt with by the issuer's legal advisors, accountants must also equip themselves with adequate knowledge of the requirements under the Listing Rules and the Companies Ordinance when preparing a listed issuer's annual report. If there is any non-compliance such as an omission of certain required information, the listed issuer may be required to publish a supplemental or clarification announcement. Listed issuers face the possibility of criticism if the non-compliance is material.

From my experience, certain required information is usually omitted from an annual report, such as a change or update in a director's name, other directorships held in public companies and major appointments and professional qualifications during the reporting period. Pursuant to Rule 13.51B(1) of the Listing Rules or Rule 17.50A(1) of the GEM Listing Rules (as the case may be), if there is a change in any of the information under paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules or Rule 17.50(2) of the GEM Listing Rules (as the case may be) in the reporting period, a listed issuer must ensure that such changes are set out in the next published annual report unless otherwise disclosed in the listed issuer's previous interim report. As such, listed issuers must bear in mind that sufficient information must be given to their accountants and other professionals to avoid a breach of the Listing Rules.

The e-learning course

My e-learning course "Preparing annual report and directors' report with ease" provides assistance to members on preparing annual reports for listed issuers. The course covers the following topics:

- What is required to be disclosed in an annual report under the Listing Rules and the Companies Ordinance;
- What is not necessarily required to be disclosed in an annual report; and
- Common omissions and misconceptions.

The course aims to help members first understand the sections of a listed issuer's annual report that may be tricky and the manner in which they should be prepared. I hope that members, after taking part in this course, would enjoy the process of preparing annual reports for listed issuers and find it to be a simple and enjoyable task.

MEETING THE NEEDS OF SMPS

The Institute's Small and Medium Practices Committee was set up to address the challenges that practices in Hong Kong face. Nicky Burridge speaks to committee members about pressing issues such as professional standards and regulations, attracting talent, technology and service diversification, and how the Institute plays a key role in helping these firms navigate these rapid developments and utilize new technology for long-term growth

Photography by Leslie Montgomery

SPEAKERS:
(From left)

GARY POON
Partner, Poon & Co.
and member of the Small and Medium Practices Committee (SMPC)

LARRY CHENG
Managing Director,
Wise Diligent CPA Co. Ltd.
and Chairman of the SMPC

ALAN CHAN
Sole Proprietor,
Alan Chan & Co. and
Deputy Chairman of the SMPC

EDMUND WONG
Practising Director,
Patrick Wong CPA Ltd. and
Deputy Chairman of the SMPC

ELIZABETH LAW
Managing Director,
Law & Partners CPA Ltd. and
member of the SMPC

Larry Cheng, Managing Director, Wise Diligent CPA Co. Ltd.

Small and medium practices (SMPs) face a growing list of challenges. They have to keep pace with ever-changing regulations and standards, while also finding ways to diversify their income. Meanwhile, they have to continue serving their existing clients and respond to the evolving business environment – all without the level of resources larger firms enjoy. The Hong Kong Institute of CPAs has a Small and Medium Practices Committee (SMPC) to help members in this sector address these challenges.

Committee member Elizabeth Law, Managing Director, Law & Partners CPA Ltd., says: "Our main focus is to help fellow small practitioners. We look into whatever areas they need our help with, from technical areas, to networking in Mainland China and other parts of the world." She points out that SMPs make up more than 95 percent of firms registered with the Institute, and these firms have very different needs compared with the Big Four, as they do not have the resources or specialist partners to provide their own expertise on the many different areas they need to look at.

Gary Poon, Partner, Poon & Co., a member of the SMPC and a former Deputy Chairman, adds that while the Institute has a statutory duty to regulate its members' professional conduct and standards, it is important that it strikes a balance between its regulatory duties and offering members support and services. Committee Chairman Larry Cheng, Managing Director, Wise Diligent CPA Co. Ltd., and a Council member of the Institute, agrees: "The Institute actually requires very high standards from SMPs, so it is important that it has a committee to help SMPs uphold those standards."

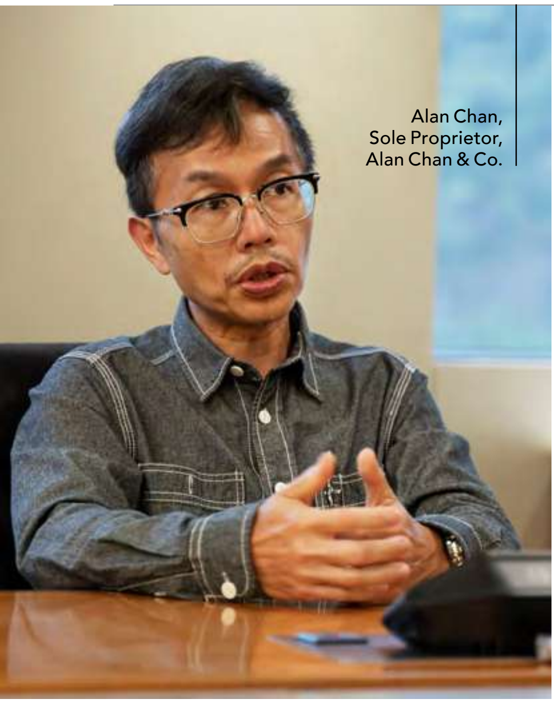
Listening and responding

To help gauge the needs of its members, the SMPC carries out regular polls, surveys and information gathering exercises. It also hosts regular events and has five discussion groups, each made up over 130 members, to solicit feedback and input from SMPs. Issues identified through these channels are then flagged up to the relevant committee or working group within the Institute. "In recent years, the top issues that have been flagged up are keeping up with professional standards and regulations, talent management, new technology and diversification," Poon says.

The discussion groups also serve as a forum to communicate high standards. Cheng explains: "Every group has leaders, and they are usually very experienced SMP owners. Through the groups they demonstrate high standards and share their behaviour or attitude with the younger members in the group." Poon agrees: "Seasoned members share their training and experience to highlight core values to members and how they can be achieved at a high level." Alan Chan, Sole Proprietor, Alan Chan & Co., Deputy Chairman of the SMPC, and a Council member of the Institute, adds that the discussion groups also serve as an important platform in which experienced practitioners can help newer ones. "They always have lots of questions about IT, new legislation, and new accounting standards."

For Edmund Wong, Practising Director, Patrick Wong CPA Ltd., and Deputy Chairman of the SMPC, the discussion groups can help by having experienced practitioners answer questions informally. "Because the Institute is a regulatory body, if they answer technical queries, they may have to do so in their regulatory role," he says, noting that these practitioners often have

"The Institute actually requires very high standards from SMPs, so it is important that it has a committee to help SMPs uphold those standards."



knowledge and experience about technical issues.

The SMPC does more than organize discussion groups. Wong explains that several years ago, the SMPC highlighted the fact that SMPs were struggling to recruit talent. Its observation led to the Institute's online job listing portal HKICPA Source being launched, while the Career Forum also invited the committee to set up a booth at its event to encourage talent to apply to SMPs.

The SMPC's flagship event is the SMP Symposium, which is held every November. Cheng says: "During the full-day event, we update our members on technical aspects, such as new standards relating to financial reporting or tax filing, and introduce practice management and audit software. Last year, we also asked CPA firms who have already used IT to enhance their audit to share their experience." The event last year, held virtually due to COVID-19, attracted over 700 participants.

The SMPC also works to help strengthen the core values of SMPs, such as competency, integrity, professionalism and objectivity. Poon says: "We carry out many training events on these core values, especially on ethical and auditing standards where these core values are most applicable."

The committee works closely with the Institute to ensure its projects, activities and the continuing professional development programmes it offers are relevant to SMPs. Cheng explains: "Every year, the committee has a work plan focusing on the different areas we want to target. We also suggest areas [to the Institute] on which to hold seminars or issue circulars."

Contributing to the development of the profession

The committee has representatives on the Institute's three standard setting committees, the Auditing and Assurance Standards Committee, Ethics Committee, and Financial Reporting Standards Committee, to enable it to pass on current information in these areas to SMP members. The SMPs on these committees can also flag up to the Institute any issues SMPs are encountering says Cheng.

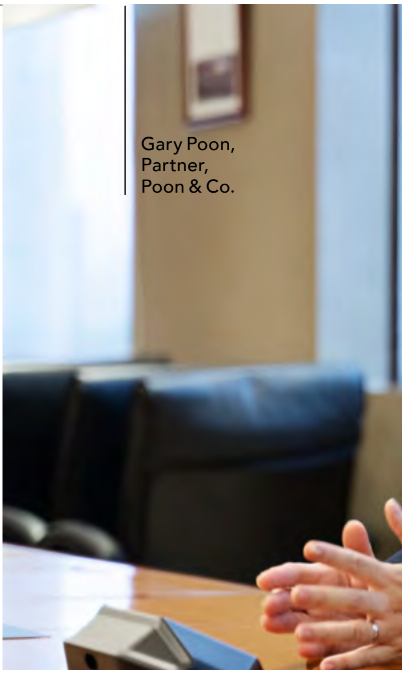
Chan thinks it is particularly useful to have members of the SMPC sitting on task forces, advisory panels and working groups covering specialist areas of the industry, such as the Insurance Regulatory Advisory Panel, as it is difficult for SMPs to keep pace with changes in some of these areas. The committee also supports the Institute's representative on the International Federation of Accountants' (IFAC) Small and Medium Practices Advisory Group. Poon says: "The SMPC's working groups and the Institute's management carry out appropriate research and put together timely input and feedback so that our representative can play a vital role in making our views and opinions heard at the international level. In recent years, IFAC has taken up several of our suggestions including on the need for standalone standards for the audits of less complex entities."

