DRIVING BUSINESS SUCCESS
Issue 7 Volume 17 July 2021

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Deniz Güven, Chief Executive Officer of Mox Bank

ACCOUNTANT PLUS
NiQ Lai FCPA, Chief Executive Officer of Hong Kong Broadband Network Group

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How can common standards combat greenwashing?

BEST IN CLASS

How the Institute's specialist training programmes are helping to raise industry standards

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

> **"Fencing gold medallist Edgar Cheung Ka-long, and swimming two-time silver medallist Siobhan Haughey – who is the daughter of two of our members, Darach Haughey and Canjo Leung. Both medallists have proudly represented Hong Kong on the highest international stage, and shown the excellence and diversity of our people."**

Dear members,

Congratulations to Hong Kong's two Olympic medallists!

Fencing gold medallist Edgar Cheung Ka-long, and swimming two-time silver medallist Siobhan Haughey – who is the daughter of two of our members, Darach Haughey and Canjo Leung. Both medallists have proudly represented Hong Kong on the highest international stage, and shown the excellence and diversity of our people. Three medals means this is now the best Olympics Hong Kong has ever had and hopefully is the start of more medals over the remaining events. Their achievements are inspirational for the next generation of Hong Kong – showing that we can lead the world – and we should seek to emulate them in our working lives.

While the Olympics, like the UEFA EURO 2020 championship in June-July, were delayed by a year, the fact that they've been able to go ahead (albeit, with restrictions on attendances) shows that life is adjusting to the COVID-19 situation. Hopefully in the next few months we will return to more normality. I'm sure many of you are ready to travel again, I know I am keen to meet with my clients and business partners.

As well as our sporting stars, this month we are also celebrating the achievements of past and current Council members, and Institute members who were awardees on the Hong Kong government's Honours List for their distinguished service. Congratulations go to past Council lay member Chow Chung Kong (Grand Bauhinia Medal); Ex-officio Council member Charlix Wong (Silver Bauhinia Star); Institute members Chan Ngai Sang, Kenny, Ho Jock Chu, and Ayesha Macpherson (Bronze Bauhinia Star); and Past President Wilson Fung and past elected Council member Wong Hin Wing, Simon (Medal of Honour).

The Institute has been hard at work since last month's announcement by the government on its proposal to further reform the regulatory regime of the profession. At the start of the month we held the second members' forum with the Financial Reporting Council, where speakers discussed how they planned to regulate the profession in the future. A recording of this forum, alongside the first featuring the Financial Services and the Treasury Bureau is available on the reform webpage – also launched this month.

As well as the webpage, which brings together relevant information on the proposals and the potential consequences for the Institute and its members, this month we also released a survey. The survey is our way of carrying out wider consultation on the proposal to ensure that all views are collected and considered. I encourage you to take the time to complete the survey so that we can effectively represent them when commenting on the draft legislation and discussing transitional arrangements. There's not much time left to complete the survey, as it closes on 4 August. If you have already shared your views with us, thank you.

The revamped Best Corporate Governance and ESG Awards are open for entries. Now in its 21st year, the awards have seen significant improvements in corporate governance disclosures over the years. This year, the awards have been renamed and refocused this year to reflect the increasing importance of environmental, social and governance (ESG) reporting, and to encourage companies and organizations to integrate the oversight and implementation of their corporate governance and ESG, as well as uplift the standards of disclosure and practices in both areas. You can't have good corporate governance without good ESG, and you can't have good ESG without having a good corporate governance structure in place, which is why we have placed increased emphasis on ESG this year.

As the market demands more accurate and reliable ESG information from companies, assurance on ESG reports will become increasingly important in helping to build stakeholders' trust in the quality of the information disclosed. Please enter your company or organization into the awards by 9 August.

It's a special issue of *A Plus* this month, as we focus on the Institute's five specialist training programmes. Read the two articles, featuring course directors and programme graduates discussing the programmes, how they help specialists to develop, and why specialist training is so important. The Institute offers a wide range of training, in-house and in partnership with others, so please do check out how we can help you to develop in your career.

August would typically be a month off of Council meetings, however this year we have given ourselves so many tasks to complete that we will be holding a Council meeting. As we approach the end of summer and autumn, there's still plenty for us to be getting on with in order to prepare the profession and the Institute for the future, the results of the reform survey, and how we will work with the government on the implementation of the regulatory reform.

Raymond Cheng FCPA (practising)
President

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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.

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

President Raymond Cheng

Vice Presidents Rosalind Lee, Ken Li

Chief Executive and Registrar Margaret W. S. Chan

Director of Corporate Communications Dr Wendy Lam

Associate Director of Corporate Communications Paul Smith

Editorial Coordinator Maggie Tam

Office Address
37/F, Wu Chung House, 213 Queen's Road East,
Wanchai, Hong Kong
Tel: (852) 2287-7228 Fax: (852) 2865-6603

Member and Student Services Counter
27/F, Wu Chung House, 213 Queen's Road East,
Wanchai, Hong Kong
Website: www.hkicpa.org.hk
Email: hkicpa@hkicpa.org.hk

M&L

Editor Gerry Ho
Email: gerry.ho@mandl.asia

Managing Editor Jemelyn Yadao

Junior Copy Editor Jeremy Chan

Associate Editor Nicky Burridge

Contributor Erin Hale

Registered Office
2/F Wang Kee Building, 252 Hennessy Road,
Wanchai, Hong Kong

Advertising enquiries
Advertising Director Derek Tsang
Email: derektsang@mandl.asia

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NEWS

Institute news   Business news

Institute launches webpage and survey on the further reform of the regulatory regime of the profession

The Institute has set up a dedicated webpage on the Further Reform of Regulatory Regime of Accounting Profession, which brings together relevant information to help members understand the proposals and the potential consequences for the Institute and its members.

The government gazetted the Financial Reporting Council (Amendment) Bill 2021 on 16 July. On 23 July, the Legislative Council's House Committee decided to form a Bills Committee to study the bill. The webpage will help members and Qualification Programme (QP) students keep track of the developments. It can be found in the "Governance" section of the Institute's website.

A survey has also been developed to gauge the views of members and QP students about the reform proposals so that the Institute can effectively represent them when commenting on the draft legislation and discussing transitional arrangements. Members and students are encouraged to complete the survey by 4 August.

Capstone webpage launched

The Capstone, which is the final level of the Institute's Qualification Programme, will be held for the first time in the coming December examination session. Ahead of the enrolment deadline, a dedicated webpage has been launched featuring information on the Capstone including its focuses, the objectives of the Capstone workshops and what students will gain after completing this level.

Council meeting minutes

The abridged minutes from the June special Council meeting are now available for members to read. They can be found in the "Members' area" of the Institute's website.

Settlement

Hong Kong Institute of CPAs settles regulatory proceedings involving two CPAs

The Hong Kong Institute of CPAs has settled regulatory proceedings concerning alleged non-compliance with its professional standards involving two CPAs, namely Jimmy Siu who is a practising CPA, and Yip Kai Yin.

The complaint concerns audit deficiencies identified in a practice review conducted on Elite Partners CPA Limited. The Practice Review Committee of the Institute raised a complaint pertaining to the audit of the consolidated financial statements of a Hong Kong-listed entity and its subsidiaries for the year ended 30 June 2017, on which Elite issued an unmodified opinion. The entity was principally engaged in manufacturing and sales of chemical products, although some of the production lines had been intermittently suspended since 2012. Siu was the engagement director and Yip was the engagement quality control reviewer of the audit. Although there is no evidence to suggest that the deficiencies below resulted in the wrong audit opinion, the committee found that:

1. The entity's financial statements included material amounts of construction-in-progress, and plant and machinery. In assessing impairment of these assets, Siu failed to obtain sufficient appropriate audit evidence on certain judgemental areas, including assessment of the underlying assumptions and data used by the independent valuer engaged by the entity.
2. Siu also failed to perform adequate audit procedures in relation to other material items in the financial statements including bonds payable, government grants repayable, contingent liabilities in relation to a litigation, exchange reserve, and deferred income taxes.
3. The auditor's report disclosed a material uncertainty related to going concern, and the entity's financial statements contained disclosures pertaining to this matter. However, Siu failed to obtain sufficient appropriate audit evidence to support his conclusion on the appropriateness of the entity's use of the going concern

basis of accounting in the preparation of the financial statements.
4. In response to the practice review findings, Elite submitted certain documentation to the Institute which had not been included as part of the audit file. Elite also claimed that certain audit procedures had been performed. However, they were not documented in the audit working papers.
5. Financial statements disclosure of the principal amount of corporate bonds issued after the year end could not be reconciled to the audit working papers, demonstrating Siu's lack of sufficient due care and diligence.

Yip failed to perform an effective engagement quality control review in that he did not identify any of the irregularities in 1 and 3 above. He also did not perform an effective, objective evaluation of the significant judgements and conclusions made by the audit team.

As a result of the above:
(a) Siu failed or neglected to observe, maintain or otherwise apply the following professional standards:
  - Hong Kong Standard on Auditing (HKSA) 230 *Audit Documentation.*
  - HKSA 500 *Audit Evidence.*
  - HKSA 570 (Revised) *Going Concern* and
  - The fundamental principle of professional competence and due care in sections 100.5(c), 130.1 and 130.4 of the Code of Ethics for Professional Accountants (code of ethics).

(b) Yip failed or neglected to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*, and the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the code of ethics.

Settlement agreement: The Council of the Institute has agreed with Siu and Yip that:
1. Siu and Yip acknowledge the facts of the case and areas of non-compliance with professional standards;
2. The Institute will cease regulatory proceedings against Siu and Yip;
3. Siu and Yip be reprimanded; and
4. Siu and Yip jointly pay a financial penalty to the Institute of HK$300,000 and make a contribution to the costs of the Institute in the amount of HK$200,000.

The Council considers that dealing with the matter by way of this settlement will achieve an appropriate resolution without incurring additional expenses and tying up resources in disciplinary proceedings. Therefore, it has agreed to withdraw the complaint.

Disciplinary findings

Kwok Chi Sun, Vincent CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of integrity in sections 100.5(a), 110.1 and 110.2 of the code of ethics, the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the code of ethics and Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and being guilty of professional misconduct.

Kwok was the sole proprietor of Vincent Kwok & Company (practice) and was responsible for the practice's quality control system and the quality of its audit engagements. A practice review was conducted on the practice in December 2018, which revealed significant deficiencies both in the quality control system and in a number of audit engagements. Furthermore, the practice reviewer found that Kwok had created certain audit documents for the practice review. Those audit documents were created after the audits had been completed and the relevant file assembly periods had passed.

Decisions and reasons: The Disciplinary Committee reprimanded Kwok and ordered cancellation of his practising certificate, with no issuance of a practising certificate to him for six months, with effect from 24 June 2021. In addition, Kwok was ordered to pay a penalty of HK$100,000 and costs of the disciplinary proceedings of HK$69,464. When making its decision, the committee took into consideration the particulars of the breaches committed in this case, Kwok's conduct throughout the proceedings and his pleas of mitigation.

Han Heli CPA

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of integrity under sections 110.1 A1(a), R110.2, and R111.2 under Chapter A of the code of ethics.

Han provided copies of two medical certificates purportedly issued by a hospital in support of her sick leave applications to her employer. The employer subsequently discovered that the medical certificates were not issued by the hospital and Han had not attended the hospital or any of its polyclinics. The employer referred the matter to the Institute. Han was not very cooperative with the Institute during its investigation.

Decisions and reasons: The Disciplinary Committee ordered the name of Han Heli be removed from the register of CPAs for five years with effect from 9 July 2021. In addition, Han was ordered to pay costs of the disciplinary proceedings of HK$44,590. When making its decision, the committee noted that this is a very serious case involving dishonesty and breach of trust. The committee also considered the mitigating factor that Han admitted the complaint at the beginning of the disciplinary proceedings, which saved the parties from incurring further costs.

Details of the settlement and disciplinary findings are available at the Institute's website.

HKEX TO LAUNCH NEW DIGITAL PLATFORM TO SPEED UP IPO PROCESS

The Hong Kong Stock Exchange (HKEX) will launch a new digital platform next year to speed up the initial public offering (IPO) process and to ensure the bourse remains a global leader for new listings. The Fast Interface for New Issuance (FINI) will supersede current paper subscriptions and slash the IPO process to two business days, down from five. The move was announced on 6 July and follows a consultation process that took place last November, with 90 percent of respondents supporting FINI, which will be introduced in the fourth quarter of 2022. The new platform will "shorten the cycle between IPO pricing and the start of trading, driving market efficiency and reinforcing Hong Kong's position as the world's premier IPO market," according to HKEX Chief Executive Officer Nicolas Aguzin.

HONG KONG UNEMPLOYMENT RATE FALLS TO 5.5%

Hong Kong's unemployment rate dropped to 5.5 percent for the three-month period ending in June, reaching a level not seen in more than a year as the economy recovers amid relaxed social-distancing rules and low COVID-19 case numbers. The figure, revealed by the Census and Statistics Department on 20 July, is down from 5.9 percent seen during the March to May period and the record 7.2 percent high seen between December 2020 and February this year, the worst figure since 2004. The underemployment rate also decreased from 2.8 percent to 2.5 percent. The economy will continue to recover, bolstered by the HK$5,000 consumption voucher scheme, according to Secretary for Labour and Welfare Law Chi-kwong.

ACCOUNTANTS ANTICIPATE GROWTH DURING SECOND HALF OF THE YEAR

Accountants are confident the global economy will recover and reach pre-pandemic levels during the second half of the year, according to *Global Economic Conditions Survey Report: Q2, 2021*, a quarterly survey by the Association of Chartered Certified Accountants and the Institute of Management Accountants. The study was released on 13 July and polled over 1,000 senior accountants and finance professionals. Despite seeing a slight dip in confidence in the second quarter, the survey found that continued vaccinations worldwide will be key to growth during the remainder of the year. Factors such as inflation, the persistence of the coronavirus and the spreading Delta variant, however, have dampened confidence this quarter, compared to the first quarter.

KPMG SCRUTINIZED BY U.K. WATCHDOG FOR SUBSTANDARD BANK AUDITS

The Financial Reporting Council (FRC) in the United Kingdom has criticized KPMG for failing to meet required standards in its audits of banks. KPMG was singled out among the other Big Four firms and mid-sized competitors such as BDO and Mazars, with only 59 percent of the firm's audits meeting requirements, according to the FRC's annual review of audit quality. The regulator found "significant weaknesses" in the firm's audit procedures for companies' expected credit losses, valuation of financial instruments and the testing of settlement and clearing accounts. "While these results show some improvement on last year's results, this improvement is marginal and significant change still needs to happen to meaningfully improve audit quality," said Sir Jon Thompson, Chief Executive Officer of the FRC.

FORMER HKEX CHIEF JOINS BOND-TRADING PLATFORM BASED IN THE U.S.

Charles Li, the former chief executive officer of HKEX has joined MarketAxess, a bond-trading platform listed in the United States, as a non-executive director. Li told the *South China Morning Post* that he started his new role on 13 July and will join board meetings to give advice to the Nasdaq-listed fixed-asset trading platform. The new role, which is his first since stepping down from HKEX last December, comes as Mainland China is expected to announce the launch of the southbound leg of the Bond Connect scheme, which will allow those in Mainland China to invest in international bonds via Hong Kong. "Ever since my involvement with the launch of Bond Connect, I have closely followed the development of the leading global fixed-income trading platforms, such as MarketAxess, and believe that they will play important roles in the internationalization of the Asian bond markets," Li told the *SCMP*.

EU PROPOSES WORLD'S FIRST CARBON BORDER TAX

The European Commission (EU) this month outlined plans to impose a Carbon Border Adjustment Mechanism, or CO2 tariff, on polluting goods, forcing some companies importing into the European Union to pay carbon costs at the border on carbon-intensive products such as steel, aluminium, cement, fertilizers and electricity. The border levy will be phased in from 2026, the EU said. Under the proposal, importers will be required to monitor and report their emissions during a transitional phase from 2023-25. They will also need to buy digital certificates representing the tonnage of carbon dioxide emissions embedded in the goods they import. "If importers can prove, based on verified information from third country producers, that a carbon price has already been paid during the production of the imported goods, the corresponding amount can be deducted from their final bill," the EU said in a factsheet.

WEALTH MANAGEMENT CONNECT TO GENERATE US$700 MILLION IN FEES FOR LENDERS

The cross-boundary Wealth Management Connect scheme will generate US$700 million in fee-based income a year for banks in Hong Kong and Mainland China, according to Bank of China Hong Kong, the *South China Morning Post* reported. The scheme, announced last year, will allow residents of Hong Kong and Macau to invest in wealth management products distributed by Mainland banks in the Greater Bay Area (GBA), and residents of cities in the GBA to invest in wealth management products distributed by banks in Hong Kong and Macau.

APPLE, ALPHABET AND MICROSOFT SEE PROFITS SURGE

The three U.S.-based tech giants – Apple, Alphabet and Microsoft – raked in combined after-tax profits of US$56.8 billion during the latest quarter, almost double the year before and 30 percent more than some Wall Street observers had predicted. The earnings, announced on 27 July, signals the continued demand for digital services and gadgets. It also showed that the digital boom sparked by lockdowns during the pandemic would continue long after the crisis had passed, according to tech executives and investors, the *Financial Times* reported. "I think the takeaway is, all the digital habits that we picked up over the past 12 months, they're going to stick with us when we come out of this," Jim Tierney, a portfolio manager at AllianceBernstein, told the *FT*.

