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DRIVING BUSINESS SUCCESS

Issue 9 Volume 17 September 2021

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CPA

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

"I'm looking forward to the Institute's annual dinner which will take place on 12 November at JW Marriott Hotel Hong Kong. I hope you will join us at this event, in celebration of the accounting community and how we have weathered the recent disruption to our working lives."

Dear members,

The bill introducing the further regulatory reform of the accounting profession continues its legislative journey. This month, ahead of the 7 September meeting of the Bills Committee on Financial Reporting Council (Amendment) Bill 2021, the Institute's submission on the bill was published on the committee's webpage.

The submission set out how these proposals will have a significant impact on the role and responsibilities of the Institute and result in major reorganization with potential operational and financial implications for the Institute. The response reiterates the views of members and students, as expressed through the survey regarding the regulatory reform, and reports 11 key issues to the Bills Committee that have been under consideration. It also proposed six amendments for the committee's consideration.

The outcome of the extraordinary general meeting on 30 September will play a part in the Council's considerations for determining what further action should be taken. Members will be notified of the Council's plans in due course. The Institute will also continue to communicate to members any important developments in the legislative process.

We held a briefing in late September for the judges of the Best Corporate Governance and ESG Awards 2021. The awards were revamped this year to highlight the increasing expectations regarding environmental, social and governance (ESG) performances. I gave introductory remarks to the judging process to the judging panel, explaining what is expected from them and highlighting the new awards for the Most Sustainable Companies/Organizations. These awards aim to recognize those that have performed to a high standard in both corporate governance and ESG, and that are taking steps to integrate these two elements within their strategy and operations. I also emphasized the point that the awards are not about reporting, but about the underlying performances and practices.

I'm looking forward to the Institute's annual dinner which will take place on 12 November at JW Marriott Hotel Hong Kong. I hope you will join us at this event, in celebration of the accounting community and how we have weathered the recent disruption to our working lives. It truly will be an auspicious celebration of our profession, and a great chance to socialize. More details, including sponsorship opportunities, will be announced soon.

Before we celebrate the annual dinner there are plenty more events for us to enjoy and learn at.

The first event to look forward to is the 72nd National Day Celebration for the Accountancy Profession on 28 September. Jointly co-hosted by the Institute, the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Management Accountants this year will bring together the accounting community to celebrate the profession, promote unity within it and create solidarity.

The CPA Conference 2021 is also fast approaching. I look forward to meeting members at our first conference for both CPAs in business and practice on 2 October, which provides a platform for speakers to share and inspire Institute members on the latest trends and developments relating to the accounting profession and the business world. Join us there to hear from leading members of the business community and learn how to transform your organization, and yourself, for the digital future ahead.

After this, the annual IT Conference will take place on 23 October as a virtual conference. The event will consider the new reality we are now in. The conference will bring together renowned speakers to discuss important topics including the modernization of finance in the new normal, virtual/augmented reality technologies, innovative trends and best practices on the future of work.

I do hope you will join one of these upcoming events.

Raymond Cheng FCPA (practising)
President

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DRIVING BUSINESS SUCCESS

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

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NEWS

Institute news Business news

IT Virtual Conference 2021: Technologies and transformation initiatives under "new reality"

The Institute's IT Virtual Conference 2021 will take place on 23 October. Themed "Coming out from virtual reality to the new reality," the conference will bring together renowned speakers and panellists to discuss Hong Kong's first Technology Validation Platform, the modernization of finance in the new normal, virtual and augmented reality technologies, innovative trends and best practices in the future of work, as well as moving from compliance to business advisory. Visit the Institute's website for more information.

EGM on the further reform of the regulatory regime of the accounting profession

In view of the government's proposed reform of the regulatory regime of the accounting profession, the Council resolved to call an extraordinary general meeting (EGM) on 30 September. Members can visit the EGM webpage on the Institute's website to access the Registrar's official notice and the relevant documents.

China Tax Course

The China Tax Course, a compulsory component of the Institute's Professional Diploma in China Tax, will start on 9 October. Speakers will cover foundation knowledge and the latest updates on China tax laws and regulations that is critical for analysing China taxation issues and coming up with sound tax planning solutions. The course can also be taken on a standalone basis. Those interested can register now via the Institute's website.

Annual Dinner 2021: Save the date

The Institute's annual dinner will take place on 12 November at the JW Marriott Hotel Hong Kong. Event details will be announced soon.

Resolutions by agreement

Shin Yick, Fabian CPA

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of professional behaviour under sections 100.5(e) and 150 of the applicable Code of Ethics for Professional Accountants.

Shin was formerly a responsible officer and the chief executive officer of Yi Shun Da Capital Limited. In 2017, he was the sponsor principal in charge of supervising the execution of a listing application for which the company was the sole sponsor. The listing application lapsed subsequently after inquiries by the Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong.

The SFC later instituted an investigation and found that the company failed to comply with relevant rules and regulations of the SFC. The SFC also found that the company's failures were attributable to Shin's failure to discharge his duties and Shin was in breach of the relevant rules and regulations of the SFC. In September 2020, the SFC issued a decision notice banning Shin from re-entering the industry for 20 months.

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

1. Shin acknowledges the facts of the case and the areas of non-compliance with professional standards;
2. Shin be reprimanded; and
3. Shin pays costs of the Institute of HK$15,000.

Ng Man Fai, CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of professional competence and due care in sections 110.1 A1 (c) and R113.1 under Chapter A of the Code of Ethics for Professional Accountants.

Ng issued an accountant's report on a solicitors' firm under the Accountant's Report Rules (Cap. 159A) (ARR) for the year ended 31 December 2019. However, the procedures Ng performed in support of the report were deficient in that:

(i) The clients' ledger accounts of the firm were not scrutinized for at least two dates within the year to ensure that no account was overdrawn;
(ii) Ng failed to identify that certain cheque payments out of client accounts, which were checked in his sampling test, were not made to the solicitor but to third parties in violation of the Solicitors' Accounts Rules;
(iii) Circularization of client ledger accounts was not performed; and
(iv) No written confirmation was obtained from the firm that regular back-up procedures were carried out for its computerized accounting system.

As a result, Ng failed to conduct the reporting engagement in accordance with the ARR and the Institute's Practice Note 840 (Revised) *Reporting on Solicitors' Accounts under the Solicitors' Accounts Rules and the Accountant's Report Rules.*

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

1. Ng acknowledges the facts of the case and the areas of non-compliance with professional standards;
2. Ng be reprimanded; and
3. Ng pays an administrative penalty of HK$50,000 and costs of the Institute of HK$15,000.

Disciplinary finding

KPMG, Yu Yuk Ping, June CPA and Yu Wai Sum CPA (practising)

Complaint: (i) Failure or neglect by KPMG and Yu Yuk Ping, June to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 200 *Objective and General Principles Governing an Audit of Financial Statements*, HKSA 230 *Audit Documentation*, HKSA 240 *The Auditor's Responsibilities to Consider Fraud in an Audit of Financial Statements*, HKSA 500 *Audit Evidence*, HKSA 505 *External Confirmations*, HKSA 520 *Analytical Procedures*, and HKSA 530 *Audit Sampling and Other Means of Testing*; (ii) Failure or neglect by KPMG and Yu Wai Sum to observe, maintain or otherwise apply HKSA 500 *Audit Evidence*, HKSA 505 *External Confirmations*, and HKSA 530 *Audit Sampling and Other Means of Testing*.

KPMG was the reporting accountant for the Hong Kong initial public offering (IPO) of China Forestry Holdings Co., Ltd. in 2009, and in that capacity, audited the financial information of the company and its subsidiaries (collectively, group) for the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 (IPO engagement). After the listing, KPMG audited the group's financial statements for the year ended 31 December 2009 (2009 audit). Unmodified opinions were expressed in the accountant's report of the IPO engagement and the auditor's report of the 2009 audit. Yu Yuk Ping, June and Yu Wai Sum were the engagement partners for the IPO engagement and the 2009 audit respectively.

The group was engaged in purchasing and planting forests, managing and harvesting forests, and selling harvested logs. It owned plantation assets in certain provinces of the People's Republic of China.

The Institute received a referral from the Financial Reporting Council (FRC) about audit irregularities in the IPO engagement and the 2009 audit, alleging that the audit team did not exercise sufficient professional scepticism in conducting audit procedures in a number of areas. As a result, there were deficiencies in the evidence obtained and documentation compiled in the IPO engagement in respect of the reliability of logging permits, existence of certain customers, completeness of sales, occurrence and completeness of expenses for logging activities, existence and ownership of the plantation assets, and effectiveness of the group's controls over cash and cash equivalents. For the 2009 audit, deficiencies were found in the evidence obtained on the completeness of sales, and existence and ownership of the plantation assets.

Decisions and reasons: The Disciplinary Committee reprimanded the respondents. In addition, KPMG, Yu Yuk Ping, June and Yu Wai Sum were ordered to pay penalties of HK$500,000, HK$300,000 and HK$200,000 respectively, and to pay costs of the Institute and FRC totalling HK$5,000,000. When making its decision, the committee considered the breaches were not intentional, reckless or for improper motive. They noted that the sanctions should be proportionate to the nature of the failure, with the aim to protect public interest. The committee also noted KPMG's disciplinary history and the other respondents' clear disciplinary records, and that the cost of HK$5 million, as agreed by all the parties, was reasonable in light of the scale of the investigation and the amount of documents involved.

Details of the resolutions by agreement and disciplinary finding are available on the Institute's website.

DELOITTE TOPS US$50 BILLION IN REVENUES FOR FIRST TIME

Deloitte's global revenue for its 2021 financial year grew 5.5 percent to reach US$50.2 billion, making it the first Big Four firm to surpass the US$50 billion mark. Deloitte's advisory business was the most profitable as a result of distressed or COVID-19-related engagements, bringing in more than US$20 billion and outshining its audit and assurance division, which drew in US$10.5 billion and its tax and legal department, which made US$8.9 billion. "While the past year was difficult and defined by uncertainty, it has shown what can be achieved at speed and scale when businesses, governments, and society work together to tackle tough global challenges," said Punit Renjen, Global Chief Executive Officer of Deloitte.

HONG KONG UNEMPLOYMENT FALLS TO NEW LOW SINCE START OF PANDEMIC

Hong Kong's unemployment rate dropped to 4.7 percent, the lowest level since the COVID-19 pandemic began, for the three month period ending August, according to data released by the Census and Statistics Department on 16 September. The rate was 0.3 percentage points down from the May to July period and is the lowest since early 2020, when it reached 4.2 percent for the January to March period. Though the economy looks to further recover with help from the Consumption Voucher Scheme, the lack of widespread vaccination and closed borders with the Mainland will continue to stymie recovery, according to Simon Lee CPA, Co-director of the International Business and Chinese Enterprise Programme at Chinese University of Hong Kong. "The city's economic recovery will not be in full swing until the government has fully opened up the borders, especially with Mainland China," Lee told the *South China Morning Post.*

KPMG U.K. TO RECRUIT MORE STAFF FROM WORKING CLASS BACKGROUNDS

KPMG in the United Kingdom wants almost a third of its U.K. partners and staff to come from working class backgrounds by 2030, the company announced on 9 September. The move, a first for a large business in the U.K., came after a KPMG survey found that only a fifth of the firm's partners and employees are from working class backgrounds, and are paid 8.6 percent less than those whose parents are in "higher, managerial, administrative and professional" jobs. KPMG has defined working class as having parents with "routine and manual" jobs such as drivers, cleaners and farm workers. The firm said it will conduct new recruitment initiatives to attract talent from lower socioeconomic backgrounds for middle management and senior roles in order to reach its target.

MONTREAL EXCHANGE TO EXTEND HOURS TO TAP INTO ASIAN MARKET

The Montreal Exchange, Canada's derivatives exchange, has extended its trading day by four hours to include working hours of Hong Kong and other Asian cities. The extension, which came into effect on 20 September, now allows local investors in the Asia-Pacific region to trade Canadian derivatives. The bourse will trade 20.5 hours a day, from 7:30 a.m. Hong Kong time to 4:00 a.m. the following day. The move comes three years after the Montreal Exchange increased its trading time, also by four hours, to encompass the opening of the London market, which attracted more investors from Europe. "The extension of trading hours is part of Montreal Exchange's globalization strategy, as we continue to push the evolution of our markets and address the increasing global demand for Canadian derivatives," said Luc Fortin, Chief Executive Officer of the Montreal Exchange.

CATHAY PACIFIC LOWERS FLIGHTS EXPECTATIONS FOR REST OF YEAR

Cathay Pacific, Hong Kong's embattled carrier, has reduced its expectations for the number of flights it will fly before the end of the year. In a stock exchange filing on 20 September, the airline said it expects to only fly 13 percent of its flight schedule seen in 2019, down from the 30 percent it had previously indicated. The COVID-19 pandemic and related travel restrictions continue to deal fresh blows to Cathay Pacific's business, which has seen the airline pile up losses of HK$29.2 billion, with a HK$7.57 billion deficit in the first half of the year. Despite vowing to keep its expenses below HK$1 billion a month for the remainder of the year, closed borders and tightened local quarantine arrangements continue to deter passengers from flying, with the carrier flying just over 4,300 customers a day on average in August, a figure 95 percent lower than the same period last year.