Cheng adds that reforms currently being considered by the International Auditing and Assurance Standards Board on the audits of less complex entities are likely to have a big impact on SMPs. "We have a representative at IFAC who reports back to us quite frequently, so we get to know the most up-to-date information," he says.

Handling the technical challenges of SMPs

Unsurprisingly, a significant part of the SMPC's work is helping SMPs

Elizabeth Law, Managing Director, Law & Partners CPA Ltd.



Gary Poon, Partner, Poon & Co.

respond to technical requirements and new standards. "The ever-changing standards are the biggest challenge to SMPs. We have to face new tax requirements, new anti-money laundering requirements, new ethics standards, accounting and auditing standards, and they all come at the same time. We have to understand everything and explain it to our clients," Law says. Cheng points out that in 2025, the Inland Revenue Department (IRD) will launch its electronic filing system to replace paper forms. "For the new system, we need to prepare data in eXtensible Business Reporting Language (XBRL) format and upload it to the IRD system. This change may be a challenge for some practitioners because we don't have that experience. Many don't know how to do tagging or what XBRL is. It is a new idea to SMPs." Chan agrees, pointing out that SMPs will have to file digital tax returns on behalf of their clients. "Electronic filing is a big issue for SMPs," he says. To help with the transition, the Institute has a representative on the IRD panel about tax filings to provide feedback.

To help SMPs with technical changes, the SMPC has a Working Group on Technical Issues, chaired by Poon, to provide input, feedback and advice on technical publications and new standards. It also submits views on exposure drafts, consultations, requests for information, and post-implementation reviews both before and after professional standards and regulations are issued. Poon gives the examples of professional standards drafted or promulgated by the Institute, the Companies Ordinance, and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) as recent areas it has provided comments. Furthermore, it assists in developing practice tools for the implementation of professional standards and regulations. Wong says: "The code of ethics, accounting standards and auditing standards are the same for the Big Four and SMPs. But SMPs lack resources and they do not have technical partners." As a result, Chan says the discussion groups are particularly helpful to SMPs in obtaining the information they need about technical changes.

Last year, the SMPC also launched a new initiative called Members-Help-Members, to offer non-authoritative guidance for SMPs on technical issues. SMPs can submit questions about issues they face through an online platform. Dedicated members from the Working Group on Technical Issues, mainly technical or managing partners, may answer questions that are frequently asked and of common interest and share their knowledge and experience during an online sharing event, one event was held last year, which was well appreciated by attendees, and next is scheduled for June this year.

SMPs are also represented on various government liaison groups to voice the concerns of SMPs about technical issues. Recent changes announced regarding access to the Companies Registry database may create problems for SMPs, who may need to do company searches during audits to verify related party transactions. Chan points out that auditors are also required to do due diligence under the AMLO, but this could become more difficult due to the restrictions. The Institute is gathering information and comments from different sectors to assess the impact on the profession.

Business development

Alongside responding to technical challenges, the committee also helps SMPs with business development and digitalization. "Digitalization is one of the key trends for SMPs. We are facing a lot of data and we need to do audits in a smarter and more efficient way," Wong says. He adds that the committee uses the SMP Symposium to promote the use of different auditing software and data analytics software, while it is also looking into how the Institute can

"Digitalization is one of the key trends for SMPs. We are facing a lot of data and we need to do audits in a smarter and more efficient way."

make the Audit Practice Manual compatible with the audit software from third party providers.

The SMPC has also set up a Working Group on Practice Management to promote the use of better practice management tools among SMPs and to help them digitalize. "We are trying to make auditing more interesting to young people to attract them to join the industry," Cheng says.

The committee is also helping SMPs address some of the challenges created by digitalization, such as the fact that audit clients who have gone digital no longer have audit evidence such as paper invoices and delivery notes. Cheng says: "How you can do an audit when you don't have physical documents is something we have put on our SMP Symposium agenda this year. We will be holding training talks for members, so they can keep up with the market and still meet audit standards."

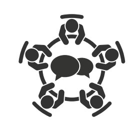
Tapping into opportunities

Poon points out that while Hong Kong's statutory audit requirement gives SMPs a steady business stream, diversification of service lines continues to be a growing trend around the world. Setting up additional service lines, such as valuations, internal control, environmental, social and governance (ESG) reporting, company secretarial work and IT consultancy is a great opportunity for SMPs. "These are high growth areas that firms should explore to make their business more profitable," he says. Cheng agrees, noting that SMPs should not be reluctant to take up new lines of service, as they currently have a big opportunity to help their clients go digital. "With COVID-19, a lot of small and medium enterprises have realized the importance of doing things digitally. If they migrate their trading and inventory management systems online, their accounting systems will need to be moved online and integrated as well. This kind of consulting and implementation work is one of the greatest opportunities for SMPs," he says.

The Institute offers a range of training programmes, including in forensic accounting, business valuation and ESG, to help members move into these areas. Wong points out that SMPs can also tap into the Institute's From CPA to CPA Plus programme to help them offer more diversified services. "Our clients treat us as business advisors because of our insights and experience from audit work and our professional knowledge. The most important thing for us is to keep learning and changing our mindset, and as well as audit, offer non-assurance services," he says.

Chan points out that the growing number of companies being set up in Hong Kong, particularly those coming from the Mainland China, creates opportunities for SMPs. He adds that this is likely to increase once COVID-19 travel restrictions are lifted. Meanwhile, to help SMPs access opportunities outside of Hong Kong, the committee has set up a Working Group on Co-operations with Mainland SMPs. "It is a good relationship, and it helps SMPs expand their client base and have more cross-referrals," Law explains. Cheng agrees: "I joined the Greater Bay Area (GBA) visit and got to know practitioners in Shenzhen, and they refer clients to me who want to set up business in Hong Kong or have companies in Hong Kong that need to be audited. It was very successful." The Guangdong-Hong Kong-Macau CPA Practices Alliance helps to forge similar links. Chan urges SMPs to also look beyond the GBA to other cities in Mainland China, and with this in mind, the committee has set up a number of alliances, such as with the Beijing Institute of CPAs and similar groups in other Mainland cities. "The customer drive is very strong. There are more and more enquiries. But if you want to do business in the GBA or elsewhere in the Mainland you need to know a lot and update yourself every day," Chan says.

Wong points out that many Mainland firms want to use Hong Kong as a platform to expand their business internationally, while Cheng adds that the new private equity fund regime in Hong Kong is likely to lead to an increase in private equity firms from Mainland China setting up a base in the city. At the same time, COVID-19-related travel restrictions have meant that Hong Kong SMPs have needed help performing physical inspections in Mainland China such as stock taking, and the committee has been able to put them in touch with Mainland firms that could help. Conversely, many international companies see Hong Kong as being a gateway into Mainland China or Southeast Asia and are setting up a base here. "It is a great opportunity for SMPs in Hong Kong, and the committee can help them to get ready for this new boom in the Asian region," Law says.



Last year, the Small and Medium Practices Committee launched a new initiative called Members-Help-Members, to offer non-authoritative guidance for small and medium practices (SMPs) on technical issues. SMPs can submit questions about issues they face through an online platform. A sharing session is scheduled for June this year.

ADDING VALUE WITH TAX

A career in tax goes beyond crunching numbers and helping your company be tax efficient – it's about helping others. Joseph Ho, ex-group head of tax, Asia, the Middle East, Europe and Africa at British Telecommunications PLC, tells Jeremy Chan the key lessons he has learned so far as a young and ambitious tax expert, the countless opportunities for growth found within the field, and why being a true tax professional means taking a macro view of business

Photography by Calvin Sit

Of all the things that got Joseph Ho intrigued about the fascinating and ever-changing world of tax, it was doing charity work. Eager to dedicate his free time towards volunteering during his college days at the University of Toronto, he stumbled upon an opportunity to help low income families – many of them immigrants – file their income taxes. "Many of these families do not know how to file their own taxes. It's also a more complicated process in Canada compared to Hong Kong," says Ho, ex-group head of tax, Asia, the Middle East, Europe and Africa at British Telecommunications PLC, or BT for short. "So when I saw this volunteer opportunity at a career centre, I applied for it right away."

He spent the next few years visiting families around town and helping them file their taxes in the comfort of their homes. As Ho remembers, the most striking aspect about the experience wasn't just the satisfaction that came with helping families in need, but the conversations he'd have with them during the whole process. "Sometimes they'd open up and talk about their family, kids or parents. I was really able to meet people from different backgrounds and hear their story," he says. He recalls helping one Pakistani family who lived in India before emigrating to Canada. "They talked about the Pakistan-India conflict, how they dealt with their cultural differences, and yet, how similar they were to each other. Though I had never travelled to these places, it felt like I was able to travel the world through each story. It was all so interesting."

During his last year of university, he applied for a summer internship at EY and, fortunately, his charity work did not go unseen. "The firm noticed my volunteer work in my CV and offered me an internship in corporate income tax in their Hong Kong office. In a way, that kickstarted my career in tax," says Ho, a member of the Hong Kong Institute of CPAs.

A knack for tax

Ho, who flew back to Hong Kong from London in late February, had spent more than three years at BT. He spent over a year working at their London office, which is located a five-minute walk from the iconic St. Paul's Cathedral.

BT was first incorporated in 1846 as the Electric Telegraph Company. It is the world's oldest communications company and the first company to develop a nationwide communications network. The brand British Telecom was introduced over a century later in 1981, shortly before the company went public in 1984 on the London Stock Exchange. Today, it has operations in over 180 countries and is the largest provider of fixed-line, broadband, mobile services and subscription TV in the United Kingdom.