LI AUTO TO LIST IN HONG KONG

Li Auto, the Chinese electric-vehicle (EV) maker, received approval from the HKEX for a listing in the city, following its debut in New York a year ago. The Beijing-based start-up will join XPeng, the first Chinese EV company to list in Hong Kong via a dual primary listing following its US$1.8 billion fundraising this month. Li Auto, which raised US$1.1 billion from its Nasdaq initial public offering last July, could raise US$1 billion to US$2 billion in the listing, according to *Bloomberg News*, which cited people with knowledge of the matter. Li Auto has been public for less than two years, meaning it can't pursue a secondary listing like other Chinese companies that have completed so-called homecoming share sales. As of June, Li Auto had delivered over 63,000 Li One SUVs, its first and only production model.

U.K. FINANCIAL WATCHDOG PUSHES TO INCREASE FEMALE DIRECTORS

The Financial Conduct Authority in the United Kingdom has put in place proposals to ensure women hold at least 40 percent of board seats, amid growing interest among investors in broadening representation on listed company boards. The watchdog said that at least one senior board position, including chief executive or chief financial officer, should be held by a woman. Under the new plans, companies will need to either "comply or explain" why they have missed new board diversity targets. While the targets are not mandatory, they will provide a way to measure companies' success in bringing greater diversity to their senior management, the *Financial Times* reported.

THE EXPERTS

The Institute offers a range of specialist training programmes to help members hone their skills, accelerate their careers or move into new areas of practice. In the first part of this special series, Nicky Burridge talks to the course directors of these programmes about how they help CPAs excel in specialized fields and promote best practices

Photography by Calvin Sit

THE COURSE DIRECTORS: (From left)

MAT NG FCPA
Professional Diploma in Insolvency

GLORIA YUNG FCPA
Financial Controllership Programme

STEPHEN LEE FCPA
Specialist Programmes in Taxation

GUY NORMAN CPA
Professional Enhancement Programme in Forensic Accounting

WILEY PUN CPA
Business Valuation Programme

In an increasingly complex business world, there is a growing trend for accountants to become more specialized, points out Guy Norman CPA, Partner, Deloitte Advisory, and Convenor of the Hong Kong Institute of CPAs' Forensics Interest Group Management Committee. "To have these specialisms properly supported by education programmes, not only enables accountants who specialize to do so with credibility and qualifications, but it keeps standards high for the profession and the wider business community," he says.

This is, in part, why the Institute established its five specialist training programmes. "The Institute's specialist training programmes provide an opportunity for members to acquire in-depth training and knowledge in specific areas, such as liquidation, taxation and financial controllership, at a more advanced level than what is required to pass its Qualification Programme (QP)," says Stephen Lee FCPA, Course Director of the Specialist Programmes in Taxation.

In some cases, such as for insolvency and business valuations, where there is no statutory licensing regime, completing one of the programmes acts as a benchmark for professional competency. Wiley Pun CPA, Director, Savills Valuation and Professional Services Limited, says the Institute is considered by many people to be the gold standard in specialist training programme providers, and completing one of its courses can be seen as an entry ticket when pitching for a project in the absence of other licensing requirements.

He points out that the specialist training programmes should not only be taken by CPAs who work in the particular field they cover, but also those in general practice. "Today's CPAs need a big toolbox given the diversity of matters they may need to deal with. Completing a specialist training programme can be a handy tool for a generalist member when the situation demands it."

Mat Ng FCPA, Managing Director, Grant Thornton Recovery and Reorganization Limited, and Course Director of the Institute's Professional Diploma in Insolvency, adds that members should also continue to invest in themselves and consider taking one of the programmes to keep their knowledge up to date in line with recent developments.

Financial controllership

The Institute's Financial Controllership Programme (FCP) provides participants with insights into the work of a financial controller and how to add value to a business. It covers the core technical knowledge and skills accountants need to work as a chief financial officer, finance director or regional or global treasurer.

Gloria Yung FCPA, Course Director of the FCP, explains: "It is the ideal programme for accounting professionals who want to evolve their career from working at a firm in taxation or audit, to a commercial

environment. It is also aimed at existing financial controllers who want to refresh their skills or take their career to the next level."

The programme has five core modules, three of which cover accounting for performance and decision making, strategic finance, and risk management and corporate governance. Another module looks at management competency development, covering the soft skills needed by someone in a financial controller position, such as leadership and communication skills, while the fifth module focuses on business ethics, highlighting the important role a financial controller plays in setting the culture and code of ethics in a company.

Yung explains that the programme is structured to offer comprehensive coverage of all of the main areas in which a financial controller needs to be competent, while it is also flexible, enabling people who are unable to complete the whole course in one year to instead do it as individual modules.

She points out that the instructors all come from industry backgrounds, enabling them to pass on their personal professional experience to people taking the programme. "The market is changing very quickly, but the instructors are able to give candidates up-to-date, first-hand market intelligence," she says. "The programme is very interactive, involving a lot of discussions with other students and the instructors themselves. It gives students a real insight into what the day-to-day work of a financial controller is like, and enables them to build up a good network."

The Institute launched the programme in response to market demand and to create an avenue for CPAs who want to move their careers away from working at a professional firm and instead become a financial controller or equivalent professional.

The programme fills an important gap in the market, says Yung. "There is no other programme in Hong Kong that is so comprehensive and practical that brings CPAs up to the level of a CFO," she says.

Insolvency

As Hong Kong has no formal licensing scheme for insolvency practitioners, the Institute launched its insolvency programmes to ensure high standards among its professionals working in this area. It offers three separate insolvency training courses, namely Insolvency Preparatory I and Insolvency Preparatory II, which lead up to the Professional Diploma in Insolvency – the Institute's Specialist Qualification for insolvency practitioners.

While the Professional Diploma in Insolvency was launched some time ago, a number of structural changes have recently been made to it to reflect the changing professional environment. Course Director Ng says: "It covers all aspects of the work undertaken by an insolvency practitioner, including liquidation, personal insolvency, corporate rescue and restructuring, and cross-border insolvencies, as well as the relevant legal concepts and ethics." He adds that the first lecture of the diploma is on ethics due to the strong emphasis the programme places on high ethical standards for insolvency practitioners.

The diploma, which consists of 56 contact hours, is taught using real-life examples and case studies. "We select very high-quality speakers, industry leaders who are either insolvency practitioners or lawyers, to share their experience with students," he says. "We try to ensure that in each session there is one accountant and one lawyer, or someone from the Official Receiver's Office or a bank to share their expertise."

He adds that students are not only able to learn from the experience of these lecturers, but the programme also creates a good networking opportunity for them.

Ng believes taking the programme can help CPAs advance their career through obtaining a specialist qualification that is recognized by the market. "By completing this difficult course, you show an employer that you have a high level of problem-solving skills, and it demonstrates that you are up-to-date with recent developments in the legal environment and in insolvency practice. More importantly it shows your commitment to the industry."

He adds that completing the diploma counts as contributing 50 hours of insolvency work under the experience requirement for the Official Receiver's Office's Panel A Scheme. "Doing the insolvency diploma can help accountants advance their career or improve their business in a very practical way by helping them get on to the Official Receiver's panel," Ng says.

Unsurprisingly, there is high demand for the programme, particularly as the volume of insolvency work is increasing, due to the economic downturn triggered by the COVID-19 pandemic.

The diploma course is aimed at accountants and lawyers who want to move into insolvency, as well as those who want to refresh their knowledge, or advance in their career. In the past, it has also been taken by people working in government departments and professionals from financial institutions and banks, particularly those who deal with loan defaults.

The diploma course is open to both members and non-members who have at least 24 months' relevant experience or who have completed the Institute's Insolvency Preparatory II course. "It is a very high-level, demanding course, so students must have relevant experience. For those thinking of moving into insolvency, the programme will give them a clear picture of what it is like. For those already in this area, it will give them the skills and perspective to consider cases in a much broader way," Ng says.

"We select very high-quality speakers, industry leaders who are either insolvency practitioners or lawyers, to share their experience with students."

Taxation

The Institute's Specialist Programmes in Taxation are aimed at members who want to increase their tax knowledge and practical experience in a field as rapidly-changing as tax.

Course Director Lee explains that in the past, qualified accountants who were interested in pursuing a career as a tax advisor relied on self-learning, continuing professional development (CPD) events, seminars and conferences to acquire the relevant knowledge.

The Institute launched its two tax diplomas in 2012 in order to offer a more systematic way of acquiring the in-depth knowledge taxation advisors required. Lee says: "Over time, taxation has developed into many different specialty areas, like transfer pricing, transaction services, advocacy, and investigation etc. There is also demand for international taxation experts. Accountants with advanced taxation knowledge are the ideal choice for clients needing such services."

Lee points out that proficient tax advisors in Hong Kong not only need to be knowledgeable about Hong Kong taxation, but they also need to understand international and China taxation, due to Hong Kong's role as a gateway for international companies moving into Mainland China, and Chinese companies going out into the rest of the world. As a result, the Specialist Programmes in Taxation are built around three core tax modules, namely its Advanced Hong Kong Tax Course, China Tax Course and International Tax Course, as well as a workshop on ethics. Students can choose between the Professional Diploma in Hong Kong Tax and the Professional Diploma in China Tax, both of which include modules on international tax and ethics.

Members who do not want to complete a whole diploma can attend any one of the three tax modules as part of their CPD.

The modules are delivered through workshops, followed by tutorials run by facilitators from professional, commercial or academic backgrounds to enable the sharing of practical experience. Lee says the workshops make the Institute's programmes stand out from other purely academic courses and online programmes. "Students are able to gain a full picture of different topics during the workshops and then apply what they learned in the tutorial sessions. Discussions with classmates and the facilitators during the tutorial sessions enable them to understand the topic from different angles," he says.

The programme is only open to Institute members. Students wanting to take the Advanced Hong Kong Tax Course are also required to have completed module D taxation of the Institute's QP. Lee adds that practical experience is also highly desirable, and preference may be given to applicants who have experience or who are members of the Institute's Taxation Faculty.

The programme has had consistently high feedback from students, receiving an average rating of 4.5 out of 5 since it was first launched. "Members of the Institute who wish to extend and advance their tax knowledge and practical experience to become competent tax advisors in an increasingly complex business environment should consider taking the Specialist Programmes in Taxation," Lee says.

Business valuation

Business valuation is of paramount importance in today's financial reporting landscape, and accountants in both business and practice need to acquire knowledge in this area to know how to understand, review and interpret business valuation reports, according to Pun, Course Director of the new Business Valuation Programme.

He says that changes, such as the introduction of International Financial Reporting Standard (IFRS) 13 *Fair Value Measurement*, and IFRS 9 *Financial Instruments*, has led to an increased need for valuers on both the preparer and reviewer side. At the same time, there is also a growing demand for valuers to act as advisors on how to increase a company's value.

But Pun points out that there is no qualification requirement for a practising business valuer in Hong Kong in connection with financial reporting engagements or public filing purposes. As a result, the Institute launched its new Business Valuation Programme, in collaboration with Savills Valuation and Professional Services (S) Pte Limited, earlier this year to fill a gap in the market.

The programme is divided into four parts. The first two parts cover the fundamentals of valuation and the three primary valuation approaches, namely the market, income and cost approaches. The third part covers major financial reporting valuation areas, such as purchase price allocation, intangible asset valuation and asset impairment. There are also a number of electives covering the valuation of financial instruments, biological assets, properties, and plant and equipment. The final part of the programme covers the application of what students have learned through looking at three case studies.

Pun says the programme incorporates International Valuation Standards (IVS), the most frequently cited standards for business valuations after IFRS, which are not taught to students during the Institute's QP.

The programme is not only aimed at CPAs who want to work as business valuers, but also users of business valuation reports, including audit professionals, directors of boards, preparers of financial statements, and fund managers. "This programme can give participants the tools to assess valuations more systematically," Pun says.

The programme has proved to be highly popular. When it ran for the first time in April to June this

"There is also demand for international taxation experts. Accountants with advanced taxation knowledge are the ideal choice for clients needing such services."

lawyers who give us a good understanding of the basic structure of international and Hong Kong legal systems, and where forensic accountants fit in," Norman explains.

The course is designed to appeal to a broad spectrum of people, ranging from first and second year trainees who want a good foundation in forensic accounting, to those who have five or six years' experience in the area and want to refresh their skills. It is open to all Institute members and members of the Forensics Interest Group.

Norman says: "It sometimes isn't that easy to get into forensic accounting. I think this course will be a great enabler for people who want to get involved to do so with credibility, or to change gear in their career, whether within an accounting practice or for members in business who want to focus on something interesting."

He adds that there is high demand in the market for people with forensic accounting skills. Take up of the programme has been strong, with more than 120 people signing up for the first course that ran in March and April, leading to a second course being offered this September. "We definitely see it filling a gap in the Hong Kong market and there is an obvious need for it. It is a very good way for practitioners to start off developing a specialism," he says.

To anyone thinking of taking one of the Institute's specialist training programmes, Pun says they act like a "coat of arms" for practice, signalling a level of ability, seriousness and sincerity in committing to the field. Lee agrees, saying: "These programmes are a reliable and objective yardstick for measuring members' expertise in these specialty areas."

"We were keen to have a programme that would enhance learning, standards and quality in forensic accounting in Hong Kong."

year, it received more than 100 enrolments. Around 70 percent of respondents who completed the post-course survey rated it as being excellent or good.

Forensic accounting

The Institute's Forensics Interest Group launched the Professional Enhancement Programme in Forensic Accounting earlier this year in response to increasing demand for forensic accounting and fraud investigation-related work. It is the first time the Institute has offered a formal programme in forensics.

Norman explains: "We were keen to have a programme that would enhance learning, standards and quality in forensic accounting in Hong Kong. This city is a leading financial centre, and the Institute is a leading accounting association, so the long-term goal is to have our own forensic accounting qualification programme. This introductory course is the beginning of that."

The course is run as eight training sessions, around two hours each. It covers investigations, interviewing witnesses, securing evidence, the technology used in forensic accounting, giving expert witness testimony, and the basic structure of international legal systems where forensic accountants are needed for proceedings. "The course offers an introduction to forensic accounting, not just in terms of accounts and numbers, but we also have two leading


THE FUTURE
THE FINANCIAL CONTROLLER
Kenneth Ho CPA
THE TAX SPECIALIST
Karen Poon FCPA (practising)
THE BUSINESS VALUER
Iky Tang CPA (practising)

SPECIALISTS

THE FORENSIC ACCOUNTANT
Summer Li CPA

THE INSOLVENCY SPECIALIST
Dick Tang CPA

In the second part of the special series, students of the Institute's specialist training programmes tell Jeremy Chan how they have benefitted as professionals and individuals since completing them

Photography by Calvin Sit

If Kenneth Ho CPA had to describe the Hong Kong Institute of CPAs' Financial Controllership Programme (FCP) in one word, it would be "practical." Ho, who completed the programme at the beginning of 2020, values the specialist knowledge he has gained since. He joined the FCP to not only sharpen his existing skills in finance, but to equip himself with the required financial and business acumen to one day take the helm of a company's finance function. "I aspire to become a chief financial officer one day," says Ho, Finance Director at Oracle Systems Hong Kong Ltd. "But there's a lot you need to know before becoming one."

Ho is one of thousands of students who have participated and graduated from the Institute's specialist training programmes, with the goal of expanding their skill set and broadening their career opportunities. Currently, the Institute offers specialist training programmes in financial controllership, insolvency, taxation, business valuation and forensic accounting. The programmes are taught by experienced course directors and facilitators (read more on page 8) and made up of modules that cover key aspects of the specialism in detail. Students complete the programme either through attending all modules or passing a final assessment, after which they will attain a professional diploma in their chosen specialism.

Ho says the FCP's five modules – management competency development, accounting for performance and decision making, strategic finance, risk management and corporate governance, and business ethics – provide professionals like himself with not only technical knowledge, but the necessary foresight and communication skills to be an effective finance leader. One factor that sets the FCP apart is its use of case studies, Ho explains, which help students understand how to apply their knowledge in a real-world scenario. "I remember the lecturer for the accounting for performance and decision making module was fantastic," says Ho. "He wasn't only a CFO, he also worked as a general manager, so the way he approached and discussed problems was very interesting. He shared his experience from both a finance and business owner perspective. He paced the classes well and always gave high-quality answers."

CFOs require knowledge in aspects beyond finance, and Ho says the FCP modules are designed with that in mind. "Within finance is a large spectrum of skills; you need skills in financial reporting, management reporting, treasury, internal control, investment appraisals, fundraising, listing – all kinds of different things. But to be a CFO, you need to know more than just finance," he says. So Ho was thrilled to be given the opportunity to learn from skilled professionals in the field. "In the strategic finance module, a lot of technical knowledge is covered such as bonds, listing, bank loans and how to deal with banks. They also invite speakers from different industries to talk to us about topics such as automation, treasury management and blockchain. The business ethics module covers a lot of other topics in addition to anti-money laundering, such as ethical standards as expected from a finance professional, and laws and regulations in different countries surrounding corruption."

Because classes are often jam-packed with content, Ho urges other students to prepare well before each one. "You can't show up to these classes on a Saturday morning and expect to relax," he laughs. "You really have to read the class materials before the lesson. Given how tight the schedules are, you won't be given extra time in class to read case materials, which are expected to be studied beforehand. Coming unprepared would limit your ability to participate and contribute, which is key for your learning in this course," he says. "You have to give it 100 percent. Participate at the fullest and don't be afraid to speak up and share your views, especially during case studies and workshops."