HKEX PROPOSES NEW SPAC REQUIREMENTS

Special purpose acquisition companies (SPACs) in Hong Kong must raise at least HK$1 billion to list on the main board, according to proposed rule changes announced by the Hong Kong Stock Exchange (HKEX) on 17 September. The consultation paper also proposes banning retail investors from buying SPACs, which are blank-cheque companies that do not have any existing businesses but are created to purchase assets and raise cash reserves. This would make the city the latest major Asian market, after Singapore, to allow SPACs to go public if the HKEX's propositions advance. "We do not believe SPACs will replace the traditional way of listing. In the United States, there have been a lot of SPAC listings, but there are still a lot of companies listing in the traditional channel," said Bonnie Chan, Head of Listing at HKEX.

U.K. TO TIGHTEN FINANCIAL REGULATIONS AFTER GREENSILL COLLAPSE

Rishi Sunak, Chancellor of the Exchequer, has ordered two immediate reviews of financial regulation in the U.K. related to Greensill Capital, the supply chain finance company that collapsed in March, wrote the *Financial Times* on 24 September. Sunak has also accepted recommendations put forth in July by a committee of members of parliament for the reform of the "appointed representative regime," a mechanism used by Greensill to remain undetected by Britain's regulators while the company was based in the U.K. and had arranged billion of pounds in financing a year. According to the *FT*, Sunak had already commissioned the U.K. treasury to review the regime, including legislative reforms to increase the oversight of appointed representatives to prevent opportunities of abuse.

NOODLE CHAIN TAMJAI LAUNCHES HONG KONG IPO

TamJai International, a Hong Kong restaurant operator that owns the popular TamJai SamGor noodle chain, has launched a HK$1.4 billion initial public offering. The company will offer 335 million shares, which will range from HK$3.33 to HK$4.17 in price and begin trading on 7 October. The company, which owns 156 restaurants mainly in Hong Kong, will use the proceeds to refurbish restaurants and expand central kitchen systems, and to expand its network across the city, Mainland China, Singapore and tap into new markets such as Australia and Japan. The restaurant, which specializes in rice noodles served in sour and spicy broths, reported HK$1.79 billion in revenue for the year ending March, up from HK$1.69 billion the previous year.

PRUDENTIAL TO RAISE US$2.4 BILLION IN HONG KONG SHARE OFFERING

U.K.-based insurance giant Prudential Plc plans to raise about US$2.4 billion from a share placement in Hong Kong, as the company seeks to capture long-term growth opportunities in both Asia and Africa brought on by global economic recovery amid COVID-19 vaccinations. The company will offer 130.8 million shares on the HKEX at an offer price of no more than HK$172 per share, according to a statement it released this month. The statement added that 6.5 million shares will be offered to local investors and that up to 32.7 million shares will be provided, depending on demand. The shares are expected to start trading on 4 October.

SOUTHBOUND BOND CONNECT LAUNCHES

The so-called southbound leg of the Bond Connect launched on 24 September, enabling investors in Mainland China to buy and sell offshore debt through Hong Kong. More than US$618 million worth of transactions were made on the first day of trading by 11 lenders, including HSBC and Bank of China (Hong Kong). The southbound leg of the Bond Connect, which follows the launch of the Wealth Management Connect on 10 September, is expected to enhance the city's role as China's financial gateway to the world. The northbound leg of the Bond Connect was introduced in 2017 and enabled institutional investors to trade in the Mainland bond market. More than 2,700 institutional investors have used the northbound link to tap into China's US$17.5 trillion bond market since, according to the *South China Morning Post*.

THE TIDES ARE

SPEAKERS:
(from left)

MICHAEL OLESNICKY
Senior Consultant, Tax, Baker McKenzie

JO-AN YEE FCPA
International Corporate Tax Advisory - Hong Kong Leader, EY and a member of the Institute's Taxation Faculty Executive Committee (TFEC)

EUGENE YEUNG CPA
Partner, Corporate Tax Advisory, KPMG China, and a TFEC member

WILLIAM CHAN CPA
Partner, Grant Thornton Tax Services, and Chair of the TFEC

SARAH CHAN FCPA
Partner, Tax and Business Advisory Services, Deloitte China, and Deputy Chair of the TFEC

BENJAMIN CHAN CPA
Acting Deputy Commissioner (Technical), Inland Revenue Department

GWENDA HO CPA
Partner, Tax Services, PwC Hong Kong, and a TFEC member

With the detailed implementation plan of BEPS 2.0 expected to be agreed upon next month, Hong Kong once again finds itself needing to take a hard look at its long-term positioning and competitiveness amid the changing international tax landscape. Panellists at this year's Annual Taxation Conference discussed Hong Kong's readiness to face BEPS 2.0, the city's approach to digitalization of tax governance and how it should foster itself into a successful international intellectual property hub. Jolene Otremba reports.

Photography by Derek Lo

CHANGING

This year, more than 130 jurisdictions took the bold step to agree on a two-pillar solution promulgated by the Organization for Economic Cooperation and Development (OECD) to tackle risks of base erosion and profit shifting (BEPS) arising from digitalization of economy. BEPS 2.0 aims to reform international taxation rules to ensure multinational enterprises (MNEs) pay a "fair share of tax" regardless of where they operate and how they structure their operations.

BEPS 2.0 is a two-pillar solution. Pillar One would re-allocate taxing rights over MNEs to market jurisdictions where the MNEs have businesses and earn profits, regardless of whether they have a physical presence in the market jurisdiction. Pillar Two seeks to put a floor on competition over corporate income tax by introducing a global minimum tax rate that jurisdictions can use to protect their tax bases.

Panellists at this year's Annual Taxation Conference held by the Hong Kong Institute of CPAs in July agreed that the initiative was important for the stabilization of the international tax system. However, they argued that there were still many ambiguities surrounding how it will be rolled out, how it will achieve its purposes, and how the rules will affect Hong Kong and global businesses.

This was one of the three topics covered by the panel. With insightful views on the future, they hosted a lively discussion based on the theme of "Trends and challenges in the changing international tax landscape."

New global tax rules

To kick start the event, Sarah Chan FCPA, Partner of Tax and Business Advisory Services at Deloitte China, and Deputy Chair of the Institute's Taxation Faculty Executive Committee (TFEC), asked the panellists whether they thought there was more clarity around Pillar One than the proposal discussed a year ago.

According to Jo-An Yee FCPA, International Corporate Tax Advisory - Hong Kong Leader, Asia-Pacific Technology Tax Leader at EY, and a member of the TFEC, the criteria for determining whether an entity would be in-scope under Pillar One has been simplified since last year's discussion and is now very much focused on turnover and profitability. However, she feels that it has also moved away from its original objective.

"Pillar One was purely trying to target digital businesses, which didn't necessarily have a physical presence in jurisdictions where they operate, and it tried to introduce new nexus and revenue-sourcing rules so some taxes could be allocated to their consumer markets," she said.

However, now Pillar One has been extended to all sectors with only a few exclusions, which moves away from the original purpose and could cause some confusion. There has been a change to the blueprint, Sarah Chan agreed, although some sectors, such as regulated financial services and extractives, have been carved out of the latest version.

Echoing these sentiments was Michael Olesnicky, Senior Consultant in Tax at Baker McKenzie, and Non-official Member on the Hong Kong government's Advisory Panel on BEPS 2.0. He explained that under the initial proposals, the idea was that all MNEs in certain sectors, such as automated digital services with a global revenue of more than 750 million euros, would have been caught by Pillar One. This would have covered around 4,000 MNEs. But now, with the new threshold being raised to over 20 billion euros, less than 100 MNEs (78 on one estimate) will be affected, albeit in a wider range of industries. The aim is to reduce this threshold to 10 billion euros after seven years.

As jurisdictions continue to hash out the details, Olesnicky believes that there could still be a way to go before there will be much clarity on the rules and their application.

The discussion then quickly turned to Hong Kong and whether the adoption of these pillars is actually worthwhile. Olesnicky argued that, under Pillar One, affected MNEs won't be paying more taxes but there will be a reallocation of the jurisdictions in which they will be paying taxes. More taxes will be paid in overseas jurisdictions, but these taxes should be creditable in their home jurisdictions. So, given the relatively small size of Hong Kong's market, he asked, "Is it really worth enacting

legislation to apply Pillar One as there would be a lot of additional work and compliance? And, given Hong Kong's small size, I wonder if the revenue gain for us makes it worthwhile."

Benjamin Chan CPA, currently Acting Deputy Commissioner (Technical) of the Inland Revenue Department (IRD), said that the government has been actively participating in the discussion of the rules under the OECD platform. While Pillar One might enable Hong Kong, as a market jurisdiction, to derive additional revenue from MNEs without physical presence in Hong Kong, for those with physical presence that have already been subject to tax here, the tax increase could be marginal. "There are many types of businesses and the nature of their operations are very different. How to determine the source of their revenue is a great challenge. This uncertainty poses challenges for the government to assess the impact of Pillar One on Hong Kong."

Opportunities remain for supporting tax policies

Turning to Pillar Two, Sarah Chan said that there are concerns that Hong Kong will lose out in terms of taxing rights and revenue if the city does nothing, particularly given Hong Kong's territorial tax system and its concessionary tax rates for areas specified sectors. So, she asked the panellists what their views were regarding the implementation of the global anti-base erosion (GloBE) rules under Pillar Two.

Eugene Yeung CPA, Partner of Corporate Tax Advisory at KPMG China, Convenor of the Taxation Faculty Budget Proposals 2022/2023 Sub-committee, and a member of the TFEC, doubted whether there will be a loss of revenue. He said that Pillar Two could essentially result in a top-up tax on revenue that Hong Kong has not previously received before. In this regard, if MNEs would otherwise have to pay additional taxes to their headquarters' jurisdiction, "why shouldn't Hong Kong take a part of that!"

Again, reiterating the fact that these BEPS 2.0 measures are really targeting large MNEs, he said that tax incentives under Hong Kong's preferential tax regimes would still benefit smaller businesses even under any new rules.

Sharing Yeung's views was Gwenda Ho CPA, Partner of Tax Services at PwC Hong Kong, and a member of the TFEC. She suggested if Hong Kong didn't take actions in response to Pillar Two, it would be losing its taxing rights to other jurisdictions. A key consideration should be on how Hong Kong can implement the new rules in a way that would minimize the compliance burden on the affected taxpayers, as well as any impact on small- and medium-sized businesses. "The challenging task is for the government to carefully balance the different considerations, such as keeping Hong Kong's simple tax system; and secondly, using non-tax measures to maintain and enhance the competitiveness of Hong Kong. That will be critical," she said.

Hong Kong's preparedness

Even though the panellists were sceptical about BEPS 2.0's timetable for implementation, they agreed that Hong Kong needs to be prepared. Benjamin Chan said: "The OECD has set a very ambitious timeline for all jurisdictions to bring Pillar Two into law by 2022, and to make it effective by 2023. But the IRD understands from its discussions that this timetable may be adapted

"There are many types of businesses and the nature of their operations are very different. How to determine the source of their revenue is a great challenge."

according to developments."

Regardless, the Hong Kong government is catering for all eventualities by planning and preparing ahead. The government is already engaging with a wide range of stakeholders on the response measures that may have to be adopted, and gauging their views on the potential impact. It has also been conveying views to the OECD. Once the government gets a clearer picture, it can then convey the right messages to practitioners and taxpayers on how Hong Kong will respond, Benjamin Chan said.

Sarah Chan suggested that some people may be confused by the many recent changes in the international tax landscape, and their interrelationships and impact on Hong Kong. She asked panellists' view on this.

Olesnicky responded by saying that the changes are all part of a continuum aimed at ensuring consistency in how jurisdictions treat certain kinds of income and trying to tackle what is seen as harmful tax competition between jurisdictions, as well as preventing abuses. He added that it would be a mistake to see BEPS 2.0 as the end of the process. In future, the OECD may look at other proposals for tax reform, such as the gig economy and about tax authorities assisting one another with enforcement and tax collection.

The speakers agreed that these developments are not necessarily a bad thing for Hong Kong. In fact, Yee said that Pillar Two, for example, really gives "Hong Kong a bit of a kick because it's time for us to up our game."

"We have been so reliant on the fact that we have a simple and low tax system… but now this is the opportune time for Hong Kong to say that we are a key digital hub, we are a financial centre, a logistics hub. It gives an opportunity for Hong Kong to focus more on the non-tax factors," she said.

Going digital

Moving on, the panellists then turned their discussion to the digitization of tax governance and its relevant transformation. Sarah Chan asked the panellists to share their observations about the latest developments in the automation of tax compliance processes.

Yeung started by explaining that the tax compliance environment has transformed, and automation has become part of the process. However, he contends that some jobs can never be replaced by robots. "We, as professional accountants, bring value to the table by making judgement calls," he said. "We need human brains to do that and leave the routine functions to technology."

Ho agreed and said that when it comes to the younger generation of accountants, they want their jobs to be fun and don't want to sit around just doing mundane work such as filling out tax returns. "So, the use of robotics to help with the more boring tasks is a good development," she said.

Ho also said that companies with global operations need to be able to access and compile information quickly. They can use technology to get a better picture of what's happening everywhere. "Having a dashboard so that a tax director sitting here in Hong Kong knows real-time what's happening all over the world. I think that's very important," she said.