Ho joined as a regional senior tax manager in October 2017, and was promoted to his last role two years later and presented with the chance to work at their headquarters. As he recalls, he was immediately struck by how different life was when he first arrived. "The weather is totally different compared to Hong Kong, and most people prefer drinking tea with milk to coffee over there," he laughs. "It's a melting pot of people from all over the world, and there's a very rich cultural mix within the company as well."

Being stationed at the company's headquarters, Ho adds, also meant a change in his role. "I had to start making decisions and solving problems from a more macro, global perspective," he says. "As group head of tax, I looked after all things related to the tax function from an international perspective, which includes direct tax, indirect tax, restructuring and the business of our offices in 88 jurisdictions across Asia, the Middle East, Europe and Africa," he says. "I needed to plan and engineer the tax risk reporting process in order to ensure we monitored and assessed the tax risk of each country. I provided input from a tax angle to our group's initiatives and also ensured local tax managers implemented these initiatives accordingly. Back when I was a regional senior tax manager, I was more focused on local tax issues, such as tax filing, advisory and business transactions within jurisdictions such as Hong Kong, Mainland China, Japan, South Korea, Taiwan, Australia and New Zealand."

The most challenging aspect of his last role involved effectively communicating tax issues while, at the same time, building strong relationships with the company's stakeholders. "I'm always prepared for them to ask 'why?'" says Ho. "Tax professionals are subject matter experts, so a lot of the time, we give advice solely from a tax perspective. Since tax terminology and language is unique, unless you're a tax or finance expert, you probably won't understand it – and you won't get your stakeholders' buy in if you can't get your message across." This, Ho adds, required him to not only make complex tax jargon more accessible, but to also put himself in the shoes of stakeholders. "To have your stakeholders' support until the end, you need to think about the tax and business impact before suggesting any ideas or solutions. That's what I found to be the most challenging."

"To have your stakeholders' support until the end, you need to think about the tax and business impact before suggesting any ideas or solutions."

From Brexit to BEPS 2.0

Ho explains how Brexit – which saw the U.K. withdrawing from the European Union on 31 December 2020 – affects how goods would be transported from the U.K. to E.U. countries. "Before Brexit, when goods were shipped from the U.K. to other E.U. countries, there was a lot less documentation and paperwork to file since the U.K. was still part of the E.U.," explains Ho, adding how new regulations also imposed added duties on their customers. Tax professionals at companies, he says, have been discussing ways to cope with the changes. "These changes forced us to reassess whether we should continue with these imports and exports between the U.K. and the E.U. or split our business between both. This would make conducting business, imports and exports easier in the long run. These are alternatives we've been looking at."

Developments such as the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting (BEPS) initiatives, he adds, have added to the workload for tax professionals like himself. "BEPS 1.0 focused on increasing transparency within the system of international taxation and updating the approach to transfer pricing, principally through the recognition of the importance of economic substance, and the appropriate reward of activities that lead to value creation," says Ho. "With BEPS 2.0, we will have to explain our transactions in greater detail to tax authorities – in short, tax authorities want to ensure that you don't allocate money to other countries for the purpose of getting taxed unevenly," says Ho. Though BEPS 2.0 is still in its draft form, he adds, companies have been discussing the impact of digital

BT was first incorporated in 1846 as the Electric Telegraph Company. It is the world's oldest communications company and the first company to develop a nationwide communications network. Today, it has operations in over 180 countries and is the largest provider of fixed-line, broadband, mobile services and subscription TV in the United Kingdom.

Joseph Ho, ex-group head of tax, Asia, the Middle East, Europe and Africa at British Telecommunications PLC, looked after the direct tax, indirect tax, restructuring and business of its offices in 88 jurisdictions across Asia, the Middle East, Europe and Africa

tax, how to deal with lower tax jurisdictions as well as lower effective tax rates.

"Tax authorities will question how we do business. They will challenge us or propose other ways to tax our revenue. We need to determine whether current tax laws have matured enough for them to tax certain forms of income," Ho elaborates, noting this is particularly the case for companies in the industries that are constantly evolving, such as technology, media and communications. "We have a very non-traditional way of doing business now. How quickly tax authorities can adapt to new ways of doing business and then tax you is another question." This requires tax professionals like Ho to discuss with different tax agents whether a company is being taxed correctly. "As a tax expert, I need to be able to strike a balance and come up with a reasonable settlement or proposal."

Consistency, especially when it involves transfer pricing documentation, for example, is something that Ho needs to ensure. "In the past, a lot of corporations used a regional approach in handling or managing their transfer pricing documentation. But many companies have since adopted a more centralized approach. This means it is handled by their headquarters so they can ensure that information disclosed is consistent," explains Ho. "So, one of the biggest challenges I face is making sure that information such as transfer pricing or country-by-country reporting is consistent when disclosed to tax authorities. A lot of the time, tax authorities will ask us about the nature of certain transactions and will ask us to provide information to support these transactions. There cannot be any discrepancies in what we report."

BEPS 2.0, Ho adds, will provide clearer guidelines for businesses that run digital platforms in allocating their profits. "Taxpayers will need to be aware of new taxing practices and also better substantiate the allocation of profit," he says. "Taxing profits in the current digital world is no longer only a company's obligation. Tax experts also need to be aware of such taxing obligations."

Therefore, Ho says it's imperative that all tax experts stay on top of developments to do with BEPS 2.0 to ensure that companies comply with existing and evolving regulations. "As tax professionals in the commercial sector, we should always be thinking about how to address a company's BEPS 2.0-related concerns. We have to be aware of their operation's practice and see if their existing business has already been exposed to the risk of digital tax," he says, adding that companies should also dedicate resources to compliance. "Though we still face risks, these are all reviewed continuously to ensure we comply with the latest practices."

Thinking outside the box

Ho credits his time at EY, which he joined after graduating, with providing him with a firm foundation in tax and interpersonal skills, which he still relies on today. "The most interesting aspect about my career in EY was the opportunity to work in different tax departments," he says. During his more than nine years there, Ho worked in departments such as tax and business advisory services, transaction tax, and tax accounting and risk advisory services. "As a tax expert, it's important to be exposed to challenges in different roles," add Ho, who dealt with M&As, tax due diligence and restructuring when he worked in the transaction tax department, and helped with listed multinational companies in the United States with their group tax reporting and tax practice efficiency advisory during his time in tax accounting and risk advisory services.

Ho, an avid traveller himself, also enjoyed the frequent trips to Mainland China that were part of his role. "Our APAC tax accounting team was based in Shanghai, so there was a lot of flying back and forth for training in tax accounting, as well as meetings in Shenzhen," he says. Ho also shared his experience as a tax professional with students through school visits and seminars on behalf of the firm.

He then made to jump to the commercial sector, joining Huawei Technologies as a senior finance manager in September 2016. He was responsible for tax functions such as overseeing its tax structure, corporate tax compliance and the tax reporting of its Hong Kong office and its overseas branches and subsidiaries. But he soon realized he needed much more than tax knowledge to add value in his role. "In practice, I was more concerned with the technical and tax side of things, but when I stepped into the business sector, I had to think about how my decisions would impact the bigger picture," explains Ho. "A lot of plans or ideas are not only tax-related, but driven by business or legal matters. So the challenge was implementing ideas from a tax perspective, while also taking our stakeholders' expectations and the business into consideration."

Eager to strengthen his knowledge in business, Ho is currently pursuing an Executive Master of Business Administration degree offered by the University of Oxford, which he started during his time in London. "I wanted to learn how to think from a more business perspective. I have also had the chance to meet a lot of people working in different industries through the degree," adds Ho. This, he says, is key to becoming a well-rounded and future-ready tax expert. "Tax is important, but it isn't the only thing tax professionals must focus on. We need to be able to think outside the box, and from other angles. We also need the right interpersonal skills to present our views to different people."

Ho says his CPA training has not only provided him with a firm foundation in accounting and tax, but also with a lifelong hunger for knowledge. "As tax experts, it's important that we study different tax laws, especially in our own time. We have to be independent, and I feel like my CPA training has taught me the importance of doing so," adds Ho.

Within the Institute, Ho also sets aside time to help as a facilitator and marker for the Qualification Programme's (QP) taxation module. "I really enjoy being a facilitator and sharing my experience with other students," he says. "I want to give them a sense of what being a tax professional is like. Many think we are only 'bean counters,' or that we help companies just to save on tax – but that isn't the case. I tell students that it's our duty to mitigate tax and business risks for companies, and that we add value by doing so.

"The new QP workshop focuses on core enabling competency skills such as critical analysis, time management and project management. I share my day-to-day work experience and demonstrate how I apply these skills so that students understand why they are important to being future CPAs. More importantly, I tell them that these skills do not only apply at work, but also in our daily lives," he says. Though some students, Ho says, may choose a career path outside of accounting after obtaining their CPA qualifications, he emphasizes that these skills are transferrable to any area, which further motivates them to participate more in the QP workshops. "This is the important message that I often deliver to students as a QP facilitator – equipping these skills do not only make you a better CPA, but also a better person."

The sky's the limit

When Ho isn't working, he enjoys kicking back and enjoying a good book. He continues to teach himself and learn about one other field that has captured his imagination and interest since he was a teenager – aviation. "Before becoming an accountant, I dreamt of being a pilot," laughs Ho. "I'd always been interested in aviation. I wanted that responsibility of flying a plane full of passengers around the world."