Ho says the FCP has indeed made him a much more well-rounded finance professional. "The programme gave me a lot of confidence and really refined everything that I've learned from my previous work experiences. It connected all the dots," he says. "One key lesson I learned from the course was that as a finance person, everything you do has to support the overall strategy of a company. In my role now, I'm more involved with the strategic side of things, which involves strategic planning, and the course has been very helpful in that regard."

Forensic accounting

As a young auditor relatively new to the world of forensic accounting, Summer Li CPA knew that participating in the Institute's Professional Enhancement Programme in Forensic Accounting would give her a head start. "I applied for the programme because I'd never really received systematic training in forensic accounting – not in university nor in my career so far," explains Li, a Manager at Alvarez & Marsal (Disputes and Investigations). Li began her career as an auditor at Deloitte where she worked for four years before wanting to explore a different field.

The programme, first offered this year, was held via webinars over five weeks, and covered topics including local and international legal systems, expert witness work, interview and investigation skills and forensic engagement reporting. The webinar on expert witness work was particularly useful, Li says, as it helped to address a specific area she had previously struggled with. "When I first started out at my company, I was assigned to expert witness projects, which was something I knew little about at the time," she explains. "But after attending, I gained a much better understanding on what expert witness work really is, the types of expert witnesses, the differences in their roles, and how to prepare expert witness claims."

The course's speakers, Li adds, were dedicated and conveyed their message or explained concepts through storytelling. "For example, during the expert witness course, one speaker used an interesting story to explain the differences between factual witnesses and expert witnesses," she says.

Since completing the programme, Li has found herself more confident in her everyday role as a forensic accountant. "The course actually taught me how to write an expert witness report, which is something I often have to do as part of my job," she adds. "The programme itself is really comprehensive and provides students with a good overview of what forensic accounting really is. It also covers international and Hong Kong legal systems and how forensic accountants fit into the picture."

She advises future students to allocate time for the webinars and to inform their managers about them ahead of time. "There were eight sessions, around two hours each, and they were all held in the afternoon during work hours. Let your boss know in advance that you'll be doing this course so you don't miss a webinar," she says. "Prepare some questions in advance

"One key lesson I learned from the course was that as a finance person, everything you do has to support the overall strategy of a company."

before the webinar – this way, you'll have a better idea of what you want to get out of it. Lastly, write a short summary after each one. This will allow you to test how much you really understand from each webinar and then revisit any points you are unclear about."

Insolvency

Having worked in restructuring and insolvency for over a decade, taking part in the Institute's Professional Diploma in Insolvency programme was the perfect opportunity for Dick Tang CPA to update his technical skills in the specialism. "I came out to work in 2008, during the global financial crisis, and there was a great need for fresh graduates with insolvency skills to help out," remembers Tang, who for the last two and a half years, has been a Manager at EY-Parthenon's Turnaround and Restructuring team. "But a lot has changed within the last 10 years – business models are becoming more complex as a result of multiple jurisdictions and new economy industries. I felt the need to sharpen my skills in this area and therefore enrolled in this course."

The programme is made of two modules – Module A Liquidation and Personal Insolvency, and Module B Corporate Rescue & Restructuring and Cross-Border Insolvency. Students have to complete both modules before being able to sit for the exam and, upon passing both the paper and presentation, can attain their Professional Diploma in Insolvency.

Tang, who completed the course in 2019, was struck by how in-depth and well-run the programme and its modules were. "I had already worked for some time before joining the programme, and I noticed that it discussed actual issues that I had come across on the job, for example, when it comes to adjudicating creditors' claims." His knowledge on the subject was further reinforced by a tricky question in the final exam. "In the exam, we were told to adjudicate creditors' claims, which involved calculating the dividends creditors are owed," he says. Challenging questions like these are not only helpful, but necessary, notes Tang, as they prepare students for what they will experience at work. "In a real-world situation, we'd usually have weeks or months to adjudicate a claim," he laughs. "But we had to do this – and complete all the other questions – in less than three hours during the exam. Luckily, I completed everything on time."

Tang also appreciated the opportunity to learn not only with fellow accountants, but also with lawyers. "You see accountants gaining more legal knowledge and lawyers being equipped with financial knowledge – all from an insolvency perspective. As an insolvency practitioner, you need to understand different kinds of legislations to deal with different legal issues," he says, adding how there was one workshop where the course director invited seasoned speakers from a reputable law firm. "They gave us a few minutes to prepare for the workshop questions, discuss them with our course mates and then one of us would share our views," adds Tang.

Students should try to open up and make friends at the beginning of the programme, as doing so will provide much needed support. "You'll be able to proactively speak to them about any issues experienced during the course," says Tang. "You'll also have a much better understanding of what you understand so far."

Tang finished the programme with a new outlook on insolvency, and says he is eager to stay in the specialism. "I often look back on what I was taught when I handle real-life cases," he says. "The course has really helped my analytical and communication skills as an insolvency practitioner."

Business valuation

Iky Tang CPA (practising) completed the Institute's Advanced Diploma in Specialist Taxation programme a decade earlier and – knowing how the knowledge she gained still helps today – she had no doubt that enrolling in the Business Valuation Programme would be equally beneficial. She first touched upon the fundamentals and methodologies of business valuations while completing a part-time master's degree in corporate finance at Hong Kong Polytechnic University also a decade ago, and since then, has seen increased demand for valuation expertise in the city. "As an auditor, I realized that demand for independent business valuations was growing and that supply was yet to catch up in Hong Kong," explains Tang, a Director at CNG Partners CPA Limited. "The business valuation landscape has changed a lot within the last 10 years as a result of changing technology, compliance and legal requirements, and increasingly stringent requirements for fair value measurements and disclosures in financial reporting. So I enrolled in this course as a way to update myself on the industry, the latest skill sets and methodologies, and to gain knowledge on the preparation and review of a valuation report."

Tang completed the programme in June and says that all classes, which were held via webinar, were highly informative and insightful. The programme is split into four phases, namely valuation fundamentals, transactions valuation, financial reporting valuation and valuation application. Tang found the final phase's case study, which involved analysing a valuation report, to be particularly helpful. "We were provided with a detailed valuation report, asked to spot deficiencies and note how the report could be improved, all within a set time. This case study helped me to analyse a detailed valuation report and all the assumptions I needed to be aware of," she explains.

Tang highlights the programme's case studies, which she says explains business valuations concepts such as intangible assets, and how they may impact its valuation. "We learned that we need to take into consideration all its intangibles, in addition to its financials, when it comes to the valuation of a company. So, whether the value of the company includes its trademarks, patents, its customer base and relationship with its customers," she says, adding that the course also teaches students how to look at other relevant factors within the entire company itself. "Before taking all of this into account, we learned that one needs to know the company really well, such as its nature of business and its characteristics. We need to understand the company's story, such as the nature of its business, its strategy, and what it does, in order to understand whether the valuation report contains deficiencies and whether it has accounted for factors that are important to both the company and its business."

The comprehensive nature of the course has given Tang more confidence in not only her knowledge of business valuations, but also her abilities as a financial professional. "I recently handled an audit of a client, which involved a property valuation. I was able to discuss with the valuer in detail the purpose of the valuation, their suitability, and knew to ask when they valued the property," says Tang. "I now have a better idea on how to speak with valuers before they finalize the valuation report – and what to look for in those reports," she says.

Taxation

Karen Poon FCPA (practising) first got into tax with the hopes of adding another professional skill to her arsenal. "I had limited exposure to tax when I worked at the Big Four. All I knew was audit," says Poon, Managing Director at Amba Partners CPA Limited, about the year 2015 – the year she first enrolled in a specialist programme in taxation offered by the Institute.

She completed both the programme's International Tax Course and China Tax Course, and attained her Professional Diploma in China Tax that same year. Poon then went on to found her own firm and soon realized that she needed to understand tax from a more local perspective in order to provide her clients a better advisory service. "There had been a few changes in tax laws and regulations in recent years, for example, changes involving transfer pricing, filing requirements and base erosion and profit shifting (BEPS)," she says. "I wanted to stay updated on all of this." So in 2019, she enrolled in the Advanced Hong Kong Tax Course and obtained her Professional Diploma in Hong Kong Tax.

For Poon, the most practical aspect of the programme was the workshops. The guest speakers, who often came from different professional backgrounds, helped students to look at tax from different angles. "We had one speaker from academia and then another from the Big Four," recalls Poon. "Both provided really good real-life examples. For example, they both put a lot of emphasis on corporate tax planning and individual tax planning. The course really reinforced the notion that tax planning can't only be looked at from one angle. We have to look at the whole picture."

Clear and practical examples were key to helping students like Poon understand tricky tax topics, such as BEPS. "I hadn't learned about BEPS before and the speakers shared their knowledge and experience on the topic, for example, how big corporations would shift profits from one entity to another, and how it would be impossible for them to do so in the future," she explains. "Their examples during the lecture made learning about international tax really interesting. It was a combination of theory and story-sharing, and didn't involve too many calculations."

Poon was also grateful to learn among students from different professional backgrounds. "Many of my course mates were part of the internal tax team at multinational corporations or were finance professionals who were seeking to improve their tax planning skills," she says. This led to a diverse set of questions being asked during tutorials and lectures, she adds. "This, in a way, helped me to understand how my clients would think, which I found to be very valuable. I didn't expect to gain this from the course."

Poon has been thrilled to apply her knowledge at work. "Say one client comes to me and asks about a Hong Kong tax problem – now I'll ask whether they have considered their individual tax exposure and also their exposure in their home country, say, in a foreign country. So this is something I learned from the programme. I have a better idea of what's happening in the world of profit shifting and double taxation. Our clients have found this to be very helpful – they didn't expect me to know much or anything at all about initiatives or potential challenges associated with other jurisdictions," she says. "My knowledge from this course has also helped me in my role – I've learned how to look at tax problems from a new perspective."

"I now have a better idea on how to speak with valuers before they finalize the valuation report – and what to look for in those reports."

The Institute offers specialist training programmes in financial controllership, insolvency, taxation, business valuation and forensic accounting. More details on these programmes can be found on the "Specialist Practice Development" section of the Institute's website.

SECOND OPINIONS: HOW CAN COMMON STANDARDS COMBAT GREENWASHING?

This month's contributors of *Second Opinions* include speakers of the Institute's "Race to Zero Webinar series: Taking the Greenwash out of Green Investment Products," in which experts explore the topic of Common Ground Taxonomy and discuss the action needed to mitigate greenwashing as the market for green investment products develops in Hong Kong. The webinar will be held on 19 August. People can register on the Institute's website and the recording will be available later.

CHRIS JOY FCPA
EXECUTIVE DIRECTOR,
STANDARDS AND REGULATION,
THE HONG KONG INSTITUTE OF CPAS

In the past couple of years, business sustainability and green finance initiatives have developed from "nice to haves" to absolutely core elements of business strategy and resilience and corporate reporting. This demand for businesses to give prominence to more and more non-financial aspects in corporate reporting and for financial institutions to provide green financial products has come from a wide range of stakeholders – investors, regulators, governments, and society.

But there still remains a concern, and a threat, that "greenwashing," that is promoting or marketing a company or product as environmentally friendly while in reality it is not, threatens to undermine the efforts of those committed to genuine sustainability objectives and credentials.

The accounting profession can contribute to countering greenwashing in two key areas.

Firstly, support and participate in the current work that is going on to develop a set of globally accepted sustainability standards to facilitate consistent and reliable non-financial reporting. The Institute has expressed clear support for the initiatives of the IFRS Foundation to establish an International Sustainability Standards Board, and locally is engaged with the Green and Sustainable Finance Cross-Agency Steering Group to accelerate the growth of green and sustainable finance in Hong Kong and to embed sustainability reporting into the Hong Kong corporate reporting framework. Consistent and reliable information is what investors want and companies that can meet that demand will benefit.

> "Consistent and reliable information is what investors want and companies that can meet that demand will benefit."

On that theme, the Institute's annual flagship event has been renamed the Best Corporate Governance and ESG Awards, recognizing the increasing importance of good environmental, social and governance (ESG) and sustainability practices and reporting. The awards will recognize those companies and organizations that reflect overall best practices in corporate governance and ESG.

Secondly, accountants have the skills and mindset to develop trust in the green credentials of companies and financial products as trusted professional preparers and providers of information and by way of independent assurance of the provenance of corporate reporting and green financial products.

Since the December 2019 enhancement to the *HKEX ESG Reporting Guide*, Hong Kong-listed companies are encouraged to seek independent assurance for all or part of their ESG reports. To provide practical support, in December 2020 the Institute issued Auditing and Assurance Technical Bulletin 5 *Environmental, Social and Governance (ESG) Assurance Reporting* to assist assurance providers in performing assurance on ESG information in accordance with an established and recognized framework.

ALEXANDRA YEONG
SENIOR DIRECTOR OF INVESTMENT PRODUCTS, SECURITIES AND FUTURES COMMISSION

Climate change is an imminent threat which could have a significant economic and financial impact. Global policymakers, industry participants and investors have stepped up their efforts to address the risks arising from climate change and to help mobilize capital to support the transition to a more sustainable future.

Sustainable investing and ESG products have grown rapidly in recent years, bringing new opportunities but also raising concerns, particularly about the consistency, comparability and the risks of greenwashing. Differing sustainability reporting standards and the lack of standardized terminology to describe sustainability-related products have resulted in inconsistent and, at times, misleading disclosures, which may ultimately undermine investors' confidence in sustainable investing.

One vital effort to promote consistency and comparability in sustainable investing is the use of taxonomies that provide a common language, enabling the industry and investors to identify and classify which activities are considered to be environmentally sustainable. This will help channel investments into sustainable activities and reduce opportunities for greenwashing.

The Green and Sustainable Finance Cross-Agency Steering Group, co-chaired by the Securities and Futures Commission and the Hong Kong Monetary Authority, is working towards adopting the Common Ground Taxonomy being developed by the International Platform on Sustainable Finance Working Group on Taxonomies co-led by China and the European Union.

The Common Ground Taxonomy will provide transparency and consistency for investors and companies by providing a unique and common reference point to define which investments are considered to be environmentally sustainable. For investment products, the Common Ground Taxonomy could be used to identify what falls within the scope of ESG funds or sustainability-related investment products.

"Differing sustainability reporting standards and the lack of standardized terminology to describe sustainability-related products have resulted in inconsistent and, at times, misleading disclosures."

PRASHANT VAZE
SENIOR POLICY FELLOW, CLIMATE BONDS INITIATIVE

There are several motivations for financial actors to develop a green taxonomy. Chief among them is to stop greenwashing, the cynical use of green language for marketing purposes while the underlying fund is itself not so different from its vanilla equivalent. My own organization, Climate Bonds Initiative, was established because of its founders' desire to create a science-based categorization, a "taxonomy" of assets green enough.

To help a country meet the Paris Agreement objectives, organizations started to develop taxonomies. Climate Bonds Initiative's first taxonomy was developed in 2012. This introduced the idea of criteria and thresholds that delineated which assets are green enough, and which are not. In 2014, the People's Bank of China commenced work on the green project catalogue. In 2017, the European Union established a panel of expert advisors who recommended the EU create its own green taxonomy. Fast forward to today and we see a proliferation of taxonomies sprouting up around the world.

This brings us to a second motivation for developing a green taxonomy – to support international capital movement. One thing the world isn't short of is international investors looking for green investment opportunities. But for capital markets to function with little friction, the providers of capital need to feel confident that the issuers of debt in emerging markets are using comparable definitions of "green enough" to meet the needs of their investment mandates.

With this mind, the International Platform on Sustainable Finance Working Group on Taxonomies, a grouping of (currently) 17 countries or regions, under the secretariat of the EU, which includes China, India and Hong Kong, have been working together to develop a Common Ground Taxonomy. This is a detailed comparison of, initially, the EU's and the Chinese most recent taxonomies to identify areas of common ground. It will act as a guide to aid international capital flows as well as a reference for jurisdictions looking to develop taxonomies.

There are substantial network benefits in applying common standards across countries and regions. The Common Ground Taxonomy – once it is published later in the year – could well be a useful next step in unlocking the flows of international capital needed to decarbonize emerging economies. Hong Kong as an important conduit in southeast and east Asia is right to take note.

"Providers of capital need to feel confident that the issuers of debt in emerging markets are using comparable definitions of 'green enough.'"

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Institute survey finds 50 percent of members and QP students optimistic about the Greater Bay Area, and respondents list similar tax rates, job opportunities and medical services as top support measures they would like to see

Hong Kong CPAs and the Greater Bay Area

Hong Kong has an important role to play in the Greater Bay Area (GBA), and the Institute works hard with its partners across the area to promote Hong Kong's accountants as the partners of choice for businesses in the GBA. In 2019, the Institute set up the GBA Committee to lead its engagement in the area, and develop policies to support members.

From May to June, the Institute conducted a survey of members and Qualification Programme (QP) students on their views on the GBA for the GBA Committee. The survey received 221 full responses, of which 166 (75 percent) were from Institute members and 55 (25 percent) from QP students. The survey asked them their opinions about the GBA for Hong Kong CPAs, organizations and their own careers.