On that note, Sarah Chan took the opportunity to ask Benjamin Chan about Hong Kong's proposed e-filing system of tax returns, and the objective of recently-introduced legislative provisions imposing penalties on service providers.

Benjamin Chan explained that, under the new provisions, taxpayers will be allowed to engage service providers to furnish tax returns on their behalf. This will be entirely optional. In the past, taxpayers had to furnish tax returns on their own, so this added option will bring convenience to taxpayers. However, the option also means that a service provider will be allowed to carry out taxpayers' obligations under the Inland Revenue Ordinance, and it is thus necessary for sanctions to be put in place to ensure compliance of the statutory requirements and to protect the interests of taxpayers. This is ultimately why the penalty provisions were added.

He went on to clarify that only certain kinds of wrongdoings would be caught under the new penal provisions. For example, a service provider fails to furnish a tax return in accordance with the information provided by the taxpayer and the return is materially incorrect, or a service provider fails to file a tax return though it is engaged to do so by the taxpayer. However, "such wrongdoings should not be common," he said. At the same time, the service provider will not be required to verify the correctness of the information provided by the taxpayer.

Sarah Chan then asked the panellists to share their views on

"The consideration for MNEs in particular using Hong Kong as an IP location is that we have all the right business factors."

what they thought tax governance and tax compliance would look like in the next five years.

For Yee, she predicts that the future is not about automation making tax easier, but about identifying tax risk. "With everything that is happening, that is quite important." She believes that there will be a greater move towards the taxpayer and tax authorities having a more cohesive and transparent relationship. Other jurisdictions were looking at cooperative compliance, which could involve tax authorities having more access to data and controls.

Yeung pointed out the increasing importance of technical and ethical judgement calls on the part of tax representatives. Olesnicky added that, in the past, the role of representatives was more about minimizing effective tax rates and the technical application of rules; whereas, nowadays, the emphasis was on paying a fair amount of tax, ensuring proper compliance, avoiding penalties and protecting against reputational risk.

Yeung, Olesnicky and Benjamin Chan also touched on the issue of technology and big data as being part of the future. From robots and technology doing routine work, to how tax authorities are going to handle the vast amount of information currently being automatically exchanged between jurisdictions, one thing they could all agree on is that the future is going to be digital.

Hong Kong as an intellectual property hub

Considering these various developments, Sarah Chan asked the panellists what they thought it would take for Hong Kong to become a global intellectual property (IP) hub of the future.

Ho said that companies generally have no problem with paying reasonable taxation but they also need to be able to claim appropriate deductions for expenditure incurred in earning income. She advocated implementing a unilateral tax credit and said that such would be crucial for Hong Kong to deal with double taxation since the city still needs to work on expanding its treaty network. Olesnicky added that he would like to see tax concessions being expanded to exploitation income where research and development is done in Hong Kong and is then commercialized. "Hong Kong did a lot of work to give enhanced tax deductions for IP, but where we shot ourselves in the foot is that once you develop the IP, you have to exploit it. The problem is that it is an incomplete exemption," he said.

Yee is enthusiastic about using Hong Kong as an IP location, and her experience supports this development. "I've done multiple very large migration projects and the consideration for MNEs in particular using Hong Kong as an IP location is that we have all the right business factors," she said, citing Hong Kong's strong IP protection laws, talented IP lawyers, and valuation companies that actually understand IP, as just a few factors. However, Hong Kong's biggest shortcoming, according to her, is interpretation around IRD's Departmental Interpretation and Practice Note 22 *Taxation of Royalties and Other Income from Intellectual Properties.* "Putting aside any geopolitical tensions, tax is the other question mark," she said.

Another area that Hong Kong could benefit from is stronger talent attraction and development. Yeung said that he hopes that the government can do more to attract talent to station in Hong Kong. Recognizing that COVID-19 has now developed a work culture where certain roles can be performed from overseas, attracting talent to come and to stay in Hong Kong and recognizing their efforts in the process is important, he said.

Benjamin Chan said that the government has to consider a few things. Firstly, the city needs to assess what economic benefits can be brought by introducing either tax or non-tax measures in relation to IP. Secondly, it needs to consider whether any measures introduced can withstand a review of harmful tax practices by the OECD and the European Union (EU). Not to mention the potential impact of the BEPS 2.0 initiative should also be evaluated. He stressed that: "We should never introduce measures of which the benefits can be easily counteracted by the GloBE rules."

However, he also said that there is always room for the city to improve its tax regime for the purposes of facilitating businesses and formulating tax policies in relation to IP.

A new tax regime?

Finally, the panellists were asked whether they thought Hong Kong, having a territorial tax system, ought to revamp the system given the new landscape. Olesnicky noted that Hong Kong would not be compelled to change its tax system due to Pillars One and Two. However, he was also concerned about the EU review of Hong Kong's foreign source income exemption regime, the outcome of which could be negative. Also the OECD defined the tax base for Pillar Two purposes as including offshore income and capital gains.

Benjamin Chan noted that while Hong Kong is not mandated to change its tax system under BEPS 2.0, if other jurisdictions adopted the rules, Hong Kong could end up ceding its taxing rights if it did nothing.

Overall, the panellists agreed that adjustments and consultations would be par for the course, whether in response to BEPS 2.0, or the upcoming EU reviews, or simply responding to a new remote work culture. "We need to start thinking out of the box. We need to accept that the world is changing rapidly, and business models are very different from 20 to 30 years ago," Ho said. "Whether the traditional way of viewing substance or viewing permanent establishment should still be applicable in the new economy, well, I think this is a question for tax authorities to think about. Maybe this could be a BEPS 3.0 question."

A recording of the Annual Taxation Conference is available on the Institute's website.

SECOND OPINIONS: WHAT'S THE BEST WAY TO GIVE VALUABLE ADVICE?

PAUL SHE CPA (PRACTISING), PRACTISING DIRECTOR, MAZARS HONG KONG, AND CHAIRMAN OF THE INSTITUTE'S QUALIFICATION AND EXAMINATIONS BOARD

Anyone can give advice. But just because someone spouts their opinion, doesn't mean it's the best advice for you.

Say your colleague is experiencing a stomach ache and you tell him/her to take antacid tablets. Though it may seem like a quick fix, it might not address the root cause of the problem. Therefore, it's not easy to give correct advice. It's even more challenging for us to give professional advice as a professional accountant.

I believe that seeking and giving advice is central to effective leadership and decision-making. Yet, managers seldom view them as practical skills they can learn and improve. Here are steps to take when providing valuable advice.

Firstly, start by gathering necessary information about the issues through questioning and listening. Use follow-up questions to deeply understand and identify the root cause and unique features of the issues. Avoid information overload, which can create a loss of focus. Try not to conclude a matter primarily based on the prima facie characteristics nor presume the root cause of certain similar issues would be the same. Going back to the example above, a stomach ache may not always be caused by too much acid inside of the stomach.

Secondly, remember that good communication is done by keeping the intended beneficiary in mind. Critically analyse the information gathered and formulate the tactics with your professional knowledge and experience. This process involves identifying key objectives, developing an appropriate overall strategy, prioritizing executable action plans, and, more importantly, integrating various advice into solutions to meet the expectations of the recipient.

Finally, one size does not fit all. Consider, select and adopt the most effective manner of communicating your proposed solutions by taking into account the personality of the recipient. Effective communication is best done with a caring, attentive and personal touch; some people may prefer to receive a proposed solution over coffee.

> "Consider, select and adopt the most effective manner of communicating your proposed solutions by taking into account the personality of the recipient."

The above skill sets can be developed and strengthened throughout one's professional journey. The Institute's new Qualification Programme (QP), in particular the integrated Capstone workshop, puts a strong emphasis on developing and accessing higher-order enabling skills, such as problem identification and solving, critical and lateral thinking, and effective communication skills to equip the next generation with the ability to formulate and provide professional solutions.

MICHAEL TEH CPA,
HEAD OF FINANCE,
ALGORAND FOUNDATION

Learning how to correctly provide both positive and negative feedback in work and in life is important. Positive feedback shows appreciation, reinforces good behaviour and boosts confidence. Negative feedback helps to correct undesirable performance, creates opportunity for improvement and if given properly, can show that you care about someone's improvement and development. When providing feedback, I focus most on 1) timing; 2) communication; and 3) way of delivery.

Timing. Providing feedback in a timely manner is important for both the one receiving it and the one providing it. On the receiving side, timely feedback can allow the individual to relate back to recent incidents and better reinforce the message. On the giving side, timely positive feedback can mean a timely return of a motivated individual. Even if you have to give negative feedback, providing it in a timely manner can prevent the reviewer in prolonging a negative impression towards an individual. But "timely" does not mean "instantly." Rather than giving feedback right on the spot, which can be too informal, set up a meeting. This shows respect and provides an opportunity for a two-way conversation.

Communication. Providing feedback is a form of communication, which is supposed to be two-way, otherwise you are informing or instructing. It is always worthwhile to begin the conversation by listening. Provide an opportunity for the person to express what they have been going through lately. That individual might already be able to concisely talk about their own shortfalls before you highlight them, or indicate they are going through a tough time in life. The individual could also be underperforming due to a lack of clear instruction or limited visibility on the company's goal and vision. Therefore, by listening first, you are able to provide better feedback.

Way of delivery. While delivering positive feedback is usually straightforward, providing negative feedback is an art. I adopt a mixed strategy between a "sandwich" approach and "direct transparent" approach, depending on the scenario. A "sandwich" approach is sandwiching negative feedback between a positive opening and ending. This opens up the recipients' defense mechanism and enables them to be more receptive. Compliment their good work, add suggestions for improvement in the middle, and end it with some compliments and encouragement for continuous effort. However, this can sometimes lessen the importance of an urgent corrective action required from them. In cases where the individual is not delivering their duties and responsibilities up to their level, I would adopt a "direct transparent" approach. Make it clear and direct to them and make sure that they get the message.

"Begin the conversation by listening. Provide an opportunity for the person to express what they have been going through lately."

CATHERINE WONG,
CHIEF DEVELOPMENT OFFICER,
CHOREV CONSULTING INTERNATIONAL LTD.

Imagine someone gives you a bottle of 1985 Sassicaia red wine. You look it up on the Internet and find out that it is worth HK$25,000. But, you don't drink wine. Would this gift be valuable to you?

Giving advice is similar to selecting a gift – the receiver needs to treasure and appreciate it.

Having been an executive coach and a consultant for years, giving advice is such a big part of my career. I always follow the T.H.I.N.K. model when formulating my advice, which helps to build up trust with people.

"Giving truthful advice goes beyond our own experience and has to keep up with wider change. The advisor, therefore, needs to be an avid learner."

T – is my advice true? We are living in a post-modern world. Truth can be subjective, depending on context. Giving truthful advice goes beyond our own experience and has to keep up with wider change. The advisor, therefore, needs to be an avid learner, who is curious about both societal and industry developments.

H – is my advice helpful? Remember, giving advice is not about demonstrating your experience or knowledge. Giving helpful advice requires mental flexibility to appreciate how the receiver sees the world, and then provide relevant recommendations that are aligned with his or her values, and helpful to resolve the challenges or issues they are facing.

I – is my advice inspiring? In my early days as a consultant, I tended to give quick advice, believing I knew better than my clients. A lot of the time, people want a new perspective on approaching an issue, not a solution. This requires deep listening to understand what's being said (and also what's not said). This helps the advisor gain insights on the person's perspective and goal, and for blind spots to be identified to help the person approach or solve the problem.

N – is my advice necessary? Advice is a bit like money. The more you print, the less valuable it becomes. I always assess how much advice my client can take at that specific moment. The "Adaptive Leadership" model, a leadership model that was introduced by Harvard Kennedy School professors Ronald Heifetz and Marty Linsky, states that you should give people change at a rate that they can accept – and this also holds true for giving advice. When giving advice, ask yourself if the audience is ready. If not, you can always save that for a more appropriate time.

K – is my advice kind? This calls for examining the intention of our advice, whether it is given with empathy and kindness to help the person or the organization to become better. Advice could satisfy all the above five dimensions, but if it is not given with the best intention, it is still not going to be valued by the receiver.

HOME AWAY FROM HOME

In these times of COVID-19, the European Chamber of Commerce in Hong Kong has been the voice of European businesses operating in Hong Kong seeking to reconnect with the world. Its Chair, Frederik Gollob, talks to Nicky Burridge about the chamber's aims, how it promotes Hong Kong and how his international career helped him become a better leader

Photography by Calvin Sit

When the Hong Kong government announced people returning from medium-risk countries who were fully vaccinated and had a positive antibody test only needed to do seven days hotel quarantine, Frederik Gollob, Chair of the European Chamber of Commerce in Hong Kong, was thrilled. The European Chamber had been lobbying for the concession for months, pointing out to the government the huge impact Hong Kong's stringent quarantine requirements were having on businesses.

Although the reduced quarantine period was short-lived, another move the chamber had been calling for has remained in place – allowing children under 12 to complete their quarantine at home if their fully vaccinated parents qualified for a shorter period of hotel quarantine. "It is a small step, but it is a step we helped to achieve," he says.