Though Ho had tried to realize his pilot dreams, he says he was, in a way, destined to become an accountant in the end – and that he is content with it. "I did apply for a pilot training programme, but I didn't get admitted," he recalls. "I remember my parents telling me that I could always try again in the future – or that I could travel the world as an accountant. So that's been my mindset since. Luckily, accounting has brought me to different places, which I find to be quite amazing."

But above all, Ho often thinks back to his days as a university student, and remembers that he became a tax expert in the first place with the intention of helping people. "It's our job as professionals to help others. Not only can we help commercial companies or clients, but we can also help families and friends with their taxes too. That's what inspires me."

"Tax is important, but it isn't the only thing tax professionals must focus on. We need to be able to think outside the box, and from other angles. We also need the right interpersonal skills to present our views to different people."

Ho worked at EY for over nine years after graduating from the University of Toronto. He then joined Huawei Technologies for a year before taking on his role at BT, where he worked for more than three years. He is also a facilitator and marker for the Institute's Qualification Programme.

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by John Yu

The USA Track & Field (Level 1) Certified Coach shares some running tips to help you get prepared for the Institute's CPA Virtual Run 2021

How to improve your performance for the CPA Virtual Run 2021?

If you've signed up for the Institute's CPA Virtual Run 2021, you may be wondering about the best way to complete it. Whether you're an avid runner or just starting out, anybody who has finished a 3 km or even a 10 km run can tell you that it takes time to build the right amount of endurance.

If you are a beginner, and you don't have a time to beat, you can use a run-walk strategy to finish and enjoy the 10 km race. But if you would like to run the entire 10 km, you will need some regular training to improve your aerobic endurance and increase your running distance. Gradually, you will be able to make the 10 km distance both physically and mentally manageable.

However, if you would like to hit a personal target, you will need to put in a bit of extra effort to train your pace and increase your stamina. Remember, a 10 km race is not a sprint. Some runners make the mistake of running too fast at the beginning, which can cause lactic acid to build in their muscles, causing fatigue, and their heart rate and breath rate to increase. You will not be able to keep your pace if you get tired, especially at the beginning, and this resulting loss of energy can be frustrating. To build endurance, you need to introduce some fast-paced running exercises on top of your easy routine runs, as well as interval training, which is key to strengthening your cardiopulmonary system. Your body can and will adapt to this high intensity workout, and your stamina will gradually increase.

But if you feel you are already ready to run a 10 km, here are 10 running tips to help with your training regimen, and to make that run easier, safer and more enjoyable.

Before a run

1. *Choose the appropriate time*: In the summer, Hong Kong's hot and humid weather will cause your body to heat up at a faster rate, which can affect the performance of your run. To avoid dehydration or heat stroke, do not run in the scorching sun. Head out in the early mornings or in the evenings when the temperature is relatively lower.
2. *Do not run on an empty or a full stomach*: Eat something about 90 minutes to two hours before running. Easy-to-digest foods that are rich in carbohydrates like bananas or a peanut butter sandwich are ideal sources of fuel. Foods high in fat are best avoided because they are harder to digest.
3. *Wear suitable running clothes*: Wear lightweight and breathable clothing to keep air flowing around your body. Avoid wearing worn socks or new shoes as they may easily rub against or hurt your feet.
4. *Run with a friend*: Find a running mate and run together. Supporting each other during each run makes running easier and more enjoyable.
5. *Do a sufficient warm-up*: A pre-run warm-up helps prepare your muscles for a run, as it also lowers muscle tension, allowing them to contract faster and stronger, therefore enhancing performance.

During

6. *Check your posture*: Maintain good upper body form. Swing your arms without crossing the body's midline and swing straight back and forth with the rhythm of your feet. Avoid large running strides to protect your knees from taking on additional weight.
7. *Maintain your pace*: Starting out too fast can quickly change your run into a frustrating experience, where you feel the need to stop and walk soon after. Start at a slow and comfortable pace. Gradually speed up while focusing on your breathing rate, arm swing and your strides.
8. *Stay hydrated*: Drink 500 ml of water or sports drink two hours before your run so you start off properly hydrated. Drink about 100-200 ml every 15 to 20 minutes while running to maintain hydration. The key is to drink before you feel thirsty.
9. *Stay alert to stomach cramps*: When you experience abdominal pains during a run, slow down and take longer and deeper breaths. If the pain is severe, stop running and rest until the pain is relieved.

After

10. *Do cool-down exercises*: After a run, do a few static stretches to reduce muscle tension. You may also consume food high in protein to speed up muscle repair.

"To build endurance, you need to introduce some fast-paced running exercises on top of your easy routine runs, as well as interval training, which is key to strengthening your cardiopulmonary system."

Speak now or forever hold your peace

The proposed new accounting model for business combinations under common control

Background

Accounting requirements for business combinations – sometimes called mergers and acquisitions – are set out in International Financial Reporting Standard (IFRS) 3 *Business Combinations*. However, IFRS 3 explicitly scopes out business combinations under common control (BCUCC) – combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties, both before and after the business combination.

In the absence of a specifically applicable IFRS, companies are required to develop their own accounting policy under International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This has resulted in differences in how companies report BCUCC. Typically, companies choose either to apply the acquisition method as set out in IFRS 3, which measures the assets and liabilities received in the combination at fair value and may result in recognizing goodwill, or a book-value method, which measures assets and liabilities received at their existing book values. In practice, a variety of book-value methods are used, for example the predecessor method, merger accounting and pooling of interests method. Furthermore, companies often provide insufficient disclosures about BCUCC.

The International Accounting Standards Board (IASB) is carrying out a research project to consider filling this gap in the standards to improve the comparability and transparency of reporting these combinations. In late November 2020, the IASB published a discussion paper (DP) that sets out its preliminary views on how to account for BCUCC. The DP is open for public comment until 1 September.

Who will be affected by the DP?

BCUCC are very common in Hong Kong, particularly in companies preparing for a listing and to a certain extent among listed companies. Based on the Institute's research findings from *Common control combinations — How they were reported in Hong Kong* available on the Institute's website, and feedback from stakeholders, a majority of Hong Kong-listed companies and companies preparing for listing accounted for BCUCC using a book-value method, and these companies generally applied the merger accounting following Accounting Guideline (AG) 5 *Merger Accounting for Common Control Combinations* issued by the Institute, which is non-mandatory guidance that sets out the principles to account for common control combinations.

The IASB's preliminary views on <u>when</u> to apply the acquisition method or a book-value method, and <u>how</u> to apply the book-value method, are different from the approach under AG 5. If the IASB's preliminary views are implemented, they may have a significant impact on existing accounting practices in Hong Kong. This could, in turn, affect the receiving company's financial position and performance, and the information that users of financial statements consider when performing analyses and making investment decisions.

For example, under the proposed book-value method, the pre-combination financial information of the transferred company will not be included in the consolidated financial statements of the receiving company. Companies preparing for a listing may be impacted as the Hong Kong Listing Rules require financial information for a set number of financial periods to be provided in the accountants' report, yet many group reorganizations are completed shortly before an initial public offering takes place.

What are the IASB's preliminary views?

(a) Scope of the project

The project is considering all transactions that involve the transfers of a business under common control, including group restructurings that involve the transfer of a business to a newly established parent company. It is not considering transactions that do not involve the transfer of a business, e.g. transfers of assets under common control or transfers of companies that do not constitute a business as defined under IFRS 3.

The project addresses how a receiving company (the company to which control of one or more companies or businesses has been transferred in the combination) should report BCUCC in its consolidated financial statements. It also addresses the reporting of BCUCC in the receiving company's other types of financial statements (e.g. separate or individual) if the combination involves a transfer of an unincorporated business. This project does not consider reporting by the controlling party, the transferring company or the transferred company because reporting by those parties is already addressed in IFRSs. Diagram A (on page 39) provides a simple example of BCUCC, the relevant parties, and which party is impacted by the proposals.

Diagram A – Illustrating a business combination under common control and the scope of the project

(Source: IASB's discussion paper)

(b) When to apply the different measurement methods

In determining how to account for BCUCC, the IASB considered:

- Useful information for users (existing and potential investors, lenders and other creditors) – what information would be useful for the users of the receiving company's financial statements (the project does not seek to address the controlling party's information needs);
- Nature of transactions – whether and when BCUCC are similar to business combinations covered in IFRS 3;
- Cost-benefit analysis – whether the benefits of providing particular information would justify the costs of providing it;
- Complexity – how complex particular approaches would be; and
- Accounting arbitrage – whether particular approaches could create opportunities to structure transactions to achieve a particular accounting outcome.

The IASB's preliminary view is that neither the acquisition method nor a book-value method should be applied to all BCUCC. Diagram B (on page 40) summarizes the IASB's preliminary views on how to determine the appropriate measurement method.

In summary, the IASB's preliminary view is that in principle, the acquisition method should be applied if the BCUCC affects non-controlling shareholders (NCS) of the receiving company. A book-value method should be applied to all other BCUCC, including all combinations between wholly-owned companies.