Importance of the GBA to CPAs

Respondents were asked how optimistic about the GBA they were for CPAs. Fifty percent were very optimistic or optimistic about the opportunities in the GBA for Hong Kong CPAs. Respondents in senior positions (executives, c-suites, and partners) were the most optimistic, with 60 percent stating they were very optimistic or optimistic about the GBA.

The top three services that respondents thought Hong Kong CPAs can offer the most value by providing were business advisory or consulting services (47 percent), initial public offering advisory (44 percent), and corporate finance services (33 percent).

Importance of the GBA for their organizations

Respondents were also asked how important they thought the GBA would be for their organizations. Forty-six percent thought it would be very important or important. Respondents from the Big Four reported the strongest importance, with 66 percent reporting the GBA to be very important or important.

The top three locations where the opportunities are for organizations are Shenzhen, Guangzhou and Zhuhai, according to respondents. Seventy-six percent of respondents selected Shenzhen as one of the top three locations, and 68 percent selected Guangzhou as one of the top three.

In response to the question on what is needed in order to start or grow and take advantage of the opportunities in the GBA, respondents selected the following as the top three measures: recognition of professional qualifications (45 percent), clarifying policies and regulation (42 percent), and removing barriers to practising in the Mainland (40 percent).

Members in practice and members in business had slightly different top three support measures. For members in practice, removing barriers to practising in the Mainland, recognition of professional qualifications, and simplifying business registration processes and procedures were their top three measures. For members in business, clarifying policies and regulation, recognition of professional qualifications, and simplifying business registration processes and procedures were the most important.

Importance of the GBA to respondents

Finally, respondents were asked about how optimistic they were about the GBA as individuals. Forty-four percent responded they were very optimistic or optimistic, with respondents under 30 the most optimistic at 48 percent.

Forty-eight percent of respondents had lived or worked in the Mainland, or were living or working there at that time. Of those that had not, 61 percent said they would live and work in the Mainland cities of the GBA. Like for their organizations, respondents selected Shenzhen, Guangzhou and Zhuhai as their top three locations for opportunities.

In terms of the support they would like to see in the Mainland, respondents selected similar tax rates to Hong Kong (52 percent), access to job opportunities or talent programmes (45 percent), and access to medical services (32 percent) as the top three measures.

The Institute thanks members and QP students for responding to the survey. These results will be used by the GBA Committee to inform and evolve the Institute's GBA strategy and initiative, which will help members to position themselves in the GBA, seize business opportunities there, and further develop their careers.

"The top three services that respondents thought Hong Kong CPAs can offer the most value by providing were business advisory or consulting services (47 percent), initial public offering advisory (44 percent), and corporate finance services (33 percent)."


We're

Banking on the future

Hong Kong is considered a frontrunner in virtual banking in Asia – and Deniz Güven, Chief Executive Officer of Mox Bank, is playing a part in it. In the last three years, he has helped to build one of the city's leading virtual banks. He tells Jeremy Chan about establishing and growing the bank in a highly competitive landscape

Photography by Leslie Montgomery

To Deniz Güven, Hong Kong is ideal ground for a virtual bank to flourish and succeed. The combination of its high Internet speeds, status as an international and resilient finance centre, and its digitally-savvy, always-on population – who embrace convenience and saving money while consuming – has propelled the city to the upper echelon of virtual banking hubs within the region. "Smart banking is important – it's the future of Hong Kong," says Güven, Chief Executive Officer of Mox Bank.

Indeed, Hong Kong has been pushing for change in the banking sector in recent years. In 2017, the Hong Kong Monetary Authority (HKMA) launched initiatives to begin a "new era of smart banking" by promoting innovation and the application of fintech. One of these was the introduction of new virtual banking licenses for non-traditional financial services providers to enter the banking sector without branches. The HKMA believes that "the development of virtual banks will promote fintech and innovation in Hong Kong and offer a new kind of customer experience. Virtual banks will also promote financial inclusion as they normally target the retail segment, including small- and medium-sized enterprises," according to its website. Mox Bank, created by Standard Chartered in partnership with Hong Kong Telecom (HKT), PCCW, and Trip.com, was one of eight banks granted licenses in 2019.

Mox Bank began its service to the general public in September 2020. Since then, it has signed up about 150,000 customers in 10 months. The COVID-19 pandemic, Güven notes, has been somewhat serendipitous for virtual banks, as it further necessitated a contact-free banking experience. "COVID-19 has presented an opportunity for people to adopt digital services at both the business and customer level," he says.

Still under a year old, Güven appreciates how quickly both the bank and its user base have grown in that short time. "Though it's only been 10 months, more than HK$5.5 billion has been deposited in our virtual bank," he says, adding that the company is working hard to sign up 200,000 customers by the end of the year.

Team and app building

Güven, who was born and raised in Istanbul, Turkey, arrived in Hong Kong in 2018 and took on the role of CEO that same year. Keeping customers happy, all while ensuring the growth of a diverse and talented team and bank, comprises a large part of his role. "My day usually involves solving problems – it could be internal or customer-related ones. I wake up quite early, and the first thing I look at in the morning are the comments on our app on the App Store and Google Play Store – this all happens before I wash my face," says Güven. When he reaches the office in Quarry Bay, he would look through online discussion forums to understand and note down any issues that customers may have experienced while using the banking app, and then use that feedback for future developments. "If the comments are in Cantonese, I'll ask my team to translate them for me."

Güven also has to attend meetings throughout the day. "But," he notes, "if there are serious customer queries or concerns to address, I would postpone a meeting to focus on solving them. This is how I operate."

Hiring the right people and growing his team were challenging at the beginning, says Güven. "We essentially built the team from scratch, so we needed to find the right talent – people with the right knowledge, skills and expertise that we could build upon. I remember starting with two or three people," he recalls. "We now have people who work in compliance, technology, risk, product, customer services, marketing and finance departments."

He also strives to have a diverse and inclusive team at the company. "My main mission is to make sure everyone – regardless of where they are from – is given the chance to work and grow alongside people from all over the world. This creates a knowledgeable talent base," says Güven. "Luckily in Hong Kong, there's a lot of talent. Right now, we have around 190 members of staff from 26 different countries."

With the team on board, came the challenge of building the bank's app. During the initial research and design stage, Güven identified factors such as tedious paperwork, long queues and waiting times as potential pain points that customers still experience when opening traditional bank accounts. With this in mind, Güven knew the sign-up process would be a deal-breaker for potential users. "Two years ago, I spoke to my team and asked them: 'Can we onboard a customer in Hong Kong within three minutes?' And today, our customers are able to do just that with our app." The team designed the sign-up process to require as few steps as possible, and also made sure Mox cards are mailed to new customers within a week of registration.

Güven also works with his team to anticipate any potential risks that would come with launching and operating a virtual bank. This involves adhering to local and international cybersecurity regulations, as it is critical that customers view Mox as a trusted partner when depositing and keeping large sums in their bank. For example, in Hong Kong, virtual banks have to conduct independent assessments of their cybersecurity risks with reference to the HKMA's Cybersecurity Fortification Initiative (CFI). "We are a licensed bank in Hong Kong, so that puts us in the trust business," says Güven.

"We are fully committed to following the rules and guidelines of the CFI, including the Cyber Resilience Assessment Framework, Professional Development Programme and the Cyber Intelligence Sharing Platform – all these standards are applicable to Mox. Before we completed any independent assessments, we made sure we were correctly following all requirements from the HKMA, such as the CFI, the Supervisory Policy Manual and relevant circulars," he notes, adding that the company relies on using cloud technology as opposed to physical servers for increased security and scalability. It also has a "device binding" feature within its app. "This ensures that other users can't just sign into your Mox account using another mobile device. Not every virtual bank implements this feature."

Continued growth

Mox Bank also offers its customers cash rebates or "CashBack" on their spending at its partner merchants across the city, which includes Foodpanda, McDonald's, Circle K convenience stores. With HKT Autopay Switch, their customers can also conveniently switch to paying their HKT bills with Mox Credit to receive a 5 percent CashBack. In April, Mox Bank was the first virtual bank in Hong Kong to launch Mox Credit, which provides customers with the benefits of a regular credit card without the need for a separate card. Mox also introduced a smart new feature called "Flip" on its app, which allows customers to switch between spending from their Mox debit account and Mox credit account using the same Mox card and same card number. Customers can also withdraw money at selected ATMs using their Mox card, track their spending on the app, while earning daily interest.

Another key differentiator between Mox Bank and other virtual banks in the city, is its partnership with its joint venture partners, HKT, PCCW and Trip.com. HKT and PCCW are telecommunications companies that serve over four million residents in Hong Kong. "It's not just about banking, but creating a service in our app along with our partners. This is part of our growth strategy."

This convenience, coupled with the app's ease of use and company's

"Two years ago, I spoke to my team and asked them: 'Can we onboard a customer in Hong Kong within three minutes?' And today, our customers are able to do just that with our app."

At Mox Bank, Deniz Güven is in charge of its team of more than 190 people, overseeing risks and meeting customers' needs.

service offerings, has helped Mox to reach out to a wide age range of users, according to Güven. "Many people who don't understand virtual banks too well may think we only target Gen X, Gen Y and Gen Z customers. We do have a lot of young customers, but the average age of our customers is around 35. Our oldest user is over 90 years old," he says, while pointing at his T-shirt, which reads "Generation Mox" and reflects the bank's diverse customer base. "Generation Mox is ageless – it doesn't matter if you're 18 or 80. As a virtual bank, as long as we can understand our customers' needs and meet them, we're able to attract different age clusters."

The rapid growth of virtual banks such as Mox Bank, Güven adds, can be attributed to how they can serve underserved customers, or those who are unable to meet the monetary income requirements set out by traditional banks. "Some big banks focus on a wide range of customers, but their services may be quite limited," explains Güven.

According to the HKMA's 2018 Guideline on Authorization of Virtual Banks, virtual banks cannot impose minimum account balance requirements nor levy low-balance fees on customers. The lack of reliance on physical ATMs or branches also means that any individual who has a smartphone and an existing bank account is able to open a virtual bank account, securely pay bills and transfer money to friends and relatives from their account on the virtual bank app. "Virtual banks are able to include and help this underserved segment of the economy," he adds. The customer experience and reward schemes that virtual banks offer, combined with Hong Kong's smartphone-equipped population, also make the city a prime spot for virtual banks to capture what has long been an underserved segment, according to *Branching Off: The Outlook for Hong Kong's Virtual Banks*, a 2021 study conducted by consulting company Quinlan & Associates.

Güven says Hong Kong's status as an international finance centre and the HKMA's push for the development of virtual banks have helped to propel the rapid growth of Mox Bank and other virtual banks, and will continue to do so in the years to come. Hong Kong's eight virtual banks currently put it ahead of the curve within Asia Pacific, but more countries are looking to catch up. Singapore awarded four digital banking licenses in December 2020, with the four expected to commence operations in 2022. Malaysia is also expected to issue five licenses next year, after receiving 29 applications during a six-month application period, which came to an end late last month. The Philippines central bank granted two more virtual banking licenses this month, bringing the total number of licenses to three, while Taiwan also granted three licenses in 2019, with the first one to launch in January.

As Güven notes, the city's close

Born and raised in Istanbul, Turkey, Güven came to Hong Kong in 2018. Before that, he worked at Standard Chartered Bank in Singapore and other banks in Turkey including Garanti BBVA, one of the country's largest private banks.

proximity to Mainland China also provides ample opportunity for virtual banks to grow. "Digital banks are going to be a connector," he explains. "They can create interesting levels of interoperability for different businesses, such as ones located in Hong Kong and ones in the Greater Bay Area (GBA). The potential is huge, and I believe Mox Bank can play a big part in this."

The bank, Güven adds, hopes to tap into the Mainland, but it wants to be certain it can appeal to that demographic before doing so. "Our business model is tailored specifically for Hong Kong right now, but the GBA is going to be especially important for us going forward," he says. "There are a lot of factors to take into account, such as the needs of those living there, which are different from those here."

Building from experience

Güven has spent his two-decade-long career working in different banks. He was senior managing director, global head of digital at Standard Chartered Bank in Singapore, before coming to Hong Kong. "In my role in Singapore, I was in charge of 33 different markets and Hong Kong was one of them. That role helped me to understand each market and the needs of different customers," he says. "I had the opportunity to test different banking platforms and solutions and engage with customers from different markets. It was an important learning experience for me."

While Güven was visiting Hong Kong in 2017, the HKMA announced they would help virtual banks by revamping rules to make it more attractive for financial firms to offer services without a physical presence, as part of a series of smart banking initiatives to help

"Digital banks are going to be a connector. They can create interesting levels of interoperability for different businesses, such as ones located in Hong Kong and ones in the Greater Bay Area."

the city capture the opportunities created by the convergence of banking and technology. "Hearing about that made me want to come here. That was the turning point," he adds.

Before Standard Chartered, Güven was at Garanti BBVA, one of Turkey's largest private banks. He was there for more than 10 years, working his way up to senior vice president and head of digital. He helped to launch Garanti BBVA's first virtual bank during his time there in 2013. "My experience at Garanti was like 'virtual banking school' for me," he says. "We created a different brand, used different technologies, hired new people and came up with a new value proposition to attract our target audience in Turkey. So in fact, Mox Bank is the second digital bank that I've built from the ground up in my career."

Being in charge of creating a new service offering was a valuable learning experience. "It was like running a different company under Garanti BBVA. They gave me the chance to run the business, which also meant overseeing its profit and loss statements and balance sheets. I also managed its marketing, customer acquisition and engagement, integration of fintech through collaborations, and the business itself."

The experience ultimately gave him the knowledge and confidence to build and develop Mox Bank. "It was an opportunity to learn from mistakes – I made a few at the start," he remembers. "I learned that it's not about giving a lot of products to customers, but instead, creating services for them through the virtual bank. When we launched the bank, I thought we could launch and evolve products, introduce them to customers and expect them to consume them – but it doesn't work like that. I learned that the hard way, but through that, I was able to create Mox."

Güven also worked at HSBC A.Ş., the group's Turkish subsidiary, and other banks such as QNB Finansbank and Demirbank before Garanti BBVA.

A hunger for knowledge

Güven advises young professionals to remain humble and to learn as much as they can in every company they work for. "They should view their organizations as a library. Whether you work in a traditional or challenger organization, you have vast opportunities to learn from each one. So I try to talk to as many different people and learn as much as I can through them. As a CEO, I still enjoy doing that," he says.

He adds that accountants who wish to step into the field can add value with their financial expertise, but will be expected to have a solid understanding of digital banking. "Virtual banks have different growth strategies and, thus, scale up differently, so CPAs must have a good understanding of these new business models." he says.

Indeed, Güven, who is a keen reader and writer himself, stresses the importance of taking time out to read. "Every weekend, I try to read up on something new and different. This helps me to build upon my multidisciplinary knowledge," he says, adding how this helps him stay up-to-date and helps him in his everyday role. "I've been reading a lot on cloud technologies, regulatory technology, as well as legal tech. I'm also reading a lot about risk – you can't just shift all responsibility to the person in charge, so I'm always learning about how to control and balance opportunities and risks within the organization. It doesn't matter if you're a CEO, board member or chairman of a company – never lose your hunger for knowledge."

Though Güven misses his hometown of Istanbul and his friends there, he appreciates what living and working in Hong Kong has to offer. "At the beginning, I used to miss the food from back home, but there are a lot of Mediterranean restaurants and options here," he says. "I consider Hong Kong to be my second home. I love this place and I love our office too – luckily, we're still allowed to show up and work at an office and collaborate with each other in person. I really enjoy it."

Güven is especially proud to play a key part in the growth of Mox Bank, and its role in driving the city's burgeoning digital banking segment. "It's a bit like taking care of a baby," he laughs. "The fact that we've built something from scratch brings a lot of satisfaction – it's really something priceless."

Combined total deposits of all the virtual banks as of December 2020 was around HK$15.8 billion, representing 0.11 percent of total deposits across the entire banking sector. ZA Bank and Mox Bank had the largest share of deposits among all virtual banks at 38 percent and 33 percent, respectively, according to KPMG's *Hong Kong Banking Report 2021*.

by Roger Lo

The Senior Manager of Risk Advisory, BDO, on what firms and employees can do now to safeguard their digital data

How can firms ensure better information security?

Data protection has become a must for companies of all sizes, especially in recent times. With cyberattacks on the rise, and hackers becoming more sophisticated in their ways, protecting an organization – and its digital information – against potential breaches can sometimes feel like a never-ending game of cat and mouse.

Take ransomware, which is a type of malicious software that hackers have been using since 2013 to hold digital information. Arguably, it hasn't been taken seriously enough in terms of its impact on a company's critical data and IT infrastructure, and has therefore become a top choice of malware for criminals. In 2020, the total amount of ransom paid by the victims reached nearly US$350 million in cryptocurrency. This is a 311 percent increase over 2019, according to a crypto crime report from software company Chainalysis. While there is a lot of money at stake, cyberattacks like these can also take a serious emotional toll on those involved.

So why isn't every company protected? Firstly, protecting a company against a hack is costly. It is labour-intensive to perform a root cause analysis, for example, and assure its whole IT infrastructure is no longer vulnerable. This requires IT security experts, and not every company has one. Then how can we protect data and a company's critical IT infrastructure? While information security will inevitably require investment, it's better to be prepared in the first place, as the benefits will far outweigh the potential damage caused.