The European Chamber of Commerce is the chamber for 13 national chambers of commerce for European countries in Hong Kong and one in Macau. Gollob sees one of its main roles as being to present a united voice on the issues and challenges that impact European businesses operating out of Hong Kong. "I really believe that formulating a joint opinion, from the different nations and the different business communities of our members, is more powerful than if everyone ran for themselves," he says. "Really bringing a strong voice forward to our stakeholders is an area where my colleagues and I see tremendous value for the business community."

As chair of the board of directors, which is made up of appointed representatives from each of the national chambers, Gollob coordinates with his colleagues to establish the areas in which the chamber will be active in voicing an opinion, as well as what it hopes to achieve. He also leads discussions with various stakeholders, such as the media, senior government officials and Hong Kong Chief Executive Carrie Lam. "We are an important voice in the Hong Kong community – and that makes the job exciting," he says.

Gollob became Chair of the European Chamber of Commerce in Hong Kong in January 2020, after being a member of the board of the German Chamber of Commerce in Hong Kong since 2018. He spent the first 18 months working with the other board members to reformulate the chamber's vision.

He explains that they wanted to achieve two things. Firstly, they wanted to make it more attractive for European companies, of which there are more than 2,300 in Hong Kong, to join the European Chamber's activities and its business councils, which represent different sectors.

By having members more actively involved, the chamber hoped to increase the manpower it had access to, enabling existing business councils to be more active and new business councils to be formed for sectors that were

As Chair of the European Chamber of Commerce in Hong Kong, Frederik Gollob leads discussions with various stakeholders, such as the media and the Hong Kong government, on the issues and challenges that impact European businesses in Hong Kong.

not represented.

The second aim was to ensure the chamber was strongly connected to its members and involved in dialogue with them. "We try to create a platform where companies that are members of our member chambers can come together in their specific sector and exchange opinions about regulations, industry trends and so forth," he says. "We pay a lot of attention to lobbying work, for which we organize ourselves in specific sectors, such as the automotive industry, the beverage industry, and we are also forming a business council around the financial services industry, with an emphasis on green finance."

He adds that it also looks at cross-sector topics, such as the protection of intellectual property rights and environmental sustainability. "Members can use the chamber, with our voice and contacts, to bring forward their respective positions in an impactful way, either in position papers, or in direct communication with the relevant stakeholders and the government."

Gollob has also overseen changes to the chamber's governance framework since he has been in office. "We have rewritten our articles of association to be more agile and more visible in Hong Kong. It has worked really well."

One change involves encouraging the member chambers to change their representative on the chamber's board frequently to create transparency and opportunities for new people to join. "We want to hear more opinions and have fresh blood once in a while. We balance that with continuity, so we say the representative should be in office for at least one year, but for a maximum of two or three years," he says.

Navigating the pandemic

One of the biggest challenges businesses in Hong Kong currently face is the anti-pandemic measures the city currently has in place, according to Gollob.

"The pandemic has kept us very busy for nearly two years. We are constantly on the phone with our communities, the media and the diplomatic core, voicing strongly that we need to see a strategy change or at least a relaxation to be able to somewhat reopen Hong Kong to the outside world."

He explains that there are three main reasons why European companies are based in Hong Kong, namely that it is an international finance hub, that it is an international and Asian trading hub, and that it is a gateway to Mainland China, but some of these areas are not functioning as well as they could, due to the quarantine requirements for people who travel.

Gollob adds that the quarantine requirements, which involve up to 21 days of hotel quarantine for people coming from high-risk countries, are also making it difficult for companies in the city to recruit overseas talent, particularly if those talents have families. "It is harmful to businesses that want to grow. The pressure on families is immense, especially as we see Europe and the United States opening up, not gradually, but fast."

The chamber is also lobbying the government to make it easier for non-residents to visit Hong Kong on business trips, and for senior staff at regional hubs based in Hong Kong to do business travel within the region.

Changing laws

New laws have also kept the chamber busy. "We have had a lot of dialogue with our communities and the government on how to interpret them, how businesses should position themselves and what risks they are facing," Gollob says.

It is not only local laws that occupy the chamber, with European ones also having the potential to impact members. One such law is the European Commission's proposed Carbon Border Adjustment Mechanism, which would effectively act as an import tax on goods manufactured in a carbon-intensive way.

> "We are constantly on the phone with our communities, the media and the diplomatic core, voicing strongly that we need to see a strategy change or at least a relaxation to be able to somewhat reopen Hong Kong to the outside world."

The proposed rules, which could be introduced in phases between 2023 and 2026, aim to protect European manufacturers from goods that can be produced more cheaply abroad because competitors from overseas have not taken the same steps to reduce their carbon output. "My worry is that the law will cause a counter law for imports out of Europe to Hong Kong and China," Gollob says.

He adds that while it might help to drive the uptake of carbon neutral technology in the long term, it is likely to impact companies' supply chains in the short-term. "That could go pro-Europe, or it could go pro-China. We can't do a final assessment right now, but there are certainly risks we see, and it is a topic we have on our agenda."

Promoting Hong Kong

Alongside advocating for European businesses operating in Hong Kong, Gollob says the European Chamber also promotes the city in Europe to encourage companies there to invest and do business in Hong Kong by joining relevant events and being present during tradeshows.

He adds that while Hong Kong is an attractive place for European companies to have a regional hub,

Initiated in 1997, the European Chamber of Commerce in Hong Kong is a "chamber of chambers" with its membership comprising of 13 European chambers based in Hong Kong and one in Macau. One of its key objectives is to provide a European forum to exchange information, discuss common challenges businesses are facing, and publish position papers to put forward recommendations.

After working as president and chief executive officer of Mercedes-Benz Hong Kong, Gollob joined Zhongsheng Group Holdings, one of the world's largest car dealership group, as Head of the New Energy Vehicle Division

businesses are discussing whether it still makes sense to maintain headquarters here due to some of the challenges the city faces. "The effect we are seeing right now is that companies are not entirely closing down, but they are shifting certain parts of their business away from Hong Kong."

As a result, the chamber works to emphasize the city's strong points. "Hong Kong is a strong financial centre. It is strategically located and we still have a fantastic airport and ports; it is still a good place to run your regional headquarters or have a logistics hub. The advantages still outweigh the disadvantages."

Gollob points out that the ongoing Greater Bay Area (GBA) initiative is also a very positive development for businesses based in Hong Kong. "We have on our agenda lots of events, discussions, opinion forming and ways to help companies navigate the GBA. Measures, such as the free flow of goods and people back and forth, will enable Hong Kong to have a very active role in the GBA, and encourage companies to invest in Hong Kong to be able to benefit from the GBA."

He says Southeast Asian countries represent another area of significant opportunity for Hong Kong-based businesses as supply chains are further diversifying into the region and with Hong Kong potentially joining Regional Comprehensive Economic Partnership, a free trade agreement between Asia-Pacific countries.

"Hong Kong is a strong financial centre. It is strategically located and we still have a fantastic airport and ports; it is still a good place to run your regional headquarters or have a logistics hub. The advantages still outweigh the disadvantages."

An international career

Gollob started his career with Daimler/Mercedes-Benz in Stuttgart in Germany, working in the sales and marketing department. After doing an internship in Vietnam as a student, he knew he wanted to work in Asia, so in 2006 he jumped at the chance to take up a sales role with Mercedes-Benz in Beijing.

"It was always my particular wish to be in Asia and experience China at an early point. I very much enjoyed the experience of living abroad and gaining a deeper understanding of Chinese culture, which I find very important when we have critical discussions with Chinese stakeholders. My experience in China really helped me to be a better leader and a more educated person, and it helps me in my chamber work, my day job and also privately," he says.

Gollob stayed in Beijing for three years, before returning to Stuttgart to further grow his career. With a strong desire to go back to China, he returned in 2014 and accepted a role in the capital with the task of doubling the network of Mercedes-Benz dealers in the Mainland.

In 2018, having achieved this task, he was promoted to president and chief executive officer of Mercedes-Benz Hong Kong, a position he describes as being his dream job ever since he first started working for the company. "I have always found Hong Kong fascinating as a city. I love the vibes. My wife and I extended our family here, and we will always be connected to this part of the world."

He held the post until the end of

2020, when he decided to start a new career path. "In a sense, the COVID-19 pandemic has changed the general thinking of me and my family on careers, and my wife and I wanted to do new things."

He joined Zhongsheng Group Holdings, one of the largest car dealership groups worldwide listed in Hong Kong, as Head of the New Energy Vehicle Division, to help them set up their electric vehicle business. He also co-founded [hil-top] advisory HK Ltd., a boutique marketing solutions consultancy, with his wife.

Gollob thinks his career has been good preparation for his role as Chair of the European Chamber. "I have had plenty of leadership positions in my career. I am very experienced in managing projects and getting my opinion heard, as well as gathering people behind me and forming positions," he says. "What you learn in a big company that is highly relevant to chamber work, is that you are dealing with people who come from different backgrounds and have different experiences. You have to find the nucleus of what you, as a chamber, want to say, and that involves a lot of negotiations and discussions. You need to create a platform where people are encouraged to speak freely, but you also have to agree on something, which is always the difficult part."

He jokes that his work with the European Chamber is his hobby as it takes up a lot of time outside of his day job. When he is not occupied with that, he likes to spend time outdoors, exploring Hong Kong's countryside with his wife and two young children. "I try to see good things in bad times, so not travelling as much means I can spend intensive time with my children while they are still young."

HOW TO...

by Matthew Li FCPA (practising)

The Co-founder of NOVA CPA Limited on how firms can successfully plan and kickstart their digitalization journey

How to digitalize your firm

"Information is the oil of the 21st century, and analytics is the combustion engine," said Peter Sondergaard, former executive vice president of Gartner.

Data is the "fuel" for analytics, but just like oil, it needs to be refined. Artificial intelligence (AI) and cloud-based digital technologies can unlock and transform data into valuable business information and opportunities.

Cloud is the backbone of digital data and analytics. A cloud architecture built out of cloud-based services and automation enables firms to access digital insights in the fast-moving digital market. Cloud also offers benefits such as protecting stored data by saving multiple backups in a distributed system, while also allowing different teams to work and access the same data, hence increasing productivity and streamlining business processes.

AI is one of the main enablers of a successful digital transformation. AI provides real-time data visualization and analytics, which highlights the most critical business insights, patterns and anomalies across multiple data sources, facilitating better and faster decision-making. In the work environment, AI also allows us to work more efficiently, reduce human errors and automate processes such as repetitive work, create chatbots that can simulate human conversations, answer questions or even personalize the customer experience.

The starting point of a digital journey

Incorporating a design thinking philosophy, or a human-centred problem-solving approach, in strategy and risk analysis is fundamental to building a successful digital business model. It is a thought process that uses "sensibility and methods to match people's needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity," according to Tim Brown, Chair of IDEO, a design and consulting company. You can start by putting together a template or "canvas" to identify what needs to be done. The following can help business owners and management to better visualize the design thinking process:

- **A context map canvas**: Analyse external factors such as trends, uncertainties and competition that could shape your business now or in the future.
- **A business model canvas**: Identify your existing business model in a straightforward, structured way. It can also be used to understand the business model of your competitors.
- **A bold steps vision canvas**: Come up with a new vision based on the design thinking method discussed above and the steps to achieve that vision. Additionally, you can identify the resources that support or challenge your vision.

Identify digital solutions that best fits your business needs

Companies must keep in mind that there are no perfect solutions or one-size-fits-all approaches to technology adoption. However, effective adoption processes can improve time-to-competency, thereby increasing agility in the digital market. The following steps will help you develop a plan that best fits your scenario:

- Identify the areas of improvement in each business unit;
- Select three of the most relevant solutions to compare (filter by functionality and pricing);
- Research user reviews online;
- Run initial free trials of the proposed solutions and review their compatibility with the existing or future ecosystems;
- Conduct user acceptance testing with real case data; and
- Hold a feedback meeting with management and front-end teams to go over the results from the tests.

Because digital integration provides organized data collection a single source of truth that aggregates data from multiple systems to a single location, businesses that are considering building a cloud ecosystem should also factor in how well the solution can be integrated into their systems.

Overcome resistance and effectively implement change

To address any concerns among employees about the possibility of being replaced by technology, it is crucial to get all levels of staff involved in the early planning stages of a digital transformation journey. Letting managers at all levels be open about the transition can help employees understand and be involved in the cultural and organizational changes that digital transformation requires. Management should outline and lead the company through its digital strategy, and actively participate in discussions to provide feedback and ensure the goals and vision of the company are transparent. All in all, time, effort and motivation will reinforce the acceptance of change and emphasize each employee's value throughout this transition.

Additionally, companies may consider seeking external consultants to speed up their digital journey. Experienced consultancies can not only provide insights based on their expertise in different industries, but also put forward the industry latest solutions that may fit your business needs and eliminate the trial and error process.

Maintain momentum for future-readiness and grow

People should be at the centre of any digital transformation strategy. They will always be the greatest asset of your company, therefore it is crucial to nurture them through regular training. For example, you can encourage them to acquire online certifications to update their digital skill set, support them by sponsoring their education and attainment of professional qualifications, and also arrange for industry professionals to share insights through talks.