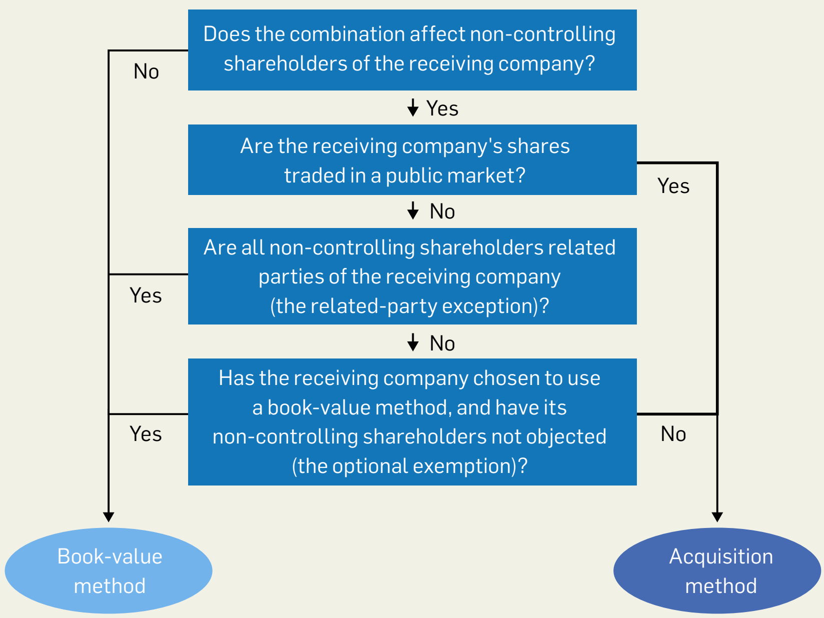
Taking into account the cost-benefit trade-off and other practical considerations for BCUCC that affect NCS of the receiving company, the IASB suggests that:

- The acquisition method is required if the receiving company's shares are traded in a public market.
- If a receiving company's shares are privately-held:
  - The receiving company should be permitted to use a book-value method if it has informed all of its NCS that it proposes to use a book-value method and they have not objected (the optional exemption).
  - The receiving company should be required to use a book-value method if all of its NCS are related parties of the company (the related-party exception).

(c) How to apply the acquisition method

In the IASB's view, in principle the acquisition method as set out in IFRS 3 should be applied by the receiving company. However, in a BCUCC, the consideration paid might have been directed by the controlling party rather than the receiving company and transferring company, and hence differ from the amount that would have been paid in an arm's length transaction. Such a difference suggests that the combination includes an additional component that is not present in a combination between unrelated parties. That additional component might represent a distribution from, or a contribution to, the receiving company's equity.

Diagram B – Summary of IASB's preliminary views on when to apply the different measurement methods



(Source: IASB's discussion paper)

In relation to this additional component, the IASB's preliminary views are:

- The receiving company should recognize a contribution to equity if the fair value of the assets and liabilities received exceeds the fair value of consideration paid (instead of recognizing that difference as a gain on a bargain purchase in the statement of profit or loss, as required by IFRS 3).
- The receiving company should not be required to identify, measure and recognize a distribution from equity if the consideration paid exceeds the consideration that would have been negotiated between unrelated parties, because such a distribution could be difficult to identify and measure, and is unlikely to occur in a combination that affects NCS. As such, any "overpayment" that occurs in BCUCC that affects NCS would initially be included in goodwill and subsequently be tested for impairment just like the current accounting for goodwill.
- The receiving company should disclose information about the terms of the combination, including how the transaction price was set.

(d) How to apply a book-value method
Current IFRSs do not describe a book-value method and, as discussed above a variety of methods are used. To reduce that diversity and improve comparability, the IASB's view is that IFRSs should prescribe a single method. Diagram C (on page 41) summarizes the IASB's preliminary views on how to apply a book value method and compares those views against the merger accounting under AG 5.

Act now!

The Institute is holding a roundtable discussion on 11 May (via Zoom or in person) on the topic. Visit the website for more details. We strongly encourage interested parties to join and express their views directly to the IASB board members and staff in attendance. You can also express your views through a meeting with the Standard Setting Department or by sending a comment letter. Contact *commentletter@hkicpa.org.hk*.

Take part so we can help steer the IASB in developing accounting requirements for BCUCC that are fit for purpose for the Hong Kong market. Also visit the Institute's BCUCC webpage for more useful resources.

This article is contributed by the Institute's Standard Setting Department.

Diagram C – Comparison of IASB DP and AG 5 on how to apply a book-value method

	IASB DP	AG 5
How to provide pre-combination information?	Include the transferred company prospectively from the combination date, without restating pre-combination information	Comparative amounts are restated as if the entities or businesses had been combined at the previous balance sheet date or from when entities are under common control
How to measure the assets and liabilities received?	Measured at their existing book values reported by the transferred company	Measured at book values as stated in the controlling party's financial statements
How to measure the consideration paid?	In general, measured at book value. The IASB would not prescribe how to measure the consideration paid in own shares	No specific guidance
How to measure the difference between consideration paid and assets and liabilities received?	Consistent approach – recognize the difference in equity	
How to report transaction costs?	Consistent approach – recognize as an expense in the period in which they are incurred	
What information to disclose?	• Disclose some of the information required by IFRS 3 • Disclose the difference between consideration paid and assets and liabilities received • Not required to disclose pre-combination information (but may be voluntarily disclosed in the notes – subject to further deliberation by the IASB)	Disclose some of the information required by IFRS 3

The role and mindset expected of professional accountants

How the revisions to the *Code of Ethics for Professional Accountants* better promote the role and mindset expected of all professional accountants

In October 2020 the International Ethics Standards Board for Accountants (IESBA) issued its final pronouncement on revisions to the *International Code of Ethics for Professional Accountants* (Code of Ethics) to better promote the role and mindset expected of all accountants. The Hong Kong Institute of CPAs issued its corresponding revisions to the local Code of Ethics in December 2020. The revisions take effect from 31 December 2021.

The revisions recognize that the accounting profession is entrusted with public confidence in the wide-ranging roles it plays in society and that such confidence is based on the skills and values it brings to its professional activities. Disruption to the work environment in the form of new business models, technological developments and expectations from society about corporate governance are transforming the profession, and affect the ethical basis of accountants. The revisions reaffirm the profession's responsibility to act in the public interest and the fundamental role of the Code of Ethics in meeting that responsibility.

Strengthening the fundamental principles

The five fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour are the foundations of the trust society places in the accounting profession. Accountants must comply with them at all times. The role and mindset revisions strengthen the principles through providing more discussion of expectations and examples. The following summarizes the key revisions in the respective fundamental principles.

Integrity: The definition of integrity is expanded to detail the concept of acting appropriately, even in situations where there may be pressure to do otherwise or doing so may lead to adverse personal or organizational consequences. Acting appropriately involves having the strength of character to face challenges and do what is right.

Objectivity: Accountants must be objective in their actions. It is vital that all actions they take are not compromised by a range of factors. The changes to the Code of Ethics detail potential compromises – bias; conflict of interest; and undue influence of or reliance on individuals, organizations or other factions including technology.

Professional competence and due care: Accountants must maintain their professional knowledge and skill at a level that ensures they can provide competent professional services to their client or employer.

It requires accountants to have a continuing awareness of developments, including in technology and the profession generally. It also sets out the importance of continuing professional development to ensuring that an accountant can carry out their tasks effectively.

Professional behaviour: The changes reiterate the accountants' responsibility to comply with laws and regulations while behaving in a manner consistent with the profession's public interest responsibilities. Accountants must also avoid any activity that may discredit the profession.

Enhancements to the conceptual framework

The conceptual framework in the Code of Ethics sets out the approach that should be taken to identify, evaluate and address threats to compliance with the fundamental principles.

The revisions strengthen the responsibilities of accountants to constantly have an inquiring mind, remaining alert to the threat of bias, and the importance of organizational culture to the professional accountant.

An inquiring mind: A questioning mindset is needed by accountants to ascertain the full facts behind a situation. A professional accountant should consider the source and relevance of information, and be open to the need for further investigation. The professional accountant should be aware of any new developments, and consider how they apply their professional judgement.

As well as an inquiring mind, an accountant must consider how they apply their professional judgement to situations. Professional judgement enables the accountant to make informed decisions about the actions to take. When making a judgement, the accountant should consider whether they have the prerequisite skills and knowledge necessary to make an informed judgement, and if not to consult with others who do have the expertise or experience. They should also consider their own biases.

Awareness of bias: Conscious or unconscious biases affect an accountant's professional judgement. The revisions include a list of biases to be aware of: anchoring, automation, availability, confirmation, groupthink, overconfidence, representation and selective perception.

It suggests actions to mitigate bias, including seeking advice from experts, consulting with others and undertaking continuing professional development relevant to the identification of bias.

Importance of organizational culture: Finally, the effective application of the conceptual framework is enhanced with the ethical values in the Code of Ethics is promoted in the accountant's organization. The revisions consider how an ethical culture can be promoted within an organization, and the expectations of professional accountants to promote an "ethics-based culture" in their organizations.

This article was contributed by the Institute's Standard Setting Department.

TECHNICAL NEWS

The latest standards and technical developments

Members' handbook

Update no. 257 updates the preface to Hong Kong Financial Reporting Standards (HKFRS) and includes the issuance of HKFRS Practice Statement 2 *Making Materiality Judgements.*

Update no. 258 relates to the issuance of *COVID-19-Related Rent Concessions beyond 30 June 2021* and the consequential amendments arising from the 2020 amendment to the standard, which were previously set out in the appendix to HKFRS 16 *Leases* but are now incorporated into the text of the standard.

Financial reporting

Invitation to comment
The Institute is seeking comments on the International Accounting Standards Board (IASB) Exposure Draft ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach* by 31 August.

Extension of comment period for Exposure Draft Exposure Draft *Regulatory Assets and Regulatory Liabilities*
The IASB has extended by 30 days the comment period for the Exposure Draft *Regulatory Assets and Regulatory Liabilities* to give stakeholders more time to respond. The Institute has also extended its local deadline to comment to 30 June.