Protect against data breaches, and also detect cyber threats

Businesses can develop and implement the appropriate safeguards to limit or contain the impact of a potential cybersecurity event before it takes place. With reference to the United States National Institute of Standards and Technology (NIST) Cybersecurity Framework 800 series, businesses should first have control of and access to their digital and physical assets. They should also have processes, procedures and policies put in place to secure data, maintain baselines of network configurations and operations, and to also repair system components in a timely manner. These controls are not only very useful for large businesses but also those new to information security, such as small- and medium-sized enterprises.

Examples of protection controls include:

- Increasing staff awareness through education and role-based training.
- Ensuring information security protection is consistent with the business' risk strategy to protect the confidentiality, integrity, and availability of information.
- Implementing necessary information protection, processes and procedures to maintain and manage the protection of information systems and assets.
- Protecting business resources through maintenance, which includes remote maintenance activities.
- Using protective technology, and ensuring the security and resilience of systems and assets are consistent with policies and agreements.

Businesses should also implement the appropriate measures to quickly identify data security events. The NIST Cybersecurity Framework also suggests businesses should set up continuous monitoring mechanisms that detect suspicious activity so that other threats to operational continuity are contained. A business should have visibility into its networks to anticipate a data breach incident and have all information and resources at hand to respond to one. Continuous monitoring and threat-hunting are very effective ways to analyse and prevent cyber incidents in the first place.

Examples of protection controls include:

- Ensuring anomalies and events are detected, and that their potential impact is identified by conducting reviews of audit logs on a weekly or more frequent basis. The log should include sensitive data access, including modification and disposal.
- Implementing continuous monitoring capabilities to monitor information security events and verify the effectiveness of protective measures including network and physical activities.
- Ensuring that the company implements recovery planning processes and procedures to restore systems and/or assets affected by information security incidents.
- Implementing improvements based on lessons learned and reviews of existing strategies.
- Internal and external communications are coordinated during and following the recovery from a data security incident.

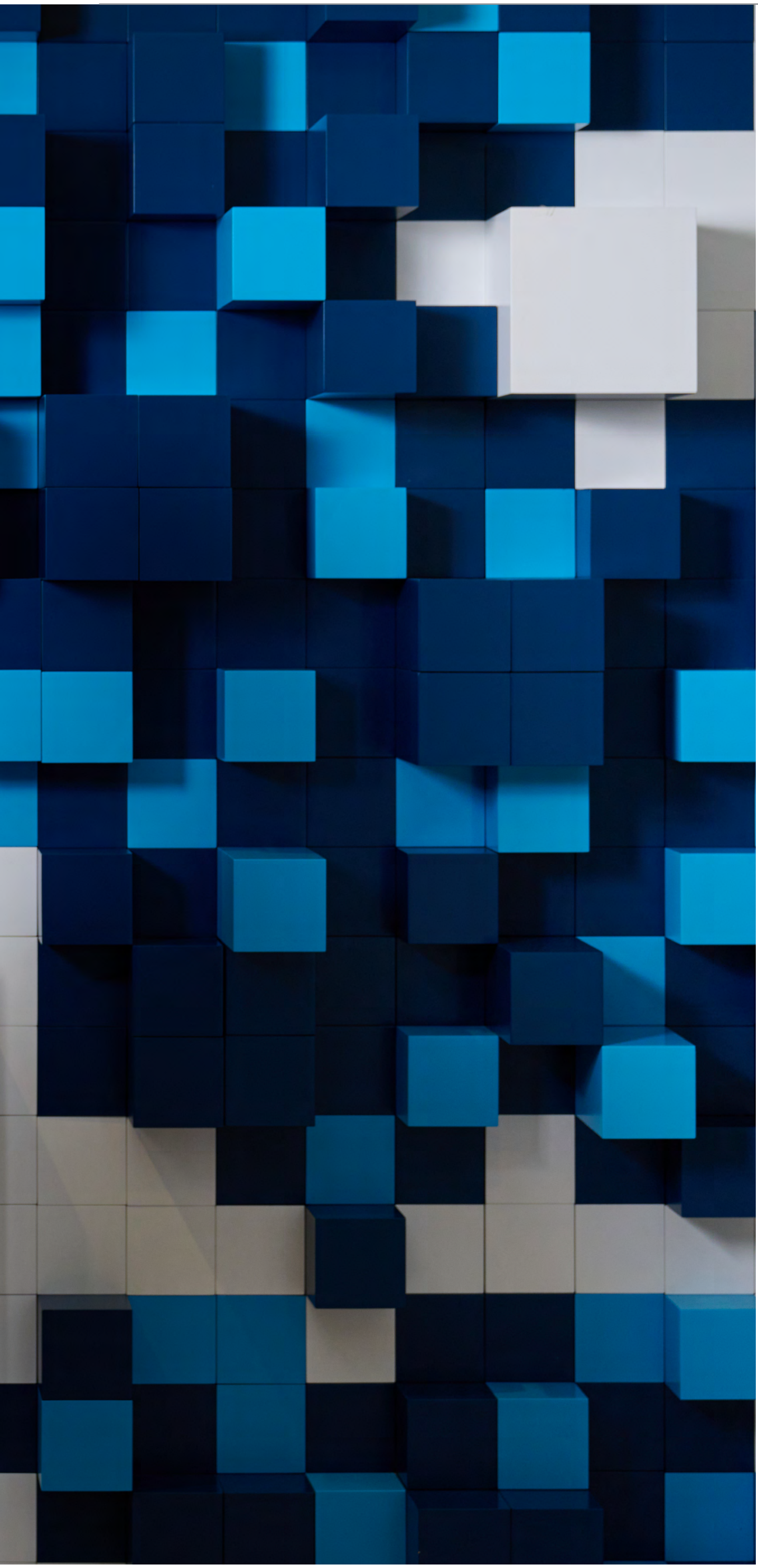
Are you prepared for better information security?

Developing an information security programme is not a one-off effort; it needs to evolve within the ecosystem in which it exists. It is also no longer just an IT issue, as this evolution requires a variety of stakeholders to contribute. For example, accountants, who are domain experts in business, can help to assess IT risks by looking at various business cases and processes. With this assessment, an information security strategy can be established.

But bear in mind that it can be difficult to achieve 100 percent protection, as a determined and skilled hacker can and will eventually compromise a system to a certain extent – especially when firms of all sizes are much more vulnerable with the rapid acceleration of online transactions and digital transformation today. So the most important question is perhaps not "how good is your protection?" but rather, "how much have you prepared for a data breach?"

NiQ Lai FCPA

CONNECTING THE CITY



NiQ Lai FCPA, Co-Owner and Chief Executive Officer of Hong Kong Broadband Network Group, has witnessed how the company's broadband Internet services has benefitted the lives of people across the city, especially during the pandemic. He discusses with Nicky Burridge business expansion, how he overcame setbacks in his career and how his diverse skill set, combined with his unfaltering level of determination, has allowed him to be the leader he is today

Photography by Calvin Sit

NiQ Lai FCPA, Co-Owner and Chief Executive Officer of Hong Kong Broadband Network Group (HKBN), remembers being taken to a public housing estate by the company's founder in the early 2000s. "You could see it was an economically tough environment. There were maybe five people, three generations, living in this less than 500 square foot home – but they had kick-ass broadband from HKBN." He describes the experience as being his "aha moment" when he realized the power of connecting people to the Internet at an affordable price. "We were charging HK$99 a month, the incumbent was charging multiples, which was unaffordable for the family. I thought what we were doing was like teaching people to fish rather than giving them fish. If you have access to the Internet, you can grow and learn your way out of poverty."

HKBN prides itself on being a telecoms disruptor. "In the past two decades, we broke the dominance of the legacy incumbent, bringing top-class fibre

After graduating from the University of Western Australia in Perth, NiQ Lai FCPA joined PwC in Hong Kong as a junior accountant.

infrastructure and the best-value services to families across Hong Kong," says Lai, a member of the Hong Kong Institute of CPAs. He adds that while HKBN started out in the residential market, 80 percent of its business now covers the enterprise segment. "The ultimate test for us is whether Hong Kong is a better place to live because of us. By disrupting the telecoms industry, we have made telecoms services better for all Hongkongers, not just our customers. "Hong Kong has among the best value and the most advanced telecoms services in the world, and we take – in a humbly arrogant way – a large credit for that."

Lai also places a high emphasis on HKBN giving back to the communities it serves. This has been a particular focus during the COVID-19 pandemic, which he explains, has created an "everything from home" era. "It is not merely about working from home; everything is now being done from home: work, school, entertainment and relationships," he says. "Now, imagine if you don't have broadband. We heard stories of children of families in public housing estates asking to borrow their mum's handset to do school work online and they were burning through mobile data."

As a result, in the early weeks of the pandemic, Lai and his management team launched HKBN's #ToughTimesTogether initiative, under which it waived one-month's broadband fee for all of its customers and gave two-years' free broadband to 10,000 disadvantaged families. "We hoped to inspire the rest of Hong Kong to follow suit. Imagine if everyone did their part and you got one month's free groceries, one month's free utilities, one month's fee rent. That is what we were trying to kick off," he adds. Lai describes the reception to the one-month fee waiver as being "phenomenal," having the highest take-up rate for any campaign in its 20-year history.

A telecoms pioneer

HKBN was the first operator in Hong Kong to launch triple-play, namely offering Internet, broadband and Internet protocol television (IPTV) services on a single bill. Lai says HKBN is continuing to evolve, and while other providers are still talking about triple-play, or even quad-play, which includes mobile services, it has already moved into infinite-play. "Infinite-play is offering unlimited services to households

"A CPA qualification is financial literacy, and finance is the language of business. It is the foundation of my career."

that go beyond broadband, mobile and media service, leveraging strategic partnerships to multiply choices for our customers and their family members – and offering much greater value for money. We no longer see ourselves merely as a fibre company. We have an incredible one-in-three households and one-in-two active companies in Hong Kong on a monthly billing relationship, and we can help these households and corporates access any service that makes sense," he explains. "We are looking beyond this, such as connecting retailers directly to our customer base for unlimited goods and services."

One new area that HKBN has recently moved into is online shopping through its HOME+ platform. Lai says: "Hong Kong is a compact place with lots of people living in a small area, so we should enjoy among the cheapest shopping in the world. But in reality, we have to pay a massive retail premium because of high rents and other inefficiencies," he says. "We are doing to retail shopping what we have done to telecoms. A lot of the components are already there. We have access to customers, and we are working with our partner Dah Chong Hong Holdings and other retailers, to create a farm-to-Hongkonger direct model, cutting out as much of the middleman as we can."

Another area it is currently working on is making cybersecurity solutions affordable for retail, and small and medium enterprise customers. HKBN suffered a data breach in 2018, in which the personal data of 380,000 customers was hacked. A year later, it acquired leading systems integrator Jardine OneSolution to boost its cybersecurity service capability across different industries. Lai says: "Cybersecurity is like health. There is nothing more important and it is a fundamental core of business. That became apparent to us when we had our own data breach in 2018. The data breach was a real catalyst to 'change or die' as a business. We came out much stronger not only in our systems, data collection and retention practices, but also awareness training and education for all our talents." He adds that HKBN is now using this experience to help its enterprise customers carry out their own cybersecurity audits and put in place cybersecurity solutions.

A foundation in accounting

Lai was born in East Timor and moved to Australia as a refugee when he was child. He completed a degree in accounting at the University of Western Australia in Perth, but was unable to get a job in Australia, so he moved to Hong Kong, taking up a post as a junior accountant at PwC. "Hong Kong was rocketing at the time. I was doing United States tax returns one-on-one with very senior people working for companies such as McKinsey, IBM and Pepsi. It was a phenomenal chance to talk to senior executives," he says. Keen to progress his career, Lai started going into the office at 7 a.m., 90 minutes before most of his colleagues arrived, so that he could read the *U.S. Master Tax Guide*. "It is boring, technical legal language, but I felt that if I could get to the source of the tax law, then I could do better," he says.

Lai points out that in a large firm like PwC, there are many layers of management between a junior accountant and the partner, and their work normally goes through multiple checks before the partner signs off on it. "What I tried to do was make sure my work was good enough so that I could bypass all of the checks and the partner could sign-off on my work directly. I managed to do this, and it enabled me to have an accelerated promotion." Lai qualified as a CPA in two years. "I wanted to get the qualification as fast as I could. A CPA qualification is an investment in both money and time, but without it, I would not be a CEO today. A CPA qualification is financial literacy, and finance is the language of business. It is the foundation of my career."

One of Lai's clients at PwC was an investment banker, who mentored him and suggested he should consider moving into investment banking. "I was able to make the jump into investment banking because I was a qualified CPA and had an accelerated promotion," he says. Lai joined Sassoon Securities as an analyst. He got into telecoms by luck, as this sector was available after the previous analyst had left. "I was given a desk and a corporate credit card and told to go and write research on the telecoms industry. I had to figure it out for myself. I grew into it and became a specialist." He remembers going to telecoms shops and asking the salespeople questions, as well as reading legal documents about telecom licences. "The key was curiosity. This was in the early 1990s, so you could anticipate a lot of the future industry liberalization changes in Hong Kong by looking at the United Kingdom. The U.K.'s demonopolization of British Telecom was five years ahead of Hong Kong Telecom's (HKT) demonopolization. Back then, Hong Kong was not a global leader, it was a follower. Just by studying what

Hong Kong Broadband Network was the first operator in Hong Kong to launch triple-play, namely offering Internet, broadband and Internet protocol television services on a single bill.

was happening in the U.K., Europe and the U.S., you could guess where Hong Kong was going."

After two years, he was headhunted by investment bank Kleinwort Benson to do utility and telecom equity research. He had not been there long, when what he thought was his dream job came up as manager, strategic planning, at Cable & Wireless (C&W), which later became HKT. He applied for the post even though it meant taking a 50 percent pay cut. But it turned out to be a bad fit. "It took me three months to get past probation and three months to resign," he remembers. Even so, he still considers his time at C&W to have been a valuable experience, giving him an insight into how a large multinational corporation operated.

After C&W, he took up a role at Credit Suisse as head of Asia Telecom Research, where he stayed for eight years. "After university, I had four jobs in my first six years. I was trying to figure out my life and what I wanted to do, so I jumped around from small companies to large ones. Then I started to settle down. Credit Suisse was incredible. My role allowed me to access a wide range of CEOs in the best- and worst-run telecoms companies around the world. You can learn from other people's success and other people's failures," he says.

> "My role allowed me to access a wide range of CEOs in the best- and worst-run telecoms companies around the world. You can learn from other people's success and other people's failures."

Lai joined HKBN 17 years ago, this time taking an 80 percent pay cut. He explains: "My job satisfaction is far more important than the financial return, which will come over time. By then, I had the benefit of a decade's worth of research. I was older and more mature. I could see the company was dynamic and I was in a relatively more senior position in a smaller company, so I had more influence and could help to shape it."

He started as business development director, a role that he describes as being assistant to the chairman. Over time, he became more involved in operations, becoming chief financial officer, chief talent and financial officer, chief operating officer, and then Group CEO in 2018. During this time, he has seen the company evolve from having revenue of HK$2 billion in 2012, at the time of its management buyout, to about HK$12 billion today. "My responsibilities have grown with the company," he says.

Aligning interests

Lai likens his role as CEO to being the coxswain of a dragon boat. "On a dragon boat, everyone has to row at the same pace and with the same intensity or you go in circles." The key to achieving this outcome, he says, is aligning the interests of HKBN's 5,500 employees with those of the company, and ensuring they have access to the tools and resources they need to make an impact and drive transformation, filling any holes through mergers and acquisitions and raising capital when necessary. "If we do this, magic will naturally happen. At HKBN, we run a company based on fewer rules and far more alignment," he says.

He also places a high emphasis on developing talent. "Everything we do can be copied. Other companies can easily buy the same equipment that we have, but it is incredibly difficult to copy our culture and our people," he says. Lai sees the biggest challenge of his role as balancing the company's long-term needs, such as making infrastructure investments, with the short-term demands of stakeholders, who are focused on the share price or other short-term key performance indicators. He points out that it took seven years of negative cashflow after the company was first listed to build up its own fibre network, which is the foundation of its business today. "It is about alignment. When I talk about having the right people in the dragon boat, it is not just about our talent, but also getting the right stakeholders as well."

He says the most rewarding aspect of his role is seeing distributed success, whether this is through wealth creation for colleagues and stakeholders, or better service for consumers and businesses in Hong Kong.

Lai places a strong emphasis on the well-being of employees at HKBN. He dislikes the term "work-life balance," pointing out that work comes in front of life, and it is unlikely that anyone will find the perfect balance. "In our company, we have a LIFE-work priority. "LIFE" comes ahead of "work." We work around 40 days less each year than a normal company in Hong Kong, an early Friday off every month, flexible hours, and lots of leave," he says. "But we are far more serious about our purpose for work, and we measure results, rather than the number of hours worked." When he is not working himself, Lai enjoys playing tennis. "I wanted to be a professional tennis player when I was young. I wasn't very good at it, so I became a CPA instead, but I still play. I'm socially competitive," he says.

Prior to joining Hong Kong Broadband Network, Lai worked at Cable & Wireless (now HKT) and Credit Suisse, where he was head of Asia Telecom Research.