Culture is another driving force of a company. Speed matters in the digital world, and the lack of a trial and error culture is the greatest obstacle when it comes to innovation. The trial and error culture, which a lot of tech giants incorporate, is when a company is willing to take risks, learn from failures, request and give feedback in order to react faster to the market. Such culture calls for an environment that is tech-savvy, open minded, and hierarchy free with decentralized decision-making.

by Ada Chung FCPA

The Barrister and Privacy Commissioner for Personal Data on why the new inspection regime is the right move for curbing the unlawful use of personal data

Protection of personal data on the Companies Register: the new inspection regime

To enhance the protection of sensitive personal data that appear on the Companies Register, a new inspection regime for the Companies Register has recently come into operation. The regime will be implemented in three phases.

Starting from 23 August 2021, companies may withhold from public inspection the usual residential addresses (URA) of directors and full identification numbers (IDN) of directors and company secretaries that are contained in registers kept by them.

From 24 October 2022 onwards, the Companies Registry (CR) will withhold from public inspection the URA and full IDN of directors, company secretaries and liquidators, etc. that are contained in all the documents filed for registration.

Starting from 27 December 2023, the individuals concerned may apply to the CR for withholding their respective URA and full IDN that are contained in the documents already registered with the CR prior to 24 October 2022 from public inspection.

The significance of the new inspection regime lies primarily in the removal of the unrestrained public access to obtain the URA and full IDN of individual company officers contained in the Companies Register, thus providing enhanced protection to sensitive personal data.

PCPD in support of the new regime

From the perspective of protecting privacy in relation to personal data, I welcome, and have no hesitation to support, the new inspection regime, which reflects the recommendations made by my office, the Office of the Privacy Commissioner for Personal Data (PCPD), in our report on the *Survey of Public Registers Maintained by Government and Public Bodies,* published in 2015.

The move is of particular importance in the present situation of Hong Kong as there have been a significant increase in the number of doxxing cases since mid-2019, coupled with a worsening trend of cybercrimes and telephone scams that involved the unlawful use of personal data unveiled for the past two years.

It is worth noting that if the personal data available in the public domain has been disclosed without appropriate safeguards, or used without regard to the original purpose of collecting the data, it could pose significant risks to privacy, thus jeopardizing the interests of the data subjects.

In this regard, I have grave concern that personal data has been weaponized by some in Hong Kong and utilized in ways to intimidate, silence or harm others for whatever reasons.

The recent rampant doxxing activities have tested the limits of morality and the law, and should be stopped. Between June 2019 and August 2021, my office has handled over 6,000 doxxing-related complaints and cases discovered proactively by us through our online investigations. Among these cases, over 1,000 of them involved wrongful disclosure of the victims' identification numbers and/or residential addresses. The figures cry for immediate and effective actions to call the matter to a halt.

In the words of the Honourable Mr Justice Jeremy Poon, the Chief Judge of the High Court, "doxxing should not and cannot be tolerated in Hong Kong if we still take pride in our city as a civilized society where the rule of law reigns… The damage of widespread doxxing goes well beyond the victims. It seriously endangers our society as a whole… If doxxing practices are not curtailed, the fire of distrust, fear and hatred ignited by them will soon consume the public confidence in the law and order of the community, leading to disintegration of our society."

While the Personal Data (Privacy) (Amendment) Bill 2021 was introduced by the government in the legislature in July this year to create a new offence for doxxing and broaden my enforcement powers under the Personal Data (Privacy) Ordinance to deal with doxxing cases more effectively, I believe that strengthening the protection of the personal data contained in public registers will assist in addressing the problem at root.

Implications for accounting professionals

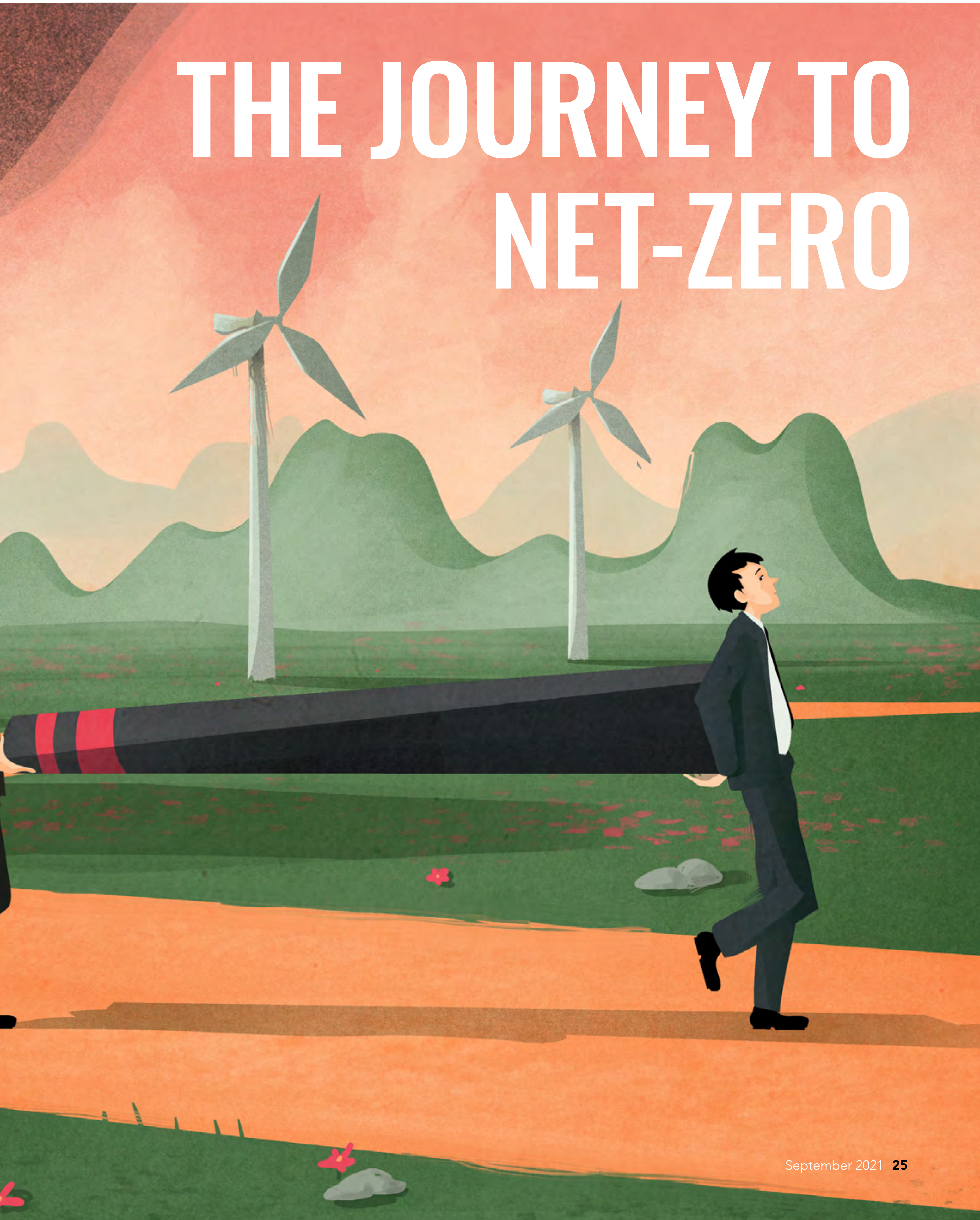
While advocating the importance of the protection of privacy in relation to personal data, I recognize the importance of allowing access to the Companies Register for legitimate purposes of the register, which are set out in section 45 of the Companies Ordinance. The new inspection regime, as refined prior to its finalization, has already taken into account the need for accounting professionals to conduct company searches, in particular in due diligence checking, in their daily work. Hence, accounting professionals will continue to enjoy unrestricted access to the personal data on the Companies Register upon application made to the CR. Notwithstanding this, accounting professionals should be mindful that the use of the data obtained from the register is confined to the very purposes of the setting up of the register, as reflected in section 45 of the Companies Ordinance.

"The recent rampant doxxing activities have tested the limits of morality and the law, and should be stopped."

An increasing number of companies are pledging net-zero emissions in a bid to help fight climate change. Nicky Burridge looks at companies committing to so-called net-zero, why it matters, and the steps they're taking to meet these targets

Illustrations by Gianfranco Bonadies

THE JOURNEY TO NET-ZERO



Earlier this year, PwC Mainland China and Hong Kong announced that all staff would be eligible for first-class tickets when taking high-speed trains between Beijing and Shanghai, regardless of their grade. What may sound like a perk, was actually part of the firm's strategy to reduce its carbon emissions. Beijing-Shanghai is the most frequent domestic travel route taken by its employees, and emissions from train travel are 96 percent lower than those from air travel.

"Climate change is one of the most pressing problems facing our world today. Limiting temperature rises to 1.5 degrees celsius above pre-industrial levels is our best chance of avoiding the most dangerous impacts of climate change," says Cyrus Cheung CPA (practising), Partner, Environmental, Social and Governance (ESG) Services, PwC Hong Kong.

In its latest report, the Intergovernmental Panel on Climate Change warned that the world must nearly halve its CO2 emissions by 2030 and reach net-zero CO2 emissions by mid-century to limit temperature rises to this level.

The urgency of the need to respond to climate change has led a growing number of companies to introduce so-called net-zero targets – defined as reducing their CO2 emissions as much as possible and then offsetting what is left by removing an equivalent amount of carbon from the atmosphere through purchasing carbon credits.

On a mission

PwC has set the target of achieving net-zero greenhouse gas (GHG) emissions by 2030. It aims to reduce its scope 1 emissions, defined as direct emissions from owned and controlled sources, and scope 2 emissions, defined as indirect emissions from the generation of energy it purchases, by 50 percent by 2030 from a 2019 base through enhancing energy efficiency in its offices, and using only renewable energy.

Importantly, the net-zero commitment includes a target to halve emissions from business travel, included under scope 3 – indirect emissions that occur in a company's value chain. It also commits to engaging its supply chain to reduce their emissions, also under scope 3 emissions, by setting the goal that 50 percent of its suppliers of purchased goods and services must have set their own carbon reduction goals by 2025. The firm will offset its remaining emissions through investing in high-quality carbon credits, such as carbon removal projects like reforestation or new technologies to directly remove carbon dioxide from the air.

Link REIT has set a net-zero target for 2035. Calvin Kwan, Head of Sustainability at Link REIT, explains that he thought it was important to set a timeframe that was close enough for him to be able to see the plan through, but still far enough away to allow time for improvements in technology to assist in achieving net-zero.

Link REIT is taking a four-pronged approach to achieving its target, namely reducing the amount of energy its buildings use, looking for technology it can harness to enable it to become more energy-efficient, installing renewable energy generation capacity, such as solar photovoltaic (PV) cells across its portfolio, and procuring renewable energy and carbon credits for its remaining emissions. "There will be a chunk of the carbon footprint that we can't reduce, so from 2025, this will be covered through purchasing renewable energy credits and carbon offsets. There is a lot of debate about whether you should do that, so for every subsequent year to 2035, we will reduce our reliance on carbon credits," Kwan says.

Real estate services group JLL has set a target to reach net-zero for scope 1 and scope 2 emissions by 2030, with scope 3 emissions reaching net-zero by 2040. Andrew Lau, Energy and Sustainability Lead at JLL in the Greater Bay Area and Taiwan, says the first step has been to review its property portfolio, close its worst performing sites in terms of carbon emissions and move staff to better performing buildings.

To reduce its emissions further, it has set up an Eco Champions group under its facilities management team to share ideas and set targets on improvements the company can make to reduce its carbon footprint. It is also investing in technologies to make its workplace more energy efficient, such as installing smart meters in its Hong Kong offices. "It will help to improve our energy consumption and saving energy as a result" Lau says.

Despite the obvious challenges it faces as a power firm, CLP Holdings announced a target at the end of September to reach net-zero GHG emissions across its entire value chain by 2050. It is also accelerating plans to phase out coal-fired generation assets by 2040 – a decade earlier than it has previously pledged.