IASB Discussion Paper *Business Combinations under Common Control*
The Institute will hold a roundtable on 11 May to discuss the IASB Discussion Paper DP/2020/2 *Business Combinations under Common Control*, which explain the IASB's preliminary views on how to reduce diversity in practice and improve the transparency and comparability in reporting business combinations under common control (BCUCC). Representatives from the IASB will participate in the roundtable, and this will be an excellent opportunity to communicate directly with local and international standards setters. Members may be interested in the following recordings on the IASB's discussion paper:

- The Institute's webinar (in Cantonese) providing an overview of the paper.
- The IASB's webinar presenting suggestions for how the IASB could amend standards to make reporting more comparable and more transparent and explaining how those suggestions would apply to BCUCC.

Members can submit their comments to the Institute by 5 July.

Institute submission
The Institute has submitted its comment letter on the IASB Exposure Draft ED/2020/4 *Lease Liability in a Sale and Leaseback – Proposed amendment to IFRS 16.*

E-seminar for SMEs/SMPs
Enrol in our new e-seminar for small and medium enterprises and practices (SMEs/SMPs) that answers some frequently asked questions from SMEs/SMPs, and covers the amendments to the SME-FRF & SME-FRS standard that became effective on 1 January 2021. The e-seminar also provides an update on the IASB comprehensive review of the *IFRS for SMEs* standard (equivalent to *HKFRS for Private Entities*).

March IASB update and podcast
The *March IASB Update*, highlighting the tentative decisions reached at the IASB monthly meeting, and the March podcast, focusing on the IASB discussions at its monthly meeting, are now available.

March IFRS Interpretations Committee update
The *March IFRS Interpretations Committee Update* newsletter, summarizing the decisions reached by the Interpretations Committee at its February meeting, is now available.

February SME Implementation Group meeting report
The IFRS Foundation's February SME Implementation Group meeting report, summarizing discussions from the February meeting, is now available.

Auditing and assurance

IAASB March board meeting
The meeting highlights and audio recording of the International Auditing and Assurance Standards Board (IAASB) March board meeting is now available.

New IAASB guidance helps advance assurance for non-finanical reporting
The IAASB has issued *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements* to support the assurance of non-financial reporting. The guidance promotes consistent high-quality application of International Standard on Assurance Engagements 3000 (Revised) in EER assurance engagements to:

- Strengthen the influence of such engagements on the quality of EER;
- Enhance trust in the resulting assurance reports; and
- Increase the credibility of extended external reports so that they can

be trusted and relied upon by their intended users.

More support is available on the IAASB's EER webpage. The Institute will follow its International Convergence Programme for local adoption in due course.

Quality management standards implementation plans
The IAASB has updated its implementation plans for the new and revised Quality Management Standards. The plans explain what implementation materials stakeholders can anticipate, topics covered, and expected timing.

IAASB support material addressing risk of overreliance on technology
The Technology Working Group of the IAASB released non-authoritative support material to help auditors address the risk of overreliance on technology, whether it arises from using automated tools and techniques or from using information produced by an entity's systems.

Navigating the second year of the COVID-19 pandemic
The COVID-19 pandemic has impacted the work of auditors. The IAASB's *COVID-19 Staff Alerts* provide reminders and help for auditors navigating the ongoing disruption. The IAASB's COVID-19 webpage provides other useful resources in these challenging times.

ICAEW audit and assurance resources
The Institute of Chartered Accountants in England and Wales (ICAEW) has the following material that may be of interest to members:

- Determining materiality in a pandemic discusses the factors to consider and practical tips for setting materiality in the current pandemic environment.
- *Audit and Beyond* March and April issues summarize guidance to assist auditors with difficult judgements.

Institute members can also subscribe to ICAEW's International Standards for free to access a wide range of resources on auditing and ethics.

Ethics

IESBA March board meeting
The audio of the International Ethics Stand-ards Board for Accountants (IESBA) March board meeting is now available.

IESBA's post-implementation review of its long association international independence standard
The IESBA released an update on its Long Association Post-Implementation Review (LAPIR). This update provides an overview of Phase 1 of the LAPIR, which began earlier in the year and will review the implementation of a specific partner rotation provision for engagement partners around the world with respect to audits of public interest entities.

Ethics, technology, and the professional accountant in the digital age
An International Federation of Accountants (IFAC) article summarizes the discussion in a global event covering the "ABCDE" of the digital age (Artificial intelligence and robotic process automation, Blockchain, Cloud, Data, and Ethics) and compliance with the *Code of Ethics for Professional Accountants*.

Sustainability

New IFRS Foundation of a working group
The IFRS Foundation trustees announced the formation of a working group to accelerate convergence in global sustainability reporting standards focused on enterprise value and to undertake technical preparation for a potential international sustainability reporting standards board under the foundation. The working group will provide a forum for structured engagement with initiatives focused on enterprise value reporting. This follows a recent statement by the International Organization of Securities Commissions, calling for the coordination of work to drive international consistency of sustainability-related disclosures with a focus on enterprise value creation.

The IFAC issued a response to the announcement, welcoming it, and including a link to a letter from its chief executive on the matter.

Corporate finance

Invitation to comment
The Stock Exchange of Hong Kong Limited has issued a consultation paper seeking public feedback on proposals to enhance and streamline the listing regime for overseas issuers, aiming to provide:

- Streamlined requirements with a single set of shareholder protection standards to ensure consistent protection is provided to all investors.
- Expansion of secondary listing regime for overseas-listed Greater China companies from traditional sectors without weighted voting rights.

- Greater flexibility for issuers seeking dual-primary listings while maintaining their existing weighted voting right structures and variable interest entity structures.

Please refer to the press release for details. The deadline for responding to the consultation paper is 31 May.

Insolvency

Official Receiver's Office circular on presenting multiple winding up petitions
On 24 March, the Official Receiver (OR) issued a circular, concerning a number of recent cases where more than one winding-up petition has been presented against the same debtor company. The OR states that this is inappropriate in most circumstances, and any creditor who presents a winding-up petition while another is already pending risks bearing costs.

Taxation

Electronic filing of Profits Tax Returns
Corporations and partnerships satisfying the conditions specified by the Commissioner of Inland Revenue can file their Profits Tax Returns for any year of assessment from 2015/16 to 2020/21 and attach supplementary forms to Profits Tax Return S1, S2, S3 and S4 electronically through eTAX. Please visit the Inland Revenue Department's (IRD) website for details.

Electronic filing of Employer's Return – Easy, secure and environment-friendly
The IRD will issue Employer's Return of Remuneration and Pensions on 1 April, requesting employers to report the income details of their employees within one month from the date of issue. Employers can file their returns via the Internet through the e-Filing services under eTAX. Alternatively, employers can use IR56 Forms Preparation Tool to prepare annual IR56B data file for uploading to IRD via the Mixed Mode service. Please visit the IRD website for details.

Announcements by the IRD
Members may wish to be aware of the following matters:
- Suspension of service for filing of Tax Return - Individuals through eTAX.
- Profits tax, property tax and employer's returns for 2020-21 issue.
- Pay promptly as second instalment is falling due.
- Block Extension Scheme for lodgement of 2020/21 tax returns.
- Suspension of instant business registration service.
- Legislative Council on assisting enterprises in exploring overseas business opportunities.
- Government welcomes passage of abolition of Doubled Ad Valorem Stamp Duty on non-residential properties.
- Gazettal of Inland Revenue (Amendment) (Miscellaneous Provisions) Bill 2021.
- Tax Representatives' Corner.
- Interest on Tax Reserve Certificates.
- Stamp Duty statistics.

Legislation and other initiatives

Announcements by the government
Members may wish to be aware of the following matters:
- Clarification on implementation of inspection arrangements for Companies Register (See article from Webb-site.com).
- Government extends social distancing measures under Prevention and Control of Disease Ordinance.

AML notices
Gazetted list of terrorists and terrorist associates designated by the United Nations Security Council (UNSC), published pursuant to the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575) was gazetted on 24 March and 7 April. See the relevant UNSC press release.

The List of individuals and entities published under section 30 of the United Nations Sanctions (Yemen) Regulation 2019 (Cap. 537CI) and List of individuals and entities published under section 31 of the United Nations Sanctions (Yemen) Regulation 2019 (Cap. 537CI) was updated on 6 April. See the relevant UNSC press release.

The List of individuals and entities published under section 33 of the United Nations Sanctions (Central Africa Republic) Regulation 2020 (Cap. 537CM) was updated on 6 April. See the relevant UNSC press release.

For the current lists of terrorists, terrorist associates and relevant persons/entities under UN sanctions, members should refer regularly to the Institute's AML webpage. Other useful documents and guidance can also be found on the same page.

Please refer to the full versions of Technical News on the Institute's website: *www.hkicpa.org.hk*

Katy Wong, Tax Assistant Manager at RSM Hong Kong, is taking part in the 10 km race. She is pictured here training at the Hong Kong Jockey Club Happy Valley Racecourse.

RACING AGAINST TIME

The Hong Kong Institute of CPAs began its first-ever CPA Virtual Run last month. Erin Hale speaks to three runners who will compete in the 10 km race and the 3 km fun run and finds out how they took up running and why improving fast involves slowing down

Photography by Anthony Tung

Katy Wong clearly remembers the cheers from crowds as she ran through the streets of Tokyo in 2018 as she participated in the city's prestigious marathon. Only a small percentage of applicants were selected at random – and Wong was a lucky applicant that year.