Investing in Asian high-yield bond markets

The Asian bond market is poised for rapid growth in the coming decade. In an e-learning course, Alex Chow guides participants to identify and invest in Asian bonds

Alex Chow has extensive experience in financial markets and asset management. He works as an investment manager in a Hong Kong-based hedge fund company. Prior to joining this company, He worked with several Hong Kong-listed companies that focus on real estate projects and hedge fund investments. Chow graduated from The Chinese University of Hong Kong with major in Quantitative Finance and is a Chartered Financial Analyst, Certified Financial Risk Manager and a member of Hong Kong Mensa.

The world has been living with low interest rates for over a decade, and it is expected that low-yield environments will continue to persist, at least in developed markets. Investing in Asian high-yield bond markets could be a way out during an uncertain environment, especially for investors who wish to generate stable income and preserve their purchasing power.

Asian high-yield bond issuers generally receive less scrutiny from market participants, including credit rating agencies and investment managers. As such, pricing inefficiencies will exist in the Asian high-yield bond market from time-to-time. In the past decade, the Asian high-yield bond market has had a significantly shorter average duration than global investment grades and United States and European high-yield markets. Asian high-yield bond markets provide a way for investors to achieve returns and lower their portfolio duration at the same time.

When it comes to Asian high-yield bonds, many investors are concerned about the default risks involving Chinese companies, but they need to keep in mind that Mainland China is the world's third largest bond market and is still growing. With the commencement of the Bond Connect between Hong Kong and Mainland China, the Asian high-yield bond market could be assessed by more investors in the future. For investors who want to capture pricing inefficiencies in the market, the ability to accurately assess the credit quality of Asian high-yield issuers is the key to successfully investing in such bonds.

Constructing an Asian high-yield bond portfolio

In order to construct an optimal portfolio with increased returns in the Asian high-yield market, investors could begin with a top-down assessment of the corporate bond market, including a consideration of macroeconomic conditions, corporate earnings, relative valuations and expectations of future default rates. Investors could also focus on sector positioning. Different sectors perform differently in different economic cycles and sector rotations generally take place as market views of the economic cycle change. Accurate sector positioning could potentially provide investors with increased returns.

After assessing the macroeconomic environment, the next step is to conduct fundamental credit research. Asset managers usually analyse the issuer's financial statements in an effort to understand whether its capital structure is suitable for the risk entailed in its business. They understand the issuer management's intentions, in terms of business development and capital structure, and their ability to execute their plans. Asset managers will also view and decide the allocation to credit ratings as inherent to the fundamental credit analysis, as Asian high-yield bond market credits may have ratings that do not properly reflect their true credit quality.

A typical portfolio is constructed with a sector allocation that focuses on Asian high-yield market credit with at least 30 bond issuers. Investors should also strive for the portfolio to be well-diversified at both issuer and industry levels. After constructing the bond portfolio, investors should continually review existing holdings, including the monitoring of market risk, duration and volatility, and credit risk.

By using a value-driven, disciplined and diversified approach, investing in the Asian high-yield bond market can potentially provide investors with increased yields with limited volatility throughout market cycles and less duration risk than the broader Asian bond market. I believe one of the most attractive features of the Asian bond market is that it tests an investor's ability to use diligent fundamental research to identify issuers with the credit metrics that provide additional yields to investors.

About the e-learning course

In an e-learning course entitled "Harnessing Asian Bond Market," I share my investment experience to help participants learn more about investing in Asian bond markets. The course will benefit CPAs who would like to increase their understanding of the characteristics of Asian bonds and the strategies for investing in them. A better understanding of bond mechanisms can also benefit chief financial officers of listed companies, who may use this new knowledge to tap into Asian high-yield bond markets. The course will guide participants to identify and invest in Asian bonds through opportunities in the fixed income securities spectrum. Growing market liquidity, higher potential returns and diversification opportunities will encourage more investors to allocate their assets to Asian high-yield bond markets, which is an important asset class that we cannot ignore.

Accounting for share options granted by holding companies to employees of subsidiaries

Findings from the Institute's practice review programme

The Practice Review Committee is a statutory committee responsible for exercising the powers and duties given to the Hong Kong Institute of CPAs as the regulator of auditors in Hong Kong under the Professional Accountants Ordinance. From time to time, the committee becomes aware of matters arising from the practice review programme carried out by the Institute's Quality Assurance department that warrant further communication with members. This article sets out some matters concerning the accounting for share options granted by holding companies to purchase their own shares to employees of subsidiaries for their services provided to the subsidiaries (referred to as "defined share options" below).

The Institute's practice reviewers have encountered a number of cases recently where subsidiaries recognized in their separate financial statements share-based payments arising from defined share options by reference to the values of those options advised by holding companies without giving due consideration to the requirements under Hong Kong Financial Reporting Standard (HKFRS) 2 *Share-Based Payment*. In this regard, we wish to highlight two particular aspects that have commonly been overlooked when determining the appropriate accounting for the relevant share-based payments and related matters.

Obligations to settle the share-based payments

According to paragraph 43B of HKFRS 2, the way that the subsidiaries should classify the share-based payments resulting from defined share options granted should depend on whether the subsidiaries have obligations to settle the related share-based transactions. If they do not, they should classify the related share-based transactions as equity-settled transactions. Otherwise, they should classify the related share-based transactions as cash-settled transactions.

The key difference between the two classification is that, unlike cash-settled transactions of which the liabilities are required to be remeasured at each year end until settlement, equity-settled transactions are recognized based on the grant date fair value of the equity instruments. For equity-settled share-based payment, the value of the grant is not subsequently remeasured, although adjustments may be made to reflect the number of equity instruments that is estimated to ultimately vest due to changes to non-market vesting conditions.

Intragroup repayment arrangements do not necessarily indicate obligations to settle the share-based payments by the subsidiaries. Such arrangements are therefore separate issues and should not affect how the subsidiaries should classify the related share-based payments under HKFRS 2.

Given the obligation to settle the related share-based transactions would be the key decision factor to determine the classification and therefore the amount of cost recognized in a particular case, a careful review of the relevant agreements and obtaining sufficient appropriate evidence to ascertain which party has the obligation to settle the share-based transaction is important to adequately support the appropriateness of the classification of the transaction in the separate financial statements of the subsidiaries.

Intragroup repayment arrangements

Although group share-based payments are within its scope, HKFRS 2 does not give specific guidance on how to deal with intragroup repayment arrangements. Public literature, including a previous International Accounting Standards Board staff paper, *Timing of the Recognition of Intercompany Recharges*, identified a number of possible approaches to the accounting for such arrangements and those approaches could result in significant differences in the timing of recognition and, probably, measurement of such arrangements.

One approach identified is the "linked transaction" approach whereby the recognition of the recharge is linked with the share-based arrangement as the recharged amount recognized is based on the share-based payment arrangement. Under this approach and taking a group share-based payment arrangement that is classified as equity-settled as an example, (a) the recharge transaction from the holding company is accounted for as a separate transaction from the share-based payment transaction and (b) the recharge is recognized as a liability to the holding company with a corresponding debit to equity as contribution from the holding company. Another approach identified is the "liabilities" approach whereby the recharge is recognized when the subsidiaries have a present obligation to recognize the recharge under Hong Kong Accounting Standard 37 *Provisions, Contingent Liabilities and Contingent Assets*, which might not be until all the vesting conditions have been satisfied and it is probable that the employees would exercise the options. There are also other approaches that are considered less common.

Given the diversity of accounting treatments, disclosure of the particular accounting policies adopted and, if applicable, the judgment involved, in arriving at one particular accounting treatment of the repayment transaction is important to enable financial statements users to appreciate the financial impact arising from the share-based payments and the recharge and their interaction, including the net financial effect.

The Quality Assurance department will continue to monitor the application of professional standards through its practice review programme and regularly bring to members' attention on issues identified to help improve audit practices in Hong Kong.

This article was contributed by the Institute's Quality Assurance department.

Impact of the Inland Revenue (Amendment) (Miscellaneous Provisions) Ordinance on tax practitioners

A look at the Institute's response to the bill and the new penalty provisions

The Inland Revenue (Amendment) (Miscellaneous Provisions) Ordinance 2021 (the ordinance) was gazetted on 11 June and took effect immediately after being passed by the Legislative Council on 2 June.

Despite its innocuous-sounding title, the ordinance contains a number of substantive amendments to the Inland Revenue Ordinance (Cap. 112) (IRO), including the tax treatment for the amalgamation of companies under the court-free procedures; the tax treatment for the transfer or succession of specified assets under certain circumstances; enhancing the statutory framework for the filing of tax returns electronically (e-filing); and the deduction of foreign tax under specified circumstances.

A Legislative Council Bills Committee was set up to review the bill and submissions on it were made by the Institute, the Joint Liaison Committee on Taxation, the Taxation Institute of Hong Kong, Deloitte Advisory (Hong Kong) Ltd. and PricewaterhouseCoopers Ltd.

During the Bills Committee stage, the administration responded to the points raised in the initial stakeholder submissions, in a letter sent to the Bills Committee (admin's first response). Due to continuing concerns, in particular about the provisions relating to e-filing and associated offences, the Institute subsequently issued a second submission. The administration then wrote to the Bills Committee responding to this (admin's second response). The Institute's first submission, issued on 29 April (April submission) and second submission, issued on 12 May (May submission) can be found on the Institute's website (under Thought leadership > Professional representation). All the stakeholder submissions and the administration's responses are also on the Legislative Council's website at *www.legco.gov.hk/yr20-21/english/bc/bc07/general/bc07.htm*.

Members of the Institute who act as tax representatives (TaxReps) should study the changes to the IRO introduced by the ordinance, particularly in relation to the offences that could be applicable to TaxReps in the context of e-filing. To give members a "heads up," this article discusses these new penalty provisions.

Electronic filing

The Inland Revenue Department (IRD) is following a two-phase project on e-filing of profits tax returns. The first phase is to enhance the existing eTax Portal in 2023 to enable more businesses to voluntarily e-file profits tax returns, together with the financial statements and tax computations. The second phase is to develop a new Business Tax Portal by 2025 for e-filing of profits tax returns, with the ultimate goal of implementing mandatory e-filing.

While the Institute's Taxation Faculty Executive Committee (TFEC) was generally in support of the main aims of the bill, the TFEC had some specific concerns regarding some of the detailed provisions, particularly on e-filing.

Among other things, the bill introduced the concept of a "service provider" (SP), who could be engaged by a taxpayer to furnish a return, as required under section 51(1) of the IRO, on behalf of the taxpayer. It created several offences that may be applicable to SPs. These follow:

When an SP is engaged by taxpayer to furnish a return for or on behalf of the taxpayer, the SP, without reasonable excuse:

(i) Fails to furnish a return for or on behalf of the taxpayer (new section 80K(2) of the IRO).
(ii) Fails to obtain a confirmation from the taxpayer (in a form specified by the Commissioner of Inland Revenue (CIR)) that the information contained in the return is correct and complete to the best of the taxpayer's knowledge and belief, before furnishing the return; or fails to retain the above confirmation for a period of not less than seven years after furnishing the return (new section 80K(3)).
(iii) Furnishes the return for or on behalf of the taxpayer, but not in accordance with the information provided, or the instructions given, by the taxpayer to the SP, and the return so furnished is incorrect in a material particular (whether or not because any information is omitted from the return) (new section 80K(4)).

While there may be a temptation to regard the sanctions as not being very severe (i.e. a fine at level 3, which is currently HK$10,000), TaxReps should not take these offences lightly as they carry a criminal conviction, which could have reputational and other implications.

Role of the service provider

The TFEC expressed various concerns about these provisions, particularly given that there has yet to be detailed discussion or consultation with the market on the design or operation of the future e-filing system.

Firstly, the TFEC noted that role of an SP was not clear in the bill. The Institute's April submission asked whether the key roles of an SP would be e-signing and submitting a return and supporting documents, or whether it was envisaged that an SP would perform all the roles currently played by a TaxRep in relation to paper returns. Addressing this issue, the admin's first response clarified that the role of an SP under the law would relate only to the act of signing the return.

The circumstances in which an SP could be engaged were also not clear.

For example, the TFEC and some other stakeholders asked whether this statutory arrangement could be implemented in the context of the existing system for filing paper returns. In this regard, it was felt that there was no need to change the current arrangements for filing paper returns, as these have been operating for many years without any significant problems. It was somewhat surprising, therefore, that the admin's second response stated that the current intention was to allow a taxpayer to engage an SP, irrespective of the mode in which a return is furnished (i.e. paper, electronic or mixed). It should be pointed out, however, that this cannot happen immediately as, under the new section 51AAD(1) introduced by the bill, the situation where a taxpayer may engage an SP to furnish a return should be a case specified by the CIR. It is not known at this stage what circumstances will be specified by the CIR as those cases where an SP may be engaged.

Penalty provisions

As mentioned above, the penalty provisions in relation to SPs were of particular concern to TFEC members. Under the existing regime, generally, TaxReps may face penalties only if they, e.g. aid, abet or incite another person to commit an offence, as set out under section 80(4). The Institute's April submission pointed out that, in principle, changing to an e-filing system merely changes the mode of submission and should not lead to a different penalty exposure.

Even though, under the new section 51AAD(5), it is made clear that engaging an SP does not relieve the taxpayer of the obligation to furnish a return under section 51(1), as indicated above, under the new section 80K(2), an SP engaged by taxpayer to furnish a return will commit an offence if, without reasonable excuse, the SP fails to furnish a return for or on behalf of the taxpayer. The Institute argued that it could confuse responsibilities of the taxpayer and the SP to impose a penalty on an SP for failing to comply with an obligation which currently is, and which will remain, fundamentally a taxpayer's obligation. The duty that a TaxRep owes to a taxpayer is primarily a contractual duty, which depends on the terms of engagement, and, as the Institute's April submission noted, this is the way in which it continues to be viewed in many other jurisdictions where e-filing is more advanced than in Hong Kong.

With regards to the offence under the new section 80K(4), referred to above, this too would appear to create an offence for a possible breach of a contractual duty owed by the SP to the taxpayer, for which the normal remedy would be a civil claim. Prima facie, it would seem harsh to create a criminal offence for a situation where, for example, an SP may have made an inadvertent mistake which may not even amount to a serious case of professional negligence. Yet, in practice, this could happen under the IRO as amended. This provision could also put TaxReps in a disadvantageous position in the unfortunate event of a dispute with the taxpayer.

The admin's first response stated that, as an SP is engaged to perform a "statutory act," i.e. furnish a return on behalf of taxpayer, if the SP fails to do so, or does not do so in accordance with the information provided or instructions given by the taxpayer, and the return is materially incorrect, it is reasonable to impose a penalty on the SP to protect the interests of the taxpayer. The Institute's May submission reiterated that there is no statutory obligation on the SP to furnish a return, whereas a "statutory act" is not a commonly used term and its implications are unclear. Meanwhile, as regards protecting the interests of the taxpayer, the Institute's view is that section 80(2) already protects the interests of a taxpayer who fails to furnish a tax return, where the taxpayer has a reasonable excuse for not doing so.

The new section 80K(3) provides that an SP commits an offence if, without reasonable excuse, the SP fails to obtain an appropriate confirmation from the taxpayer. The Institute's April submission pointed out that, if the TaxRep is unable to obtain the taxpayer's confirmation by the tax filing deadline, perhaps because of a delay on the part of the taxpayer, who may be overseas, the TaxRep will face a dilemma whether or not to file the return, as he/she would be at risk of committing an offence either way. This is because he/she may either have to file the return without the necessary confirmation from the taxpayer, or not file the return at all. In the final analysis, the TaxRep may feel that the only practical solution is to resign. This would appear to impose an undue burden on TaxReps and could discourage professionals from taking up this role.

In its first response, the administration pointed to the existing provisions of the IRO allowing for other types of SPs to be engaged, which, they indicated had been operating smoothly for some time without any problem. These relate to persons who may be (i) engaged to assist financial institutions with their reporting obligations in relation to foreign account holders, under section 50H, or (ii) engaged to assist multinational companies with their country-by-country reporting, in relation to the transfer pricing provisions, under section 58M. These provisions have been in effect for two to three years.

On this point, the Institute's May submission highlighted that, these types of SPs are likely to be more sophisticated than many ordinary TaxReps carrying out regular tax compliance work, and that the offences relating to filing materially incorrect information applicable to these kinds of SPs (under sections 80D and 80H) generally require wilful or reckless behaviour to be established on the part of the SP. However, many SPs who will be submitting tax returns on behalf of taxpayers under the new provisions will be small- and medium-sized practices performing regular tax compliance work. For these SPs, the proposed offences are broadly defined and require no mens rea or intention (e.g. wilful or reckless behaviour) to be established on the part of the SP.

The admin's second response indicated that, if the failure to furnish a tax return is solely caused by the SP, the taxpayer may have a reasonable excuse for the failure. In such case, and in the absence of the proposed section 80K(2), an undesirable outcome may ensue with no one being held accountable. Therefore, it is reasonable to impose a sanction on the SP.

However, the Institute has reservations about the premise that, if an incorrect return is submitted to the IRD and the taxpayer has a reasonable excuse, there is need to hold someone criminally liable. This is not the situation under the current system, which, as noted above, has been operating for a long time without significant problems.

With regards to a possible way of resolving the concerns over the penalty provisions, the Institute's May submission proposed that certain offences applicable to SPs be dropped from the bill, or, if not that, then at least be amended so that higher thresholds for prosecution, i.e. wilful or reckless behaviour on the part of the SP, would need to be established.