The group sees the move to net-zero as an opportunity, as is diversifying its operations into areas such as renewable energy and technology solutions that will assist other businesses in becoming carbon neutral. "As we progressively phase out coal, our investment will be directed towards low-carbon streams of business including power transmission and distribution, renewable energy, new energy technologies as well as smart technology solutions that will help our customers become more energy-efficient and reduce their own carbon footprint," Richard

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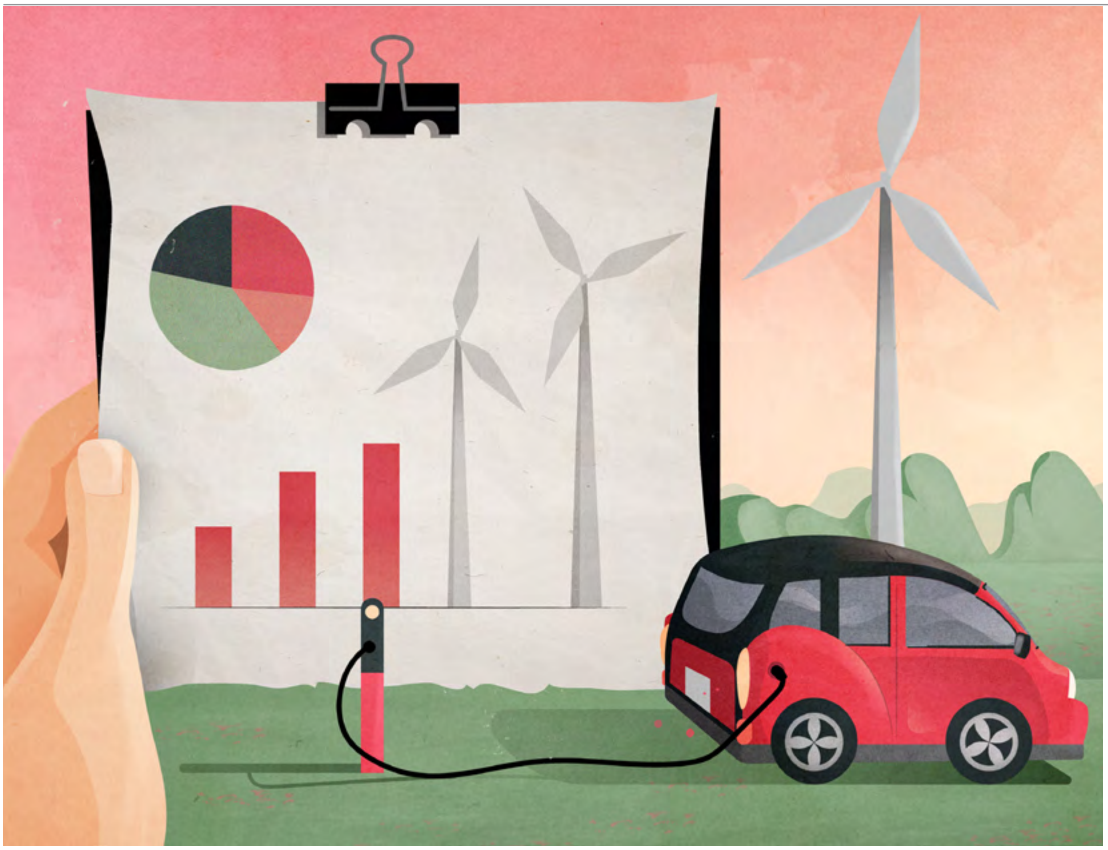


Lancaster, Chief Executive Officer of CLP Holdings Limited, says.

Dutch lighting company Signify, formerly known as Philips Lighting, achieved net-zero in September 2020, after first setting the goal in 2016. It has reduced its operational emissions by more than 70 percent since 2010, through a combination of using more energy-efficient technologies at its sites, more sustainable modes of transport, reducing business travel and optimizing logistics, including opting for sea freight rather than air freight, as well as only using renewable energy.

The balance of its emission reductions is achieved through a carbon offsetting programme with projects aimed at benefitting the well-being of local communities.

It is now working to go beyond carbon neutrality by doubling the positive impact it has on the environment and society.

Overcoming challenges

John Wang, President of North East Asia, Signify, says the biggest challenge the Signify faced in its journey was the fact that some emissions were unavoidable due to its economic activities. "Our solution was to compensate for CO2 emissions of our activities by preventing the same amount of emissions from entering the atmosphere elsewhere. We finance emission reduction projects that issue carbon credits. Each carbon credit is a certificate that corresponds to the reduction or avoidance of one metric ton of CO2 by that project," he explains.

He adds that the group selects carbon offsetting projects that will have the maximum impact, while it also uses third-party verification, such as Verified Carbon Standard, Gold Standard or United Nations Clean Development Mechanism, to ensure the claimed emission reductions have actually been achieved.

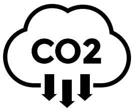
Cheung says one of the critical things for PwC to get right in its journey towards net-zero was ensuring its targets were in line with climate science. As a result, it has had its targets validated by the Science Based Targets initiative, which defines and promotes best practice in emissions reductions, to model its emissions and set its reduction targets.

He adds that understanding PwC's total emissions impact across the whole of its value chain and identifying its largest emissions sources was also challenging, as it required supplementing company data with environmental modelling techniques.

For Lau of JLL, the most challenging part of the process has been ensuring the integrity of the data it is using. "In a lot of countries, we don't have the data we need, but we can't manage what we can't see," he explains.

To overcome this challenge, JLL has introduced its own in-house carbon management platform, called Canopy. "Canopy can automatically capture data on electricity and water consumption, fleet travel and paper consumption and manage it across our global portfolio. It also forecasts what our consumption will be down the road and makes suggestions on how we can reduce it," Lau says.

Kwan of Link REIT points



Net-zero targets are defined as reducing CO2 emissions as much as possible and then offsetting what is left by removing an equivalent amount of carbon from the atmosphere through purchasing carbon credits.

out that another challenge is the current lack of standardization in carbon prices for purchasing carbon credits. He points out that in the EU carbon costs around 50 euros per ton, while in Mainland China it can cost as little as US$4 to US$5 per ton. He suggests there needs to be alignment between the different types of credit available and their cost. He also expects the cost of the credits to increase rapidly in the future as demand rises, creating financial burdens for organizations that have relied too heavily on offsetting their carbon, rather than reducing it.

Tapping into technology

Unsurprisingly, technology plays a significant role in helping companies to reach net-zero. JLL is using Internet-of-Things sensors in its offices, combined with artificial intelligence and big data analytics, to understand and reduce its energy usage. It has also installed lighting control sensors, which automatically dim lights in response to the amount of daylight there is, and occupancy sensors that turn off lights and computer monitors if nobody is in the office. "Achieving net-zero requires the deployment of existing low-carbon technologies at scale, and developing and adopting innovative new solutions and processes, many of which are at research and development (R&D) or other early stages of demonstration and commercialization," says Cheung.

Among the technologies PwC is using is a digital Emissions Tracker, a data collection, storage, computing and analysis platform that provides insights into its emissions and how to reduce them. "We're also building solutions to help our clients measure and report their sustainability performance. Our proprietary digital solutions include an ESG investment maturity diagnostic tool, ESG data and reporting tools, and a supply chain sustainability risk management platform," says Cheung.

Link REIT is retrofitting its buildings to make them more energy efficient. Kwan explains that it is exploring having digital models created of its shopping centres and other properties to understand their carbon footprint and concentration, and model ways in which it can be reduced.

But while technology is important, he concedes that there is currently no "silver bullet" that enables companies to significantly reduce their emissions. "It requires each of us to have an open mind and look at things in a different way. When we do that, we can find a solution that pushes us towards net-zero," he says.

Wang agrees that innovation was an important pillar of Signify's strategy, saying the group invested 85 percent of its R&D budget in 2020 in sustainable innovation, such as developing more energy-efficient LED lighting. It also made investments in digital lighting solutions, cloud computing and circular economy designs to reduce its carbon footprint.

Ensuring long-term sustainability

Aside from the obvious environmental and social benefits, achieving net-zero has other advantages for companies. Cheung points out that cutting emissions also reduces operating costs over the long term through reduced energy usage, while it protects the business from the risks associated with climate change. “We know the costs [associated with climate change] are rising, and will continue to rise exponentially with every fraction of increased global warming. Managing climate and other environmental risks early, and embedding sustainability into business, is actually the only way to help sustain long-term viability,” he says.

Lau agrees: “I think our leadership make it very clear we can’t continue our business without achieving these targets because we want a sustainable business ourselves.”

Kwan adds that as many jurisdictions adopt carbon neutral strategies, such as Hong Kong’s target of reaching net-zero by 2050 and Mainland China’s of 2060, companies are likely to be forced to buy carbon credits or face carbon tariffs on the emissions they have not reduced.

He adds that investors are also becoming increasingly concerned about companies’ carbon emissions. “Investors will start weeding out companies that are under performing or that don’t have net-zero targets.”

He adds that over the coming years, net-zero businesses are also likely to be shown to be more resilient than those that have not set emissions reductions targets.

Kwan also thinks focusing on carbon reduction will help to drive innovation in companies and may unlock new business opportunities, such as Link REIT’s decision to install solar PVs.

Wang points out that it is also an opportunity for companies to create long-term value beyond just their financial performance. “Our world is increasingly feeling the pressures of population growth, resource scarcity and climate change. In response to these challenges, the United Nations launched the Sustainable Development Goals in 2015. We believe we play an important role in helping to achieve those goals,” he says.

Getting started

The starting point for companies wanting to set a net-zero target is to understand exactly what their current emissions are, Cheung suggests.

Once this has been done, Lau says they can start developing a roadmap on how they will achieve reductions, including dates at which they want to reach certain milestones along the way. He adds that it is crucial that the plan is shared with employees to get them on board, while buy-in from senior management is also critical to its success.

Wang suggests companies should align their corporate priorities with their sustainability goals to enable them to engage better with their customers, employees and stakeholders. He adds that companies are unlikely to be able to do everything by themselves, and they should look to collaborate with others, both within their sector and across different industries.

Kwan stresses the importance of putting the right team in place. He explains that he deliberately chose people who were less experienced and were in their late 20s and 30s, as it was important to have people who could take ownership of the strategy and would still be there in 2035 to see the project through.

He adds that companies should also start as soon as possible. “Don’t worry about not having all of the answers right away. You just need to get started and keep plugging away at it.”

The role of accountants

Accountants have an important role to play in helping companies achieve net-zero. “As being carbon neutral is a substantial change for a company, accountants have an essential role to play in achieving the goal. Accountants are able to allocate budget, to embed carbon emissions reductions within the company’s decision-making processes and to track and report on the progress during the transition journey,” says Wang. He adds that accountants can also make sure that the net-zero goal is a core part of the companies’ business activities, in terms of budgeting, forecasts, and reporting on performance.

Kwan points out that in future, companies are likely to face the same stringent requirements to account for their carbon as they currently do for their finances.

Lau agrees: “When we talk about net-zero, we have to make sure that all the numbers we declare are accountable and can be audited.”

He adds that accountants can also play a role in helping top management understand the benefits of carbon reduction by demonstrating that it will lead to lower operating costs and a more efficient business.

Cheung expects there to be growing demand for ESG-related assurance services going forward. “There is a need for information to be consistent, accurate and reliable. The quality of the disclosed materials will be crucial,” he says, adding that accountants can provide assurance over climate and other non-financial related ESG data and disclosures.

He points out that the Big Four firms have also collaborated with the World Economic Forum to develop the Stakeholder Capitalism Metrics, a set of universal, material ESG frameworks and recommended disclosures that can be reflected in companies’ annual reports on a consistent basis.

The Hong Kong Institute of CPAs is also active in this area, and is represented on the Accounting for Sustainability’s Accounting Bodies Network, which is producing a series of guides looking at the practical steps finance teams can take to support organizations in their journey to achieving net-zero emissions. The Institute has also held a “Race to Zero” webinar series that will be available as e-seminars.

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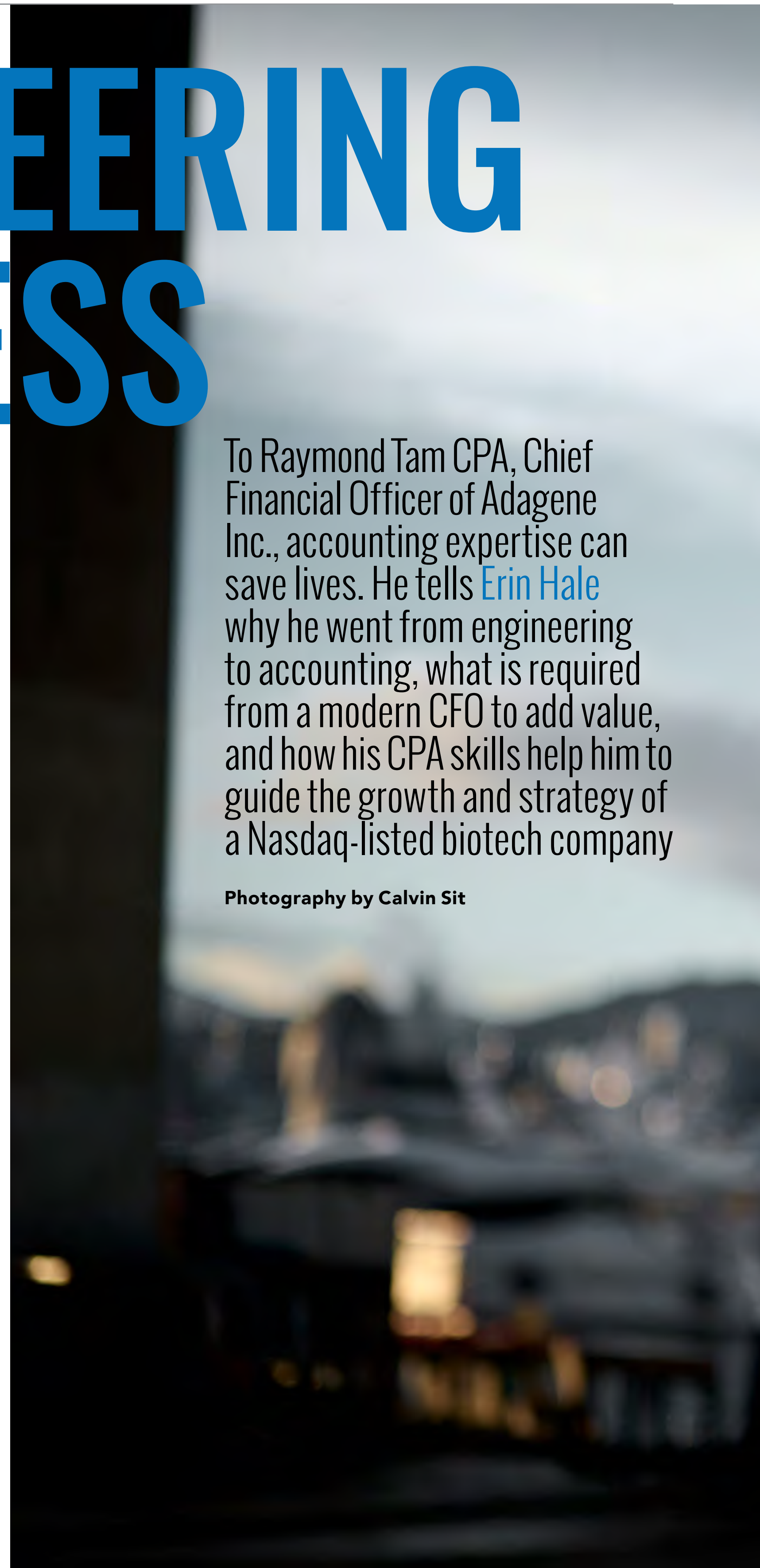
ENGINEERING SUCCESS



To Raymond Tam CPA, Chief Financial Officer of Adagene Inc., accounting expertise can save lives. He tells Erin Hale why he went from engineering to accounting, what is required from a modern CFO to add value, and how his CPA skills help him to guide the growth and strategy of a Nasdaq-listed biotech company

Photography by Calvin Sit

Preparing a company for its initial public offering (IPO) is a stressful venture for any chief financial officer, but Raymond Tam CPA also had to manage the added complexity from COVID-19 when his employer Adagene Inc. was planning to list on the Nasdaq last year. What would normally involve travelling to meet prospective investors and promoting the company, instead saw Tam participating in a slew of virtual meetings from inside his Hong Kong apartment.