"I ran 300 kilometres a month just to prepare for the marathon. I trained like this for six months," says Wong, Tax Assistant Manager at RSM Hong Kong and a member of the Hong Kong Institute of CPAs. In the end, she achieved her personal best, finishing the marathon in under four hours.

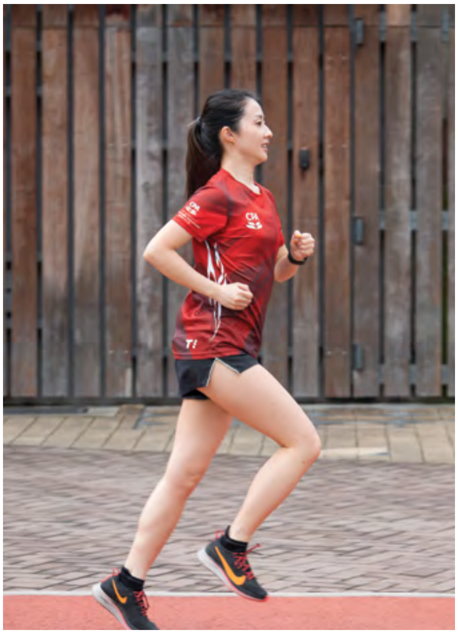
It was a memorable moment for Wong, who has also participated in some of Asia's most famous races including the Seoul Marathon and Hong Kong's Standard Chartered half marathon. This spring, however, she's trying something new and participating in her first virtual run with Institute members across Hong Kong.

Virtual runs have been the hallmark of 2020 and 2021 due to COVID-19-related restrictions on public gatherings. Races from the London Marathon to community "fun runs" have all gone virtual, sending participants medals in the mail in lieu of rewarding them in person.

Between now and 16 May, CPAs can take part in a 10 km race or a 3 km fun run and compete as individuals, in teams of two, or as a family. Instead of running a predetermined race course, runners like Wong will be able to complete their run wherever and whenever they choose, recording their time with a running app or fitness tracker and then uploading it to the CPA Virtual Run website.

For Wong, the 10 km race, which she plans to run near her home, will be a welcome return to her running habit. "I haven't been able to run a race during COVID, but

"I haven't been able to run a race during COVID, but now I have a reason to start training again."



now I have a reason to start training again," she says. "I ran a lot before COVID, usually three times a week, but now it's once a week – it's quite difficult running with a mask, so I've been doing more yoga, dance and some fitness exercises."

Clearing one's mind

Hong Kong's humid weather does not stop Institute member Eric Leung, Finance and Administration Manager at Asphalt Surfaces (International) Ltd., from going for runs two to three times a week around his housing estate in Sai Kung. "I prefer running outside because it's more comfortable unless the weather is really bad," he says, a feeling echoed by Wong and other runners that treadmills simply don't cut it.

"Running helps with physical and mental health. After a long day, you're mentally very tired and so is your body, because you spend a lot of energy devoted to your work and solving a lot of issues," explains Leung. "But when you run outside after a long day or week, you can take a break and breathe in some fresh air. Running, of course, will make you feel tired but you'll always feel better than you did before the run."

Leung first began running in 2014 after joining the Institute's Football Interest Group. While exhilarating, he found playing football made him too susceptible to injury, so he switched to running.

"I started with 3 km runs at first, then jumped to 5 km and 10 km runs. Then I took part in half marathons and finally a full marathon," he says, which he ran in Kanazawa, Japan.

In the years since, Leung has participated in other marathons in Canada and Taiwan, although he has had to forego his dream – for now – of running the Hong Kong marathon due to COVID-19 restrictions.

In its place, however, he has signed up for two virtual races this year, including the 10 km race as part of the CPA Virtual Run, which he will run with his wife, Michelle. "A virtual race is a totally different experience from a real race, where there is a lively atmosphere, but it's an alternative during COVID," he says.

The shorter distance, however, means that he will not have need to engage in the kind of training required of a half-marathon or a full marathon. For those events, Leung will ramp up his training for at least three months to build up enough endurance to cross the finish line.

"During the week, I run in the evenings after work but during the weekend, I prefer running in the morning because the air is fresher. I enjoy waking my body up with a run."

Leung, who typically runs seven to 10 km during a normal workout, says he plans to run the CPA Virtual Run on a familiar path near where he lives.

Fun for the whole family

Tiphaine Chan, Regional Head of Compliance and Audit for APAC at a United States communications company, is also competing in the CPA Virtual Run in a team of two – with her teammate being her four-year old son, George.

"Due to COVID, a lot of the big running events have been cancelled, but these virtual runs give me the choice of when I run and how I want to run," says Chan, an Institute member. "So when I saw the category of 'family run' for the CPA Virtual Run, I knew that my son would be able to handle it."

The pair are planning to run the 3 km "fun run" together near their home, and as Chan

Eric Leung, Finance and Administration Manager at Asphalt Surfaces (International) Ltd., is running the 10 km distance with his wife, Michelle. Here, they are jogging together near Kai Tak Cruise Terminal.

“Running, of course, will make you feel tired but you’ll always feel better than you did before the run.”

“We usually go running somewhere near our home just for leisure. He likes it and enjoys it. Whenever he sees me in my training clothes, he says ‘I want to go with you, mum!’”

Tiphaine Chan, Regional Head of Compliance and Audit for APAC at a United States communications company, is racing alongside her four-year-old son, George. They have been doing laps around their neighbourhood in Yuen Long in preparation for the race.

notes, her son has already shown potential to be a future runner. "We usually go running somewhere near our home just for leisure. He likes it and enjoys it. Whenever he sees me in my training clothes, he says 'I want to go with you, mum!'" says Chan.

"I think he can run the first kilometre of the race. We might stop a little bit, but I'll keep encouraging him. We do something similar during our previous leisure runs."

Chan began running in 2013 when she first signed up for the Standard Chartered Hong Kong Marathon 10 km race and quickly found that running was a welcome part of her life. She has since signed up for several other 10 km races as well as the ICBC (Asia) & Caritas "Step for Love" Virtual Charity Walk that ran from March to April this year.

"Running has always helped with stress – especially during COVID pandemic. Lots of places were closed, especially gyms, so I definitely saw more people hitting the road and running, a lot more than before," she says. "By running, I get a chance to see a little bit of nature. The road I usually go running on is very nice, quiet and peaceful. It's not long, but it's better than nothing."

Taking the first step

Running can be intimidating for many first-timers, but unlike other forms of exercise, it requires little financial investment up front. It's also easy to get started as there are so many running resources available online – you don't even need a treadmill or smartphone to get started.

New runners may find it easier to bring a friend on early runs, as it can make a challenging experience enjoyable. As Wong notes, running with a friend can also make sure you don't start off too quickly in the beginning – a common mistake for new runners – and pace yourself. "Make sure you start at a comfortable pace where you can talk with your friend while running. After a while, you will feel like you can run faster," she says.

Chan agrees: "Take it step by step and pace yourself. Find an easy and flat road to run on if you prefer the outdoors or just hit the gym for a quick run on a treadmill. Try to get a feel for it first," says Chan, who recommends starting off with a few short leisurely runs around the neighbourhood.

"Pick a time where it isn't too hot or humid and try running a kilometre first. Slowly increase the distance, and don't put too much pressure on yourself," she adds. A general rule of thumb for most runners is to only increase distance each week by five to 10 percent to prevent injury. "Something like running is more about the endurance; it's about how you put up with it during longer distances. Don't set a goal or target that's too tough."

While running can help to burn fat and tone certain muscles, it can also be easy to get injured if one's leg muscles are too weak. "I focus on stretching even on days I don't run. Stretching before and after running is very important because it helps your body recover and get accustomed to running," Leung adds.

Running and cross training also doesn't require signing up for a gym, and many runners still prefer to run outside on Hong Kong's many scenic paths. In the excitement of trying a new sport, just remember to not take things to hard, says Wong. "You don't need to always run fast – sometimes that can make people forget how much they love running. Slow down a little bit, and you can enjoy running in different places." For more running tips provided by a professional coach, please refer to page 37.

LOUIS LIN

Associate Vice President,
Finance Manager at Christie's Asia

As Associate Vice President, Finance Manager at Christie's Asia, Louis Lin oversees the financial operations of its offices across Asia-Pacific. He tells *A Plus* what he enjoys most about adding value as an accountant, and why working at an auction house has set the stage for a fulfilling career ahead

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

As Associate Vice President, Finance Manager at Christie's Asia, my daily tasks include monitoring the financial operations of our offices in Asia. We have several regional offices within Asia-Pacific in Hong Kong, Mainland China, Taiwan, Singapore, Malaysia, India and Japan. My main responsibilities are to oversee the financial reporting and compliance aspects, and also try to find ways to automate the company's financial reporting and control systems. The role is both very challenging and rewarding. I joined in 2013, and within the last eight years, I've participated in different system enhancements as well as merger and acquisition projects and learned a lot from each one.

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

What's most challenging is helping the company upgrade and automate its internal systems. For example, payment request forms were still handwritten when I first joined, so I helped to change that, and forms are now filled out in an Excel template. This small change alone was met with many questions from existing colleagues, so I remember working with my boss to promote this new way of filling forms to different departments and across our APAC offices. I also helped to migrate all our old accounting data when our company decided to move from an old, manual system to an enterprise resource planning system in 2015. It was a big change to how each department worked. I love working at Christie's – it's a very niche industry. Our company holds seasonal auctions in May and November, and during each auction, my colleagues and I go on stage to help our auction clerks record each bid within the accounting systems. I love being on stage and standing under a spotlight during each auction – I don't think many accountants get to do this! I enjoy seeing the reactions of our potential buyers and the interaction between the auctioneer, potential buyers and our team. There's always a tense and competitive atmosphere, especially when high-value lots are being auctioned off. Some objects could start at HK$100,000 and end up costing several millions after. There are different categories for the objects we auction off, such as fine art, wine, watches, jewellery and handbags. I find it all to be very interesting.