Implementation of e-filing

Turning to the implementation plan for the e-filing system, the admin's second response indicated that, before the implementation of mandatory e-filing, the IRD will gauge views from stakeholders and consider the actual situation, including whether taxpayers and tax practitioners have sufficient time to get familiar with the new e-filing mechanism. The Legislative Council will be consulted again on the implementation plan if and when it has been decided to make e-filing mandatory. A Gazette notice, which is subject to negative vetting by the legislature, will need to be made by the CIR on the class(es) or description(s) of persons who must furnish their tax returns by e-filing.

Conclusions

The Institute was disappointed to note that, ultimately, no changes were made to the relevant provisions of the bill before it was passed. We remain concerned that some of the offences applicable to SPs under the ordinance, as it now is, will confuse the roles and responsibilities under the IRO and may disadvantage a TaxRep in the event of a dispute with a client.

TaxReps are advised to review these new provisions in the IRO, consider the possible implications on their future work, and take necessary precautions to minimize the danger of falling foul of the law and incurring criminal liability. Once the circumstances in which a taxpayer may engage an SP under the new regime are specified, TaxReps may, for example, wish to consider whether the taxpayer should be asked to submit the final return after all the work on it has been completed. This would not be ideal and not how we would expect to see a modern e-filing system operate, but nevertheless it may be a prudent precaution for TaxReps to consider. This is because, as indicated above, the admin's first response confirmed that only the person who furnishes (i.e. signs) the tax return on behalf of the taxpayer will be treated as the SP. A person engaged by a taxpayer just to undertake preparatory work, such as preparing profits tax computations and other supporting documents, filling in the return form, etc. is not an SP for the purpose of section 51AAD(8), unless he or she also furnishes the tax return on behalf of the taxpayer.

With regard to how the new regime might work in the context of paper returns, or mixed paper and electronic returns, this is unclear since, in the current system of paper returns, there is no provision for TaxReps to sign the return on behalf of the taxpayer and, in most cases, no reason why they should want to take this on in future in view of the possible risks.

Given the concerns outlined in this article, we were pleased to note, from the comments of the Assistant Commissioner at the Institute's annual taxation update conference, held on 24 July, that the IRD is aware of the need to provide greater certainty for practitioners. It seems that the department plans to issue more guidance on how these provisions will be implemented, probably in the form of a departmental interpretation and practice note, and is also willing to listen to further views from stakeholders as to what kind of guidance may be required. To allay the concerns, this should be done as soon as possible.

This article was contributed by the Institute's Advocacy and Practice Development.

TECHNICAL NEWS

The latest standards and technical developments

Members' handbook

Update no. 263 amends the *Code of Ethics for Professional Accountants* (code) to:

- Reflect *Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants* in Chapter A that will become effective on 31 December 2021. Early adoption is permitted.
- Revise Part 4B in Chapter A of the code to reflect terms and concepts used in Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.*
- Revise paragraph 400.71 of Section 400 in Chapter C.

Issues *Revisions to the Non-Assurance Services Provisions of the Code*. The revisions aim to enhance the independence standards by clarifying and addressing the circumstances in which firms and network firms may or may not provide a non-assurance service (NAS) to an audit or assurance client. The revised provisions include new requirements that expressly prohibit firms and network firms from providing certain types of NAS to their audit clients, especially when they are public interest entities (PIEs).

Issues *Revisions to the Fee-Related Provisions of the Code*. They include a prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client; in the case of PIEs, a requirement to cease to act as auditor if fee dependency on the audit client continues beyond a specified period; communication of fee-related information to those charged with governance and to the public to assist their judgements about auditor independence; and enhanced guidance on identifying, evaluating and addressing threats to independence.

Financial reporting

Institute workshops on HKFRS 17 *Insurance Contracts*

The Institute will hold a series of face-to-face full day workshops in August for professionals who have acquired an understanding of the basic principles of Hong Kong Financial Reporting Standard (HKFRS) 17 *Insurance Contracts* and now wish to develop a working knowledge of the standard:

- 26 August: Life insurance: Deep dive application – Contractual service margin (CSM) calculation, expense allocation, highlights of the June 2020 amendments, and practical insights.
- 30 August: General insurance: Deep dive application – CSM calculation, expense allocation, and application examples.
- 31 August: General insurance: Reinsurance, interaction with other standards, presentation and disclosures, highlights of the June 2020 amendments, and practical insights.

Institute webcast on impairment post-HKFRS 16

A recording of the webcast on impairment post-HKFRS 16 *Leases* is now available on the Institute's YouTube channel. The webcast addresses the following commonly asked questions:

- Can all the legacy operating lease payments continue to be included in the value in use calculation post-HKFRS 16?
- What discount rate should be used in determining the recoverable amount of the cash-generating unit (CGU)?
- Should the lease liability be included in the carrying amount and/or the recoverable amount of the CGU for impairment test purposes?
- What other considerations should an entity be aware of?

IASB Exposure Draft *Management Commentary*

Members may be interested in the following recordings concerning the International Accounting Standards Board (IASB) Exposure Draft ED/2021/6 *Management Commentary*, which sets out a proposed comprehensive framework for companies preparing management commentary in response to investors and creditors' changing information needs and developments in narrative reporting.

- IASB webinar on the overview of the project and proposals. The recording will be available on the IASB's YouTube channel afterwards.
- IASB, European Accounting Association, and the European Financial Reporting Advisory Group virtual research workshop recording.

Members can submit comments on the exposure draft to the Institute by 8 October.

IASB webinar on Request for Information *Third Agenda Consultation*

The IASB webinar on 14 July on the Request for Information *Third Agenda Consultation*, gave an overview of the agenda consultation. The recording will be available on the IASB's YouTube channel afterwards. Members can also submit comments to the Institute by 10 August.

IASB second webinar recording on the Exposure Draft *Disclosure Requirements in IFRS Standards – A Pilot Approach*

A recording is now available for the second webinar held by the IASB on Exposure Draft ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach*. The webinar featured a question and answer session with board members and explored particular aspects of the proposed new approach to developing disclosure requirements in International Financial Reporting Standards (IFRS), such as the application of judgement, comparability, auditability and enforceability and digital reporting. Members can submit their comments on the exposure draft to the Institute by 31 August.

June IASB update and podcast

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

Interview with the new Chair of the IASB

Andreas Barckow, the new Chair of the IASB, talks about his experience at the IFRS Foundation so far and his priorities for the next few years as he takes over from Hans Hoogervorst. Read the full interview at *www.ifrs.org.*

June IFRS Interpretations Committee update
The *June IFRS Interpretations Committee Update* newsletter, summarizing the decisions reached by the committee, is now available.

June IFRS for SMEs update
The *June IFRS for SMEs Update* newsletter, providing a summary of news, events, and other information about the *IFRS for SMEs* standard and related SME activities, is now available.

Auditing and assurance

IAASB webinars on quality management standards
The International Auditing and Assurance Standards Board (IAASB) and the International Federation of Accountants (IFAC) will hold a series of webinars on International Standard on Quality Management (ISQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* via Zoom, including question and answer sessions. Recordings will be available on the IAASB's YouTube channel afterwards. Register now for sessions on 5 August and 18 August.

IAASB new quality management implementation guide
The IAASB released two first time implementation guides to help stakeholders implement its suite of quality management standards:
- ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements.*
- ISQM 2 *Engagement Quality Reviews.*

The IAASB also plans to issue an implementation guide for International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*, in Q3 this year.

The standards will come into effect on 15 December 2022.

IAASB June board meeting
The audio recording of the IAASB June board meeting is now available.

The state of play in sustainability assurance
A study from the IFAC, the American Institute of CPAs and the Chartered Institute of Management Accountants analyses the extent to which companies are reporting and obtaining assurance of their sustainability disclosures, which assurance standards are being used, and which companies are providing assurance services.

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:
- Webinar recording on ISA 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement* explores different starting points of implementation; changes to methodology and practical implementation challenges.
- Webinar recording on ISA 540 (Revised) *Auditing of Accounting Estimates and Related Disclosures* discusses required changes for the audit of accounting estimates and practical implementation tips in the 2020/2021 reporting environment.
- Webinar recording on quality management in audit firms discusses the new requirements; how firms can be proactive and practical implementation issues.
- The June *Audit & Beyond* on technical articles such as fraud and COVID-19 support; improving audit files and quality management.

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

Value of the audit
A foundational paper by the Centre for Audit Quality explores the historical importance of the audit in well-functioning capital markets, examines independence and expertise as the two key cornerstones of audit quality, and describes how independent public company auditors can apply their skills and knowledge to meet growing investor demand for company-reported information outside of the historical financial statements.

Ethics

IESBA webinars on revisions to the code of ethics
Watch the International Ethics Standards Board for Accountants' (IESBA) webinar recordings on the revised non-assurance services provisions and revised fee-related provisions to the *International Code of Ethics for Professional Accountants (Including International Independence Standards)* that will come into effect in December 2022.

IESBA eNews
The second quarter, 2021 edition of the IESBA eNews is now available. It includes highlights of the various activities going on in and around the IESBA.

IESBA June board meeting
The audio recording of the IESBA June board meeting is now available.

Sustainability

Speech by the Chair of the IFRS Foundation Trustees
Erkki Liikanen, Chair of the IFRS Foundation Trustees, delivered a speech at the CFA Institute's Global Financial Regulatory Symposium on 29 June reflecting the foundation's work to meet the information needs of investors and other capital market participants by creating a new board to develop a global baseline of sustainability-related disclosures focused on enterprise value.

A4S issues net zero guidance
Achieving net zero greenhouse gas emissions in an organization will rely on the knowledge, skills and processes inherent within the finance function. Finance professionals are well placed to develop pathways to achieve net zero, setting interim targets, allocating funds, reporting progress and integrating net zero into decision making processes over time. The Prince's Accounting for Sustainability Project (A4S) has developed guidance to share the practical steps that finance teams can take to support their organization to progress towards net zero emissions.

Coprorate finance

HKEX to introduce new e-platform to update Hong Kong's IPO settlement process
On 6 July, Hong Kong Exchanges and Clearing Limited (HKEX) released consultation conclusions in relation to a concept paper, issued in November 2020. HKEX will proceed with the development of the Fast Interface for New Issuance (FINI) platform for handling all initial public offerings (IPOs), initially adopting a "T+2" settlement cycle. FINI will also allow clearing participants, under certain circumstances, to opt-in for a compressed prefunding requirement, which could release significant sums of liquid funds, to address the issue of excessive liquidity lock-up in heavily oversubscribed IPOs. FINI is expected to be rolled out in the fourth quarter of 2022. Please refer to the press release for details.

Please also refer to the Institute's submission generally supporting the launch of FINI.

SFC publishes new guidance on ESG fund disclosures
On 29 June, the Securities and Futures Commission (SFC) issued a circular to provide guidance to management companies of SFC-authorized unit trusts and mutual funds on enhanced disclosures for funds that incorporate environmental, social and governance (ESG) factors as a key investment focus. The circular supersedes a previous version issued in 2019 and includes a new requirement for these funds to conduct and disclose periodic assessments of how they incorporate ESG factors and also provides additional guidance for ESG funds with a climate-related focus.

Corporate governance

Institute submission on HKEX consultation on review of Corporate Governance Code and related listing rules
The HKEX's proposals covered a range of issues including establishing a corporate culture; directors' independence and attendance at general meetings; board diversity; communications with shareholders; and linkages with ESG reporting, including the timing of publication of ESG reports. The Institute made a submission, which supports the general direction of the proposals and most of the specific measures put forward in the consultation paper. We also welcome the improvements in clarity. At the same time, the submission also expresses reservations about a few specific proposals.

In addition, the recommended best practice on board evaluations could be considered for upgrading to a provision in the Corporate Governance Code. Regular evaluations would help to underpin various other matters covered in the paper, and to reassure stakeholders that the board is committed to continuous improvement in its performance.

Taxation

Announcements by the IRD
Members may wish to be aware of the following matters:

- Fraudulent email purportedly issued by Inland Revenue Department (IRD).
- Inland Revenue Department waives surcharges for payment of tax by instalments for businesses and individuals in need.
- Hong Kong-Georgia tax treaty in force.
- Tax obligations of property owners.
- The Inland Revenue (Amendment) (Miscellaneous Provisions) Ordinance 2021 was gazetted on 11 June and took effect immediately. Amendments in relation to foreign tax deduction take effect from the year of assessment 2021/22.
- Gazettal of Revenue (Stamp Duty) Ordinance 2021.
- Tax information on stamp duty – inadequate consideration has been updated.
- Stock Borrowing Relief – Filing of Return of Stock Borrowing Transactions.
- IRD Annual Report on Performance Pledge 2020-21.
- Stamp Duty statistics.

Legislation and other initiatives

Announcements by the government
Members may wish to be aware of the following matters:

- Latest amendments to Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation and Prevention and Control of Disease (Prohibition on Group Gathering) Regulation.
- Government further relaxes social distancing measures under "vaccine bubble."
- Government invokes place-specific flight suspension mechanism for United Kingdom and suspends passenger flights from there.
- Government tightens quarantine requirements for persons arriving from U.K. and adjusts testing requirement for boarding from high-risk places.
- Government invokes place-specific flight suspension mechanism for Indonesia and suspends passenger flights from there.

AML notices
FATF publication on high-risk and other monitored jurisdictions
The Financial Action Task Force (FATF) published a statement on 25 June regarding *High Risk Jurisdictions Subject to a Call for Action*, calling on its members and all jurisdictions to continue to apply specific measures and actions on Iran and the Democratic People's Republic of Korea.

The FATF also issued a notice on jurisdictions under increased monitoring, referring to other jurisdictions that have been identified to have strategic anti-money laundering/counter-terrorist strategic deficiencies and are working with the FATF to address these deficiencies. Following recent reviews, updated statements are provided for some of the 22 jurisdictions on the list, and Haiti, Malta, Philippines, and South Sudan have been added to it.

Others
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 18 June. The List of individuals, groups, undertakings and entities published under section 25 of the United Nations Sanctions (ISIL and Al-Qaida) Regulation (Cap. 537CB) was updated on 18 June. See the relevant UNSC press release.

For the current lists of terrorists, terrorist associates and relevant persons/ entities under United Nations 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*

TEACHING FROM

ADA CHAN CPA
Facilitator of
Module 11
Financial Reporting

EDITH CHAN FCPA (PRACTISING)
Facilitator of
Module 14 Taxation

JOE KONG CPA
Facilitator of
Module 12
Business Finance

ICY LAI CPA
Facilitator of
Module 13
Business Assurance

EXPERIENCE

Since the launch of the new Qualification Programme, the facilitators have taken on new teaching styles and approaches. However, the goal is the same – help prospective CPAs meet the needs of today's employers and clients. Some of them tell Erin Hale how their roles as facilitators have evolved and key lessons for their students

Photography by Leslie Montgomery

Joe Kong CPA is no stranger to the need for soft skills in the contemporary world of finance and accounting. He had been working as an accountant for several years when his boss took him aside one day and said: "Joe, your technical skills are wonderful, but you need to put more effort into your soft skills."

Unsure of how to proceed, he joined Toastmasters International, a club where participants practice public speaking, and after two to three years, found his communication skills had improved dramatically. It was an investment that paid off some years later in his recent roles as the head of financial planning and analysis at an insurance company. He then served as an executive director of finance and administration at a healthcare company.

Kong's experience is not uncommon in today's business environment, where communication skills are just as important as technical knowledge. CPAs like Kong increasingly serve in an advisory role in many companies, a position that requires analytical and critical thinking skills alongside a thorough understanding of financial regulations.

It's this kind of practical experience that Kong brings to the table as a facilitator of Module 12 Business Finance of the Professional Level at the Hong Kong Institute of CPAs' Qualification Programme (QP). The new programme trains a range of students – from traditional accounting graduates, to students with different education backgrounds, to career-transitioning professionals – to become internationally recognized CPAs through a three level programme. Beyond technical knowledge, Kong and other facilitators have been able to also share their practical experience with students.

Under the new QP, students now have more time to work on their three core enabling competencies (CEC) – presentation, critical analysis and problem-solving skills – in addition to acquiring technical knowledge.

Kong says such a change was important because it reflects the changing role of CPAs. "The shift in the QP is very critical due to the trend of emerging technologies such as big data and artificial intelligence (AI). It will help to develop competent accountants to cope with the changes. For example, forecasting is one of the key tasks of an analyst, but it's been moving from predictive modelling to prescriptive modelling. Advanced technology like big data makes instant data and analysis available for management to do more in deep analysis

“The shift in the QP is very critical due to the trend of emerging technologies such as big data and artificial intelligence.”

to understand each customer preference and create customized products or services,” he says.

“This will help companies to maximize profit by satisfying unique customer needs. It will be an opportunity for future accountants to use the three CECs and become business partners with management for a lot of value-added analysis,” he adds.

For this reason, Kong also likes to draw his case studies from everyday life, including the latest financial news about companies like Alibaba, Tencent and Facebook. He says students are often more engaged because they know the companies, but the problems they encounter also reflect the kinds of issues they may see down the road in their careers.

Kong says it’s important to make sure classes are both insightful and engaging. “One of the things I’ve learned is the importance of teaching students in a lively manner, as it helps them enjoy each lesson,” says Kong. “My favourite activity is the ice-breaking session because this gives me an opportunity to create a relaxing and also joyful learning experience for the students.” He provides students with feedback on how they can improve on their next presentation. “I find there is always significant improvement after these sessions.”