"When people did IPO roadshows before COVID-19, they could easily hop on a plane, travel to different cities and meet with maybe four or five investors a day face-to-face within a week and a half," says Tam, CFO of Adagene Inc. Less travelling and more video calls, however, have sped up the process. "Despite COVID-19, we managed to complete our roadshow in a matter of days." The company successfully listed on the Nasdaq in February.

Based in Suzhou in Mainland China and San Francisco in the United States, Adagene is a platform-driven, clinical-stage biopharmaceutical company committed to transforming the discovery and development of novel antibody-based cancer immunotherapies. Adagene combines computational biology and artificial intelligence (AI) to design novel antibodies to help the patient's immune system fight tumour cancer cells. While helping to run such a company is complex during normal times, Tam's financial team had to work extra hard during the pandemic to carry out its IPO and deal with new challenges like remote work and the impact of lockdown restrictions on clinical trials. Learning to roll with the punches, however, is all part of a contemporary CFO's work, Tam says, especially when they work for companies that require both innovation and speedy decision-making.

"Not only as the CFO, but among all of the senior executives, we need to be clear about our strategy. We need to always have contingency plans in our back pockets, and also need to ensure that we can achieve our goals and strategies in a timely manner, despite uncertainties. This is something I think about on a day-to-day basis. It's very important," Tam says.

"I feel fortunate that I have the chance to be part of the Adagene family, so even though I'm not a doctor, and I'm not a biologist, I can still play a part in addressing unmet global medical needs. I am also always passionate in talking with our scientists about how antibodies work," he further says. "Since the immune system is so complicated, the industry spends a lot of time, effort and money to keep up research and development in order to understand how different components of the immune system interact with one another so that we can find better medicine for those who need treatment."

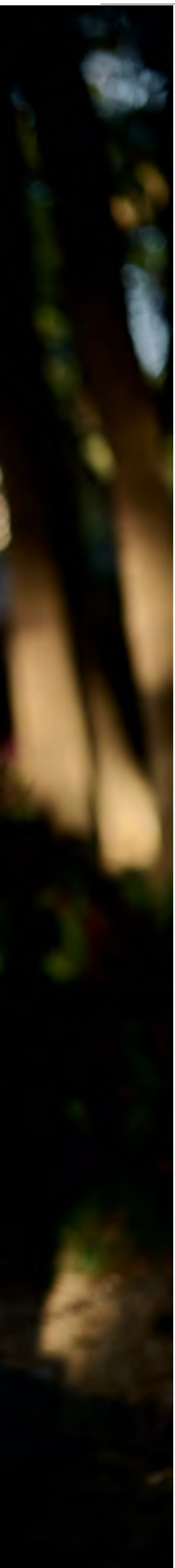
Taking on new challenges

Throughout his 20-year career, Tam has moved between different roles and different industries for global companies. Born in Hong Kong, he spent part of his childhood in New Zealand where he later studied civil and resources engineering as an undergraduate at the University of Auckland. However, two years into his nascent career, he realized he wanted something different.

"Back then, I chose to study engineering to acquire some technical scientific skills. I believed that upon graduation, as I interacted with more people, I could acquire business skills along the way," he says. "Then I worked as a civil and structural engineer in Hong Kong for around two years, but I realized that I actually was more interested in interacting with people from different backgrounds, industries and countries. As an engineer, I could only interact with fellow engineers, architects, surveyors and developers. To me, engineering was not as broad in

Before joining Adagene Inc., Raymond Tam CPA worked as chief financial officer of Resourcehouse Limited, an Australian mining company.

"Even though I'm not a doctor, and I'm not a biologist, I can still play a part in addressing unmet global medical needs."



terms of its horizon."

After signing on as a management trainee at HSBC, he began his career in finance and accounting, which would lead him to pursue a part-time degree in accounting at Australia's Monash University and then an executive master of business administration from the University of Western Ontario's Ivey Business School. During this period, he also obtained CPA qualifications from Hong Kong, the U.S. and Australia.

Executive down under

Tam's transition from banking to the executive track came in 2010. While working at JP Morgan as an investment banker, he took the initiative to approach Australian mining mogul Clive Palmer after he expressed interest in listing his company Resourcehouse Limited on the Hong Kong Stock Exchange (HKEX). The two met at the company's office in IFC where Tam pitched him the idea that he should be the person to lead the IPO. "Having been in the investment banking industry for quite some time, I knew investment bankers and they connected me with Clive and I got to meet with him face to face," he explains.

At the meeting, Palmer liked what he saw. Although this would be Tam's first time leading an IPO as a CFO, he brought IPO experience from his work in investment banking and he also understood the technical side of mining from his background in civil engineering. For Tam, this would be an exciting experience steering a company through Hong Kong's regulatory process.

While he was still based in Hong Kong during much of this time, as his family lives in the city, Tam frequently travelled to Queensland and Western Australia, where he and his colleagues would take partners, investors and financiers on site visits or flyovers of mining operations there.

Tam says it was a "wonderful experience" because it allowed him to make use of his background as a civil engineer. It was also an exciting time to be in Australia because the mining boom created a buzz of activity, even in normally quiet cities like Perth. Tam recalls that even at 5 a.m., the airport would be busy with workers, professional parties and investors travelling between mining sites.

One of his greatest challenges, however, stretched his skills beyond the mining world when he got involved in Palmer's ambitious plan to build the Titanic II, an exact replica of the famous sunken ship, using blueprints that were finished in 2013.

"Interestingly, both my engineering and accounting skills were of strong relevance to the Titanic II project. For instance, the building of ships or vessels involves the application of fluid engineering. Separately, I deployed my management accounting skills to compile a detailed budget for the US$500 million Titanic II project," he says. "Clive Palmer slowed down the Titanic II project in 2015 mainly due to a downturn in the mining industry. Project development resumed in late 2018 but was again slowed down due to COVID-19. I am still in touch with Clive, who is passionate about Titanic II. I remain hopeful that one day, Titanic II will set sail around the world. Believing is seeing!"

Tam says he also enjoyed participating in the World Leadership Alliance, a non-governmental organization sponsored by the mining conglomerate that connects business leaders and former world leaders to address social issues. During this time, Tam met leaders like former U.S. President Bill Clinton, former Australian Prime Minister Kevin Rudd, as well as former Secretary-General of the United Nations Ban Ki-moon.

Working for a mining company also brought some unique challenges, Tam says, as developing a mine often requires massive infrastructure investments before the company can realize either revenue or profit. "Like any businesses, we need to fully understand the competitive landscape, as you cannot just think about a business plan in isolation. Any company you work for may be very good, but there will be multiple other companies that are thinking about similar concepts, or have a better competitive advantage. So, having an accountant around is very important," he says. "We have the ability to account for financial affairs and also have the skills to perform the same kind of analysis on competitors to understand their strengths and weaknesses."

Long-term lessons

Unfortunately for Tam, a downturn in the global economy meant that despite winning regulatory approval from the HKEX, Resourcehouse did not go through with its IPO as planned. "My boss at the time thought the IPO pricing was not that attractive, so he decided to shelve the plan. But that said, that was still a wonderful experience for me from start to finish," he says.

During that time, Tam was able to hone his leadership skills that he had accumulated through his experience across different

Adagene Inc., a platform-driven, clinical-stage biopharmaceutical company, combines computational biology and artificial intelligence to design novel antibodies that address unmet patient needs. Raymond Tam CPA says: "Over the last few years, immuno-oncology, or IO therapy, has revolutionized cancer care. IO therapy is designed to stimulate the patient's own immune system to generate or augment an anti-tumour response in order to control or eradicate cancer cells."

industries, projects, and leadership positions. In 2011, he was selected by non-profit organization Asia Society to be part of its Asia 21 Young Leaders Summit in India. The following year, he was also selected by CPA Australia as one of its top 40 high-achieving business leaders under the age of 40.

Tam then stepped into the biotech industry in 2015. "The mining industry was going through a downturn at the time, so I started to think about industries that were growing and ones that I should spend more time on and learning more about. Then an opportunity to work at a Chinese biotech company opportunity came up," he says. "I thought it would be a good experience to work for a Hong Kong-listed company and to learn more about how a listed company operates and about the biotech industry. So that's why I switched."

Since then, Tam has served as the CFO of three energy and biotech companies before being headhunted for his current role at Adagene. Despite the often far-flung headquarters of these companies, Tam has been able to maintain his permanent residence in Hong Kong.

While working at AgenTus Therapeutics, a U.S.-based cancer biotech company, he was based in Hong Kong, while the chief executive officer was based in Belgium and the chairman was based in Boston, which required a lot of travelling between Asia, the U.S. and Europe. As CFO of Adagene, prior to COVID-19, Tam would spend weekends in Hong Kong with his family and doing activities like hiking or playing football and table tennis with his sons. On Sunday night or Monday morning, he would then fly to Shanghai and then transit to Suzhou by car for work during the weekdays. While the schedule could be tiring, Tam says he still appreciated the time it gave him with his colleagues.

"In order for me to function as an effective CFO and a good strategic business partner to my CEO, I can't just look at financing and development in isolation. I have to have a 360-degree view of the company."

"I think it was important for me to be on the ground interacting with my colleagues from time to time. I certainly treasured that a lot but then travelling back and forth every week is energy-consuming, so it was a balancing act," he says. "Now under the new normal, things have changed and my productivity and efficiency have both increased. Back then, I spent a few hours twice a week travelling between Hong Kong and Suzhou, but now I can use that time to have even more meetings and get things done, but of course now we don't have the personal touch."

Another commonality he has found in his professional experience is that while each company he has worked for has their distinct challenges, they are capital intensive and require long-term planning and investment, as well as complex regulatory approval before they see revenue. They are also two of the few industries that are able to list while still being at the pre-revenue stage as they provide key resources like energy and healthcare.

"In Hong Kong, pre-revenue mining companies can seek listing under Chapter 18 of the HKEX's listing rules, while pre-revenue biotech companies can ask for a listing under Chapter 18A," he says. "The experience that I had working with Clive Palmer, and helping with the listing of a pre-revenue company, was highly relevant to my current role. It is not easy for a pre-revenue company to list because investors and shareholders are looking for a quality company."

Working in biotech also has its challenges, says Tam. Prior to Adagene's Nasdaq listing, he was constantly fundraising on behalf of the company. Now his priorities include constantly interacting with investors and shareholders, and updating them about the company's research milestones. Given the complex work of Adagene, he says he needs to regularly interact with other team members as well, so he can have full understanding of the company's research work as well as its financial health.

"In order for me to function as an effective CFO and a good strategic business partner to my CEO, I can't just look at financing and development in isolation. I have to have a 360-degree view of the company. It's like a puzzle, all pieces are linked to one another, because each department's actions will have business implications. So I need to stay on top of things in order to deliver," he says.

Recent high points include three clinical trial collaborations with Merck, an industry leader in immuno-oncology drugs, while another saw U.S.-based biotech company Exelixis pay Adagene US$11 million upfront for the use of Adagene's proprietary SAFEbody technology, which improves tumour-specific targeting of antibodies while minimizing on-target toxicity in healthy tissues. Furthermore, Adagene could be eligible to receive up to US$780 million in milestone payments plus royalties from Exelixis.

Tam says during this time, he saw a personal milestone as well. He completed his first financing exercise for Adagene in December 2019 when it received US$69 million in Series D financing before it raised US$161 million in gross proceeds from its February IPO on Nasdaq.

As CFO of Adagene, before COVID-19, Tam would spend weekends in Hong Kong then on Sunday night or Monday morning, he would travel to Suzhou for work during the weekdays.