What inspired you to become an accountant?

Since high school, I found myself interested in and good at the integration of science and liberal arts, and accounting is a subject requires skills in both quantitative and qualitative analysis. I studied physics back in high school and both accounting and physics involve numbers, so I found accounting to be an interesting major. As an accountant, I can use my skills to help companies, management and clients to solve their financial related problems, provide them with forecasts or warnings, or make changes before a crisis happens. CPAs are highly recognized in society and getting qualified was a good starting point for me to contribute my knowledge and skills to both private and public sectors.

What are the biggest lessons you have learned so far from work experience or managers?

My current boss, who has worked in the financial sector for over 20 years, always shares meaningful stories and knowledge with us. For example, I learned that being an accountant isn't only about being really good with numbers and calculations. It's also important for us to have very strong interpersonal skills and that we have to be persuasive when communicating with both individuals within and outside of the organization.

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

I found the QP to be very useful and memorable, especially Module D taxation. I remember that we had to analyze different tax scenarios and then make arguments for each one. I do a lot of regular tax filing and need to provide advice to management in terms of tax implications for particular transactions. So the knowledge I gained from this module helped me a lot. In addition to technical skills, the QP enhances students' analytical and communication skills, which is very useful in our day-to-day work, as accountants also need to be effective communicators.

SPOTLIGHT ON WEEKEND ACTIVITIES

Institute members recommend their favourite ways to spend a weekend

Hong Kong Disneyland

"I recommend visiting Hong Kong Disneyland. It's still my favourite place to ease my mind after a long week of work. I went to it soon after it reopened in February, and it's the one place in Hong Kong where I feel like I'm out of the city, which is especially helpful especially helpful with travelling still restricted," says Li.

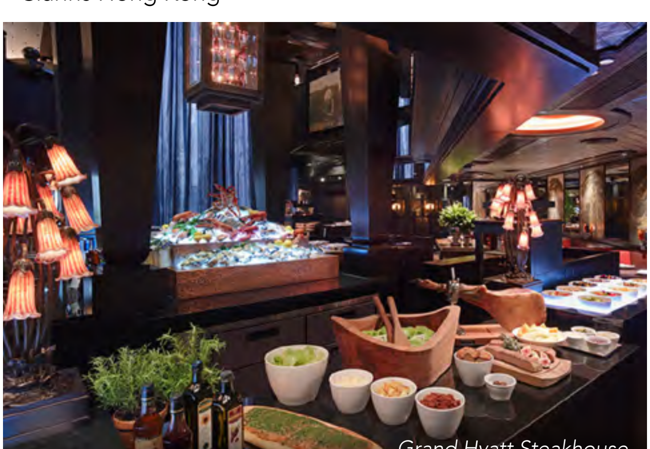
- Basy Li, Audit Manager at Mazars CPA Ltd.

Hong Kong Disneyland

Grand Hyatt Steakhouse

"I recommend eating at Grand Hyatt Steakhouse at the Grand Hyatt Hong Kong hotel. The restaurant has a very relaxed atmosphere and serves premium cuts of beef. Their lobster bisque is quite remarkable and a dish you should never miss out on!" says Pun.

- Gigi Pun, Financial Planning and Analysis Manager at Clarins Hong Kong



Grand Hyatt Steakhouse

Lost Stars Livehouse Bar & Eatery

"If you're looking to enjoy some delicious food, drinks and great music with good friends, I recommend visiting Lost Stars Livehouse Bar & Eatery in Tai Kok Tsui. The restaurant offers a selection of western food and, when there are live shows, there's a live stage for local musicians and bands to perform. The music varies from classical to pop rock and local indie," says Kwong.

- Corwin Kwong, Internal Auditor at The Salvation Army

Lost Stars Livehouse Bar & Eatery

EYES & EARS

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

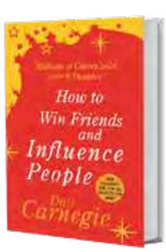
Queen

What I'm listening to

- Anil Daryanani, Chief Financial Officer of Thakral Corporation Ltd.

"I've been listening to Queen, particularly their song *Bohemian Rhapsody*. I could listen to this all day or watch the band's different renditions at live concerts. The way Freddie Mercury combined what are essentially three different and disparate styles of music into one song – and make it work so well – is sheer genius. The song really takes off for me when it hits the hard rock section – it is simply head-banging stuff! I saw Queen performing this on TV at the Live Aid concert in 1985, a segment which was also included in the movie *Bohemian Rhapsody* in 2018, and it has been a favourite of mine ever since."

What I'm reading



I recommend *How to Win Friends & Influence People* by Dale Carnegie. It's a great book for those who are seeking ways to improve their lives. The author talks about the soft skills people need to work on and also explains why. He also talks about why we need to think about the fundamental rules in our social relationships, instead of blindly applying soft skills. The book will teach you win respect from others and also how to respect others, as doing both can lead to success.

- Kaz Suen, Partner at Ben P W Hui & Co. (CPA) Limited

I was very much drawn to the title of this book 我們的日子為什麼這麼難, when I first read it 10 years ago. I recently read it again. The author 郎咸平 is an economist who doesn't shy away from telling the truth, and in this book, he tries to answer why the lives of people are so difficult. The author's sharp wit and ideas come together to enrich our understanding of society's complexities through this thought-provoking book. It is a book which might help you understand the philosophy of life.

- Timothy Cheung, Founder of Mytianran

I recommend 天行閣詞稿 by Nellie Chow, a former colleague and friend of mine at the Treasury. This book talks about Chinese poems, more specifically, how they are written, their structure, length of each line and rhyming. Short poems, for example, have to follow strict rules especially when there is history involved and a story to tell. The book makes good use of examples and references from ancient poems for readers. I find it very fascinating to study these poems and also read them out loud. They always make me feel better.

- Wendy Hui, retired

Back on the big screen

Hong Kong's humorist on the many interesting, yet questionable, roles accountants take on in film and TV

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

Move over, superheroes: a spate of recent movies features accountants in key roles or as central characters. And they neatly show the gulf between real life and perception of the profession.

In prime position we have *Vanguard*, the biggest new Jackie Chan action blockbuster for years. He plays the bodyguard of accountant Qin Guoli, because people who perform audits and provide tax advice need to have bodyguards, right? (Actually the only bodyguard my accountant friends need would be someone to slap their hands down every time they try to buy chunks of cheesecake at artisan coffee shops.)

In the movie, Jackie Chan protects the accountant with the typical array of guns, amphibious cars… and military-grade hoverboards. The whole thing ends with a fleet of warships battling the world's largest quadcopter. So, not exactly a typical day in the life of an accountant (unless you work for some departments of the Big Four, of course).

Vanguard comes from the celebrated school of filmmaking which believes that you don't need interesting characters or storylines as long as you have enough explosions.

At the opposite extreme is the completely explosion-free *Soul*, the newest film from Pixar, the company famed for its gripping characters and storylines. This movie reminds us that 151,000 human beings die every day, and reveals details of the person from the afterlife who has the job of keeping count of them: an accountant called Terry, who is armed with an abacus.

It's a great film, but falls prey to the temptation of portraying accountants as obsessive number-crunchers who can't bear to get a single digit wrong. There's a discrepancy of one human being in the records of folk moving from The Great Before – a location in the film of pre-existence where new born souls get their personalities, quirks, and interests before going entering Earth – to The Great Beyond – a post-existence place of life where deceased souls go after leaving Earth – which leads the accountant to leap out of his chair and turn detective to get to the root of the problem.

Back to the *Vanguard*-extreme, this month also saw the re-release of 1961 movie *The Frightened City*, which tells the story of a crooked accountant who makes money by organizing scams to get money from property developers. Yes, property developers! This is clearly an accountant who needs looking after, and could benefit from Jackie Chan's accountant-protecting weaponry from *Vanguard*.

Meanwhile among the TV critics, there's much discussion of controversial cartoon *Family Guy* – and one of the most criticized episodes concerned accounting. The main character, Peter Griffin, decides that Jewishness makes people financially successful and tries to persuade his son to covert to the faith. That storyline may work in the United States, but comes across as baffling in this part of the world.

Over on the film festival circuit, people are re-watching Danny Boyle's first film, 1994 black comedy *Shallow Grave*, which is about an accountant, a doctor and a journalist finding a dead flatmate with a suitcase full of money. Predictably, the accountant is a super shy character who becomes increasingly introverted and paranoid, that is, until he's ready to kill people. In my experience, accountants aren't like Mr Boyle films them. Well, not all of them. Wait. Let's not go there.

Moving on swiftly, we need to ask: Is there no movie that dares to show accountants in a realistic way?

Away from the blockbuster movies, I finally found one: a rather arty film called *French Exit* has just been launched on the festival circuit. The most memorable scene is a conversation in which an accountant patiently listens to a big-spending client, played by Michelle Pfeiffer, explaining that she has run out of cash. "My plan was to die before the money ran out," she says. "But I kept and kept not dying."

So the client is now broke and wants the accountant to somehow solve this problem.

Now there, at last, is a big screen accountant-client relationship that most people in the business can fully identify with. "Been there," accountants will mumble to their partners in the stalls.

It also provides a new slogan for accountants in retirement planning: How to Not Die Before the Money Runs Out.

That's all Folks!