Thorough analysis

Icy Lai CPA, who facilitates Module 13 Business Assurance of the Professional Level, has seen how the module – and the area of business assurance itself – has evolved from when she began working at PwC until her current position as an internal audit director.

From only being able to audit a small sample of client data, changing technology means it is now possible to conduct “100 percent testing with just one click,” she says. However, even if AI is doing a lot of the heavy lifting, it is still up to CPAs to figure out what kinds of questions need to be asked to provide the level of assurance to meet their clients’ needs.

“Normally, when we talk about ‘business assurance,’ many people will assume it is just an audit, so that includes a lot of testing, vouching, taking large amounts information from the client and checking everything one by one,” she says. Instead, she reminds her students to always look at the details of a company to learn more about it and better understand their clients’ needs.

Remembering to “think deeper” is one of the key lessons Lai imparts on her students as a facilitator. She does so by asking open-ended questions during her workshops and guiding them as they learn a new way to approach complex problems that they may

"What we are looking for is a change in mindset. No one is going to punish them for a wrong answer. You are not at work."

encounter in the workplace. Lai says that while this is a new style of teaching in the QP, which can be demanding for facilitators as well as her students, it has been beneficial. "We give them a chance to develop; they can try working on a case study put into a technical context, but without the fear of getting a wrong answer. What we are looking for is a change in mindset. No one is going to punish them for a wrong answer. You are not at work."

A key change to the programme is its use of the "PRR" approach: practice, reflect, and refine. This model is used to help students learn how to improve their work through feedback. For example, after one group presentation (practice), they will receive comments from the rest of the students (reflect), and then incorporate them before they present a second time (refine).

"I remember there was a student who commented on someone's presentation that lacked support from the relevant auditing standards in the 'reflect' session, and his team members actually reminded him that they didn't include the same in their preparation as well. They were able to follow this new approach of reflect, remind and refine and make an impressive presentation!" she recalls.

"I remind myself that I'm a facilitator instead of a lecturer, so I do not 'teach' or 'tell' them answers directly. It's more critical to have them apply their critical analysis and problem-solving skills, and other guidelines introduced in the workshop to a technical context so that they can practice and resolve issues themselves," she adds.

Lai says that these skills will enable students to adapt to their work environment and new expectations as they evolve throughout their career. "Students need to understand that change is a constant," she says. "We all feel uncomfortable when we encounter change, but because it is a constant, you have to learn to do things differently and not stay in your comfort zone."

Learning to communicate

Teaching has always been a passion for Edith Chan FCPA (practising), also a facilitator at the Institute's QP. Since she was a student, Chan knew she wanted to accomplish two things – run an accounting firm of her own name and teach the next generation of Hong Kong accountants.

So for more than 20 years, Chan has spent her weekends teaching Module 14 Taxation of the Professional Level to QP students and a similar course at the HKU School of Professional and Continuing Education. For some friends and colleagues, it's a tall order, but for Chan, it's a way of life.

"People always ask me, 'Don't you feel tired? You have your own CPA firm. You also have lectures in the evening and now over the weekends, you conduct workshops

for a few weeks, and you're an exam marker and a training instructor,'" says Chan. "The answer is I enjoy it. I don't treat it as a job, so I'm happy. I never feel tired."

For Chan, one of the greatest lessons she tries to impart on her students is the need for strong communication skills, which she does so by encouraging them to practice in her workshop through interactive question and answer sessions and collaborative case studies. "A successful CPA should be able to provide constructive advice and communicate well with clients. You are required to ensure the information obtained is sufficient and relevant for the analysis. You also need to provide alternative solutions where applicable, and consider impacts with updated information. In addition, as a tax advisor, you need to communicate with the Inland Revenue Department and answer tax queries on behalf of your clients. These demonstrate strong CECs such as skills in communication, presentation, critical analysis and problem-solving," she says.

"Many students are weak in applying CECs. They would draw quick conclusions without much analysis. Therefore, it is essential for students to enhance their skills to ensure that information is successfully communicate."

Chan says the new QP can help students with some of their shortfalls. As one of the original QP facilitators, she has seen the programme develop since it first launched in 1999 and was very happy with the new changes that emphasize critical thinking and communication.

"I always try to emphasize interaction. I ask students to provide an answer and then tell me why – not just say yes or no. You need to be able to supply an explanation on whether you agree on something or not. My favourite activity is the interaction that takes place between students during the case studies, when I let students try out new concepts they have learned in activities. Afterwards, I will go over it using questioning techniques," she says, which helps her to understand whether students have fully grasped course concepts and details. "This activity is very useful, because people in tax usually need to analyse the situation and provide options to the client."

Finding the path forward

Like other QP facilitators, Ada Chan CPA, who leads Module 11 Financial Reporting of the Professional Level, often finds herself in a room full of recent graduates or junior accountants who are still finding their footing in their careers. Keeping students' concerns in mind, Chan, who used to work at KPMG and is now a Senior Manager in financial reporting at a tech company, works hard to create an open environment where they learn about their module and ask as many questions as they need. They

are also not limited to discussing the course material, but can also ask for practical and professional advice from their facilitator.

Such advice is particularly important in fields like financial reporting, Chan says, where there is not always a "right or wrong answer." Instead, she says the answer is often based on how well a CPA argues his or her case, particularly in emerging areas such as cryptocurrency and online game virtual items where there may be some leeway.

Chan says these kinds of concerns are addressed in the new QP, including asking students to work through case studies that simulate realistic workplace scenarios. "It focuses less on the depth of technical knowledge and puts more value on communication skills, leadership skills and how to deliver the message in a precise yet easy to understand way," she says. "This is essential in a real-life working environment where they need to deliver the key message to a working partner or senior management.

"I think accountants in Hong Kong tend to use numbers to explain themselves. But in reality, the management would like to know the rationale behind the numbers," she says. "Under the new QP, we focus on helping students to structure their message to be communicated through different case simulations."

In one case study, students are asked to draft an email to members of management about whether they want to renew a lease based on financial information provided in the exercise. Chan says that in the beginning, students would draft an email including relevant data but without explaining its full meaning, when in fact they should include some analysis of whether benefits outweigh the cost. By the end of the exercise, they learn how to lay out a pros and cons list in the email accompanied by relevant data to assist in the decision-making process.

Many may find the prospect of financial reporting intimidating, as the module is considered one of the most difficult ones in QP, but Chan says it's simply a matter of perception and quickly dispels this notion. "If you look at financial reporting like a stack of rule-based requirements you have to memorize, then it's very hard, but what I will do is try to discuss all the accounting standards, and why the regulatory body sets standards that way, why they are required and then explore the story behind them."

"In the QP workshops, we simulate real-life cases. Students can learn from each other's mistakes in a safe environment. So even if they miss something, that might lead them to correct themselves," Chan explains, adding that they can learn from their mistakes in the workshop so they do not repeat them in the workplace. "I think students will experience a very good learning culture with this programme, especially in the workshops."

The new Qualification Programme offers alternative pathways and greater flexibility for students with different educational backgrounds, including sub-degree holders and non-accounting majors, to become CPAs. More details on the programme can be found on the Institute's website.

JACKSON LI CPA

Internal Audit Manager at the Hong Kong Productivity Council

As Internal Audit Manager at the Hong Kong Productivity Council, Jackson Li CPA is in charge of performing IT audits and overseeing the compliance of the organization's operations. He tells *A Plus* what is most fulfilling about being an internal auditor, and why a firm understanding of IT – and knowing how to perform IT audits – can help internal auditors stay relevant and add value to an organization

What is your current role and responsibilities? How is it going so far?
I'm the Internal Audit Manager at the Hong Kong Productivity Council (HKPC), which is a multidisciplinary organization that promotes productivity excellence through integrated advanced technologies and innovative service offerings to support enterprises in Hong Kong. HKPC helps businesses increase and upgrade their business performance, lower operating costs, increase productivity and enhance their competitiveness through new technologies such as big data analytics, Internet of Things, artificial intelligence and digital manufacturing, to name a few. My main responsibilities include handling internal audit engagements, such as operations audits and fraud investigations. Most of the audits I handle are IT-related, so this includes examining and evaluating the efficiency and effectiveness of the HKPC's IT operations. It's also my job to ensure staff members uphold high ethical standards and comply with applicable regulations, so I'm in charge of organizing compliance training and events for them. I joined the HKPC in 2019 and I've been enjoying this role since.

What are the most rewarding and challenging aspects of your role, and why?
Our reputation is a priority, especially as a public organization. As mentioned, compliance is a significant part of my role, and it's my department's responsibility to make sure the HKPC complies with relevant laws and regulations such as the standards set by the Office of the Privacy Commissioner for Personal Data, Hong Kong, the Prevention of Bribery Ordinance and the Competition Ordinance. It was also challenging learning how to perform an IT audit at the beginning. This required doing extensive research on this topic to get up to speed. I wanted to further enhance my knowledge in this area so I took the Certified Information Systems Auditor examination, which is a globally-accepted certificate for those who audit, control, monitor and assess an organization's IT and business systems. It's been very rewarding applying this new knowledge at work so far. But what's most rewarding about being an internal auditor is understanding how a company truly works. At the HKPC, I've learned a lot about how different divisions operate. Though I'm still no expert yet in many operations, I have had the opportunity to learn more about it from senior management. The more I discuss with them, the more I learn about how to manage processes and systems, and the better I am at applying my skills to add value to the company.

What inspired you to become an accountant?
Accounting is a noble profession – we are held in high regard in society. Though I wasn't the most studious student in secondary school, I was good with numbers and knew I wanted to become an accountant, so I majored in accounting and finance at Hong Kong Baptist University. I worked as a financial reporting accountant for two years after graduating but found myself more interested in figuring out how businesses and companies operate, so I decided to switch to becoming an internal auditor. I enjoy being more involved in operations.

Where do you see yourself in the next five to 10 years in your career? Which field do you plan on specializing in, and why?
As an internal auditor, we have the opportunity to understand the inner workings of an organization. I was also an internal auditor at my previous company, a global manufacturing company, and was exposed to a lot of interesting areas such as how they deal with research and development, production, transportation, procurement, customs, security, warehousing and even cleaning. Companies rarely share inside information like this with others, but they have to with internal auditors, so I really appreciated the opportunity to learn from this. Going forward, I'd like to continue working in internal audit and specialize in IT – I think it is the future. Robotic process automation will play a bigger role in the profession, and this will require more IT audits and fewer traditional audits. This is why I want to focus on this area.

Which of the continuing professional development (CPD) courses did you find most helpful in your day-to-day work or in getting you to the next stage of your career?
I found the CPD courses most useful, especially the update on standards and regulations. The update refreshed my memory on the standard, which has really helped me to ensure compliance within the companies I've worked for. For example, when I have to perform tasks to do with recognizing income, I need to ensure it complies with the laws and regulations in Hong Kong according to Hong Kong Financial Reporting Standard 15 *Revenue from Contracts with Customers*. So I need to make sure I'm on top of any updates. It's especially important because if I notice that any internal policies are not up to standard, I'll be able to point this out.

SPOTLIGHT ON CYCLING PATHS

Institute members recommend the best cycling paths to try around the city

Tuen Mun to Ma On Shan

"The 60-km cycling track from Tuen Mun to Ma On Shan has become a new route for family leisure. The new section passes scenic spots including Kam Tin River in Yuen Long and Long Valley Wetland in Sheung Shui. You can enjoy the sunset next to Kam Tin River and take good Instagram photos at the famous Fujiwara Tofu Shop at The Boxes shopping centre at San Tin," says Lai.

- Jacky Lai CPA (practising), Assurance Partner, EY

Fujiwara Tofu Shop

Hung Shui Kiu to Nam Sang Wai

"I recommend cycling from Hung Shui Kiu to Nam Sang Wai. It's a 30-km bike trail, and one where you'll see migratory birds and mangroves. Start from Hung Shui Kiu then follow the Tin Shui Wai cycling path. Along the way, you can stop at Mong Tseng Tsuen and discover the beautiful fish ponds or cycle to Tsim Bei Tsui, which is a great bird watching spot. Make your way down to Tai Tseng Ng Uk Tsuen and then to Nam Sang Wai, another beautiful wetland area," says Ko.

- Dennis Ko CPA, Owner of a business advisory company specializing in family-owned companies

Sang San Tsuen to Yeung Hau Temple

"If you are interested in historical monuments, I recommend this easy bike route. From Sang San Tsuen, you can ride up a slope and then reach Ling To Monastery which, at almost 1,500 years old, is one of the oldest monasteries in Hong Kong. Then you can ride along Ping Ha Road to reach Ping Shan Heritage Trail, where you'll find Tang Ancestral Hall and Yeung Hau Temple nearby, which are both listed as Hong Kong historical monuments," says Tang.

- Tang Ah-Fai CPA, Founder, HK Bicycle Tours


Nam Sang Wai


Tang Ancestral Hall

EYES & EARS

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


Ed Sheeran

What I'm listening to

- Yam Tsz Man CPA

"I've been listening to Ed Sheeran, especially his song *Bad Habits*. The song – his first hit solo single in four years – is very much different from his usual acoustics. It features a heavy beat and will definitely be a hit at parties. The lyrics are darker than usual, but the catchy melodies and vocal lines of this long-awaited song will surely make you move."

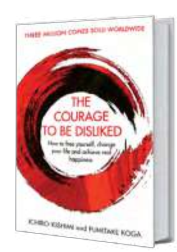
What I'm reading

If you're a runner like me or you are interested in running, I recommend *Science of Running: Analyse Your Technique, Prevent Injury, Revolutionize Your Training* by Chris Napier, PhD. The book covers all aspects of running such as the mechanics of movement, preventing injury, drills, correct running posture and building leg muscles. It's like a textbook for runners.

- Tung Chi Man CPA, former senior accountant at a listed group

I recommend 香港企業併購經典 by 馮邦彥, which talks about major mergers and acquisitions that have taken place in Hong Kong. One interesting example it discusses is how Li Ka-shing purchased a major stake from HSBC in 1979 and subsequently became the first Chinese person to take control of a British-controlled company that had dominated Hong Kong since the 1800s.

- Stanley Hui CPA, Accountant at the Airport Authority



I have been reading *The Courage to Be Disliked* by Ichiro Kishimi and Fumitake Koga these days and have found it to be really meaningful read so far. The book explains that true happiness comes from focusing on achieving your hopes and dreams and living according to your expectations, instead of living up to others' expectations, even if that means going against the grain. It also touches upon why the key to "living your best life" will involve having the courage to face others' opinions and yet still be yourself.

- Laura Au CPA, Corporate Auditor at Arrow Asia Pac Ltd.

Why we need our offices

Hong Kong's humorist on why, at the end of the day, we'll all need to return to the office

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*

Accountants like their offices. They are far more likely than most other workers to get back to working at their desks despite the pandemic, according to a study by Arizent, a business information company.

Although the survey was taken in the United States, the results partly echo what I saw in Hong Kong. My friends at big finance firms did get back to the office as soon as they could, and very few firms gave up their premises.

Staff at big finance firms hated how remote working issues interrupted their work-hard-to-get-ahead culture. One told me about her ultimate nightmare moment when she had to work from home. "The chairman's audio kept cutting out and I couldn't ask him to repeat his instructions a fourth time," she said. "I just had to guess."

Yet, a number of business people at smaller firms told me they preferred working at home – despite the fact that Hong Kong flats are tiny – and some are making it permanent.

Eight good things about remote working:

1) In humid Hong Kong, being able to work without trousers is actually a huge deal. Just stretch out your legs and feel the freedom!

2) Remember those random interruptions by co-workers who stop you in the corridor to tell you boring stories? Gone.

3) You have two extra hours in the day from not commuting, so you can get everything done and finish early.

4) Noting down your "working hours" is a creative exercise for your imagination, normally reserved for lawyers writing their "billable hours."

5) In the office, you don't dare to cough because everyone else will run for the door. At home you can splutter and hawk to your heart's content.

6) Your kids can teach you some interesting multitasking tricks, like how to appear to be paying attention during a virtual meeting, all while watching a movie using a picture-in-picture function.

7) You do get some good laughs. There's always an embarrassing moment when someone on the Zoom call has to say to someone else: "Uh, you're still sharing."

8) People who enjoy "casual Friday" can now enjoy the whole week. You can even grade meetings by their level of formality. Level three: Wear a suit. Level two: Smart casual. Level one: Pajamas. Level zero: Zoom-ing from your actual bed.

But there are downsides. Eight bad things about remote working:

1) At least once, you'll be in a delicate work conversation when the kids arrive home from school screaming something distinctly un-corporate, such as: "Daddy, guess who pooped his pants!"

2) Since most of us live in high-rise blocks, you can guarantee that at least one neighbour a day will be doing noisy renovation work.

3) The cat will push things off your desk.

4) The dog will stare at you until you fetch him a snack.

5) Let's be honest, there's at least one co-worker who you find attractive, and you may not see him or her for weeks or months.

6) If your job is selling or negotiating, remote working gives the other party a whole new list of excuses for rejecting you. "Signal's bad, talk another time, bye."

7) You can't end a boring discussion with "well, gotta run" since you have nowhere to go.

8) People don't take home-workers seriously. Every day or two, your spouse will head for the door, saying: "I'm stepping out, just watch the kids for a while, will you?" Grrrr.

Final verdict?

The present writer, being a freelance journalist, has done long spells of having a desk in an office, and equally long spells of being free of offices.

Ultimately, having an office wins – and not just because you get more done, but for a different reason. Working at home adds kilos. A LOT of kilos.