CPA and strategist

Over the course of his career, Tam says he has seen the role of CPAs change, especially as a result of evolving technologies. Compared to 20 years ago, he says, the average accountant is inundated with an incredible amount of new data and information each day, requiring increasingly nimble decision-making. "Now with the Internet, every day, and every minute, we are constantly receiving a lot of information. If you don't have a robust accounting system in place well in advance, it will be very difficult to make very timely decisions. CPAs really need to be decisive and dynamic, and adapt accordingly to these changes."

Tam says the average CPA is in turn "no longer just someone who looks at the numbers" but someone who is able to analyse data to assist in executive decision-making.

He notes that his CPA skills have helped Adagene hit its milestones because following systematic accounting standards allows his colleagues to "do an apple to apple comparison" across different companies and industries. Accountants, he says, account for things in a clear and concise manner for stakeholders, who need to make increasingly fast decisions as the "boom and bust" cycle of every company has been compressed due to technology.

"I think accountants are in a good position to offer advice to business partners like the CEO. This is now a trend," says Tam. "At the end of the day, while people are talking about AI and how auditors could be replaced by robots, a CPA's strategic and forward-looking mindset, and the ability to gather business intelligence – backed up by solid accounting skills – is something that cannot be replaced by AI."

While some tasks have been replaced by tech, this has freed up time to focus on tasks such as keeping track of competitors and strategic planning, adds Tam.

He appreciates how the Hong Kong Institute of CPAs has helped him develop this mindset through a continuing professional development course he took on his return from Australia. Because of an agreement between the Institute and CPA Australia, he did not need to take many extra classes to convert his qualifications. "I would say that over time, the Institute has focused more on forward-looking training. Of course, historic reporting is still important because we need to have regular financial reporting, but being forward-looking is getting more and more important. I think the Institute is doing a good job at training a new breed of accountants who understand the changing demands of the industry."

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FOR ENROLMENT

Hong Kong's new limited partnership fund regime

Hong Kong's limited partnership fund (LPF) regime has been gaining traction since it was introduced a year ago. An e-Series course explores how lawyers can work with accountants on LPF transactions and the latest developments in this area

Eric Lui is a banking and corporate finance specialist. He has extensive experience in funds formation, corporate finance and cross-border finance. In approximately one year since the implementation of the LPF regime, Lui has advised more than 15 establishments in their management of LPFs. Lui is also familiar with business in the Mainland and he is a China Appointed Attesting Officer appointed by the Ministry of Justice of the People's Republic of China.

As the trend for establishing funds and conducting private equity businesses shifts from offshore jurisdictions to onshore, investment managers may find themselves having to reassess their preferences and consider the increasingly favourable opportunities in Hong Kong. In contrast to the recent regulatory changes in the Cayman Islands, which require closed-end funds to be registered with the regulatory bodies and placing a heavier compliance responsibility on the offshore funds, Hong Kong's new limited partnership fund (LPF) regime offers an attractive alternative at a considerably lower cost. On 31 August 2020, the Limited Partnership Fund Ordinance (Cap. 637) came into force in Hong Kong while as of 1 August 2021, a total of 310 LPFs had been registered.

Important notes for auditors and lawyers in handling LPF matters

An auditor must be appointed by a general partner (GP) to carry out annual audits of the financial statements of the LPF. The auditor must be independent from the GP, the investment manager and the authorized representative (if applicable) of the LPF.

It is also noteworthy that in contrast to the accounting standard required for an exempted limited partnership (ELP), which must adopt either International Financial Reporting Standards or Generally Accepted Accounting Principles in the United States or any other non-high risk jurisdictions, there is no specific accounting standard requirement for LPFs.

The responsible person must be appointed by the GP to carry out the anti-money laundering and counter-terrorist financing measures set out in Schedule 2 in the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615). It must be any of the following:

- An authorized institution;
- A corporation licensed by the Securities and Futures Commission;
- An accounting professional; or
- A legal professional.

To register a fund as an LPF, the proposed GP must direct a Hong Kong law firm or a solicitor to apply to the Hong Kong Companies Registry (CR).

The difference between LPFs and Cayman Islands' ELPs

LPFs have often been compared to the Cayman Islands' ELPs. Though ELPs are regarded as more conventional fund vehicles, it is now arguable that the new Hong Kong LPFs are more business-friendly due to a lower level of regulatory scrutiny. Fund managers or investors should also note that while an LPF is likely to only engage Hong Kong legal counsels, establishing an ELP in the Cayman Islands with business operations in Hong Kong may require legal advice from both jurisdictions' legal counsels, the cost of which may need to be taken into consideration in the long run as an operation cost.

Recent developments

In order to attract offshore investment funds to establish and operate in Hong Kong, the Hong Kong government has taken steps to introduce the Limited Partnership Fund and Business Registration Legislation (Amendment) Bill 2021 to the Legislative Council.

Under the proposed bill, subject to the fulfilment of certain conditions, offshore funds can be moved to Hong Kong as LPFs. It is expected that a specific application form and application process will be in place to effectuate a redomiciliation of funds, requiring the applicant to provide, among others, the name and place of establishment of the foreign fund and a confirmation of its deregistration from its place of establishment. The application will be submitted by a Hong Kong law firm or a solicitor on behalf of the proposed GP to the CR and if successful, the CR will register the fund as an LPF and a certificate of registration will be issued.

The government's recent proposal to attract foreign funds to operate in Hong Kong further shows its determination to boost Hong Kong's fund industry. This new business investment vehicle can also be seen as a development in the asset management industry of Hong Kong. Investment fund managers who are based in Hong Kong should consider LPFs as a cost-effective alternative to offshore limited partnerships such as the Cayman Island's ELP. As for accounting professionals and legal practitioners, this is likely to present an invaluable opportunity for further collaboration and potential business.

About the course

In my e-Series course "Limited Partnership Funds – a view from the legal perspective," which will be available at the end of the month, participants will learn more about the operations of the LPFs and the differences between LPFs and ELPs from a legal perspective. We will also discuss the latest development of LPFs and its tax advantage under the Carried Interest Tax Concession Regime, of which accountants should be aware.

A chance to tailor a new standard

A look at the IASB's proposal for reduced disclosure requirements

Background

"Many subsidiaries are not publicly accountable; however, a subsidiary applying International Financial Reporting Standards (IFRSs) provides in its financial statements the same disclosures as those designed for publicly accountable entities."

"The *IFRS for SMEs* standard may be unattractive to some subsidiaries because they report to their parent company using IFRSs, which have different requirements from the *IFRS for SMEs* standard."

"Applying local generally accepted accounting principles (GAAP) or the *IFRS for SMEs* standard requires additional accounting records, this consumes resources and adds to the cost of preparing financial statements for these subsidiaries."

These are some of the feedback on the International Accounting Standards Board (IASB) *Request for Views – 2015 Agenda Consultation*. Stakeholders have asked the IASB to permit a subsidiary, which reports to a parent applying IFRSs in its consolidated financial statements, to apply the standards with reduced disclosure requirements.

In response to this feedback, the IASB has published Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

What issues does the draft standard address?

The IASB aims to reduce the cost of financial reporting for subsidiaries that report to a parent applying IFRSs while maintaining the usefulness of the subsidiary's financial statements to users.

Under the proposals, an eligible subsidiary could voluntarily apply the recognition, measurement and presentation requirements in IFRSs with reduced disclosure requirements. If the subsidiary currently applies local GAAP or the *IFRS for SMEs* standard a subsidiary may be incentivized by the draft standard to change to applying the full IFRSs with reduced disclosures. This would remove the need for the subsidiary to maintain two sets of records (e.g. local GAAP for its own financial statements and full IFRS for reporting to its parent for consolidation purposes).

Although a subsidiary would provide fewer disclosures than it would if it were to apply the full IFRSs, the usefulness of the financial statements would be maintained because:

- The disclosures would be tailored to the needs of the users of subsidiaries' financial statements; and
- Disclosures designed for publicly accountable companies would be removed.

Who would be able to apply the draft standard?

The draft standard would permit a subsidiary to apply the reduced disclosure requirements provided that:

(a) The subsidiary does not have public accountability; and
(b) Its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRSs.

The draft standard could be applied by an eligible subsidiary in its consolidated, separate or individual financial statements. It would not affect the information disclosed in the parent's consolidated financial statements.

Summary of the exposure draft

The exposure draft proposes a new standard that would:

(a) Be optional for an eligible subsidiary;
(b) Set out disclosure requirements for a subsidiary that elects to apply the standard; and
(c) Specify the disclosure requirements in other IFRSs that do not apply and are replaced if a subsidiary elects to apply the draft standard.

Developing the disclosure requirements

In developing the proposed disclosure requirements, the IASB started with the disclosure requirements in the *IFRS for SMEs* standard and tailored them when the recognition and measurement requirements differed from those in the full IFRSs.

The IASB's overall approach in developing the proposed disclosure requirements is summarized in the diagram on page 39.

In a limited number of cases, the IASB made exceptions to the overall approach. For example, the IASB proposes to include a few recent improvements to disclosure requirements in the IFRSs that are expected to benefit the users of the financial statements.

Principles applied in tailoring disclosure requirements

In tailoring the disclosure requirements in the IFRSs, the IASB considered users' information needs by applying the same principles as when the disclosure requirements in the *IFRS for SMEs* standard were developed, which are information about an entity's:

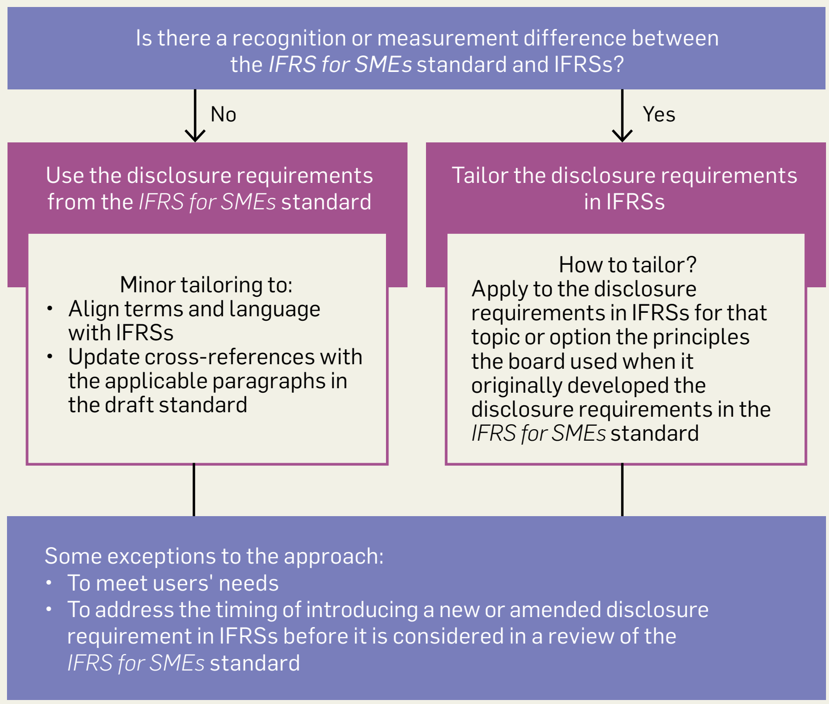
- Short-term cash flows, obligations, commitments and contingencies;
- Liquidity and solvency;
- Accounting policy choices;
- Disaggregation of amounts; and
- Measurement uncertainty.

Cost-benefit analysis

The potential benefits of applying the draft standard include:

- Removing the need for some subsidiaries to maintain two sets of accounting records – one for reporting to the parent and one for the subsidiary's own financial statements;
- Retaining usefulness of financial

Diagram: Overall approach



(Source: IASB's Exposure Draft)

Table: Potential transition costs of applying the draft standard

Potential costs	Subsidiary previously prepared financial statements under	
	Local GAAP or *IFRS for SMEs* standard	**IFRSs**
First-time implementation costs of applying IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Yes, as they need to change their accounting policies to IFRSs	No
Other transition costs (identifying which disclosures to exclude)	N/A	Yes, as the draft standard contains reduced disclosure as compared with the full IFRSs

statements for users because disclosures are tailored to meet their needs; and
- Minimizing education and translation costs for stakeholders because, although it is a new standard, the proposed disclosure requirements are based on the *IFRS for SMEs* standard or full IFRSs.

The table above illustrates the potential first-time implementation and other transition costs of applying the draft standard depending on how the subsidiary previously prepared its financial statements.

The Institute is holding a roundtable discussion on 4 November via Zoom on the topic. Visit our website for more details. We strongly encourage interested parties to join and express their views. You can also express your views through a meeting with the Institute's Standard Setting Department or by sending a comment letter to *commentletters@hkicpa.org.hk*. Take part so we can help steer the IASB in developing disclosure requirements that are fit for purpose.

This article was contributed by ***Anthony Wong CPA****, Associate Director of the Institute's Standard Setting Department. Visit the department's "What's new" webpage for our latest publications, and follow us on LinkedIn for upcoming activities.*

A step forward for reporting BCUCC

A summary of specific areas of the Institute's response to the IASB discussion paper

Business combinations under common control (BCUCC) are common in Hong Kong. In the absence of a specifically applicable International Financial Reporting Standard (IFRS) for such combinations, companies applying IFRS account for them in different ways. Based on the Institute's research findings and stakeholders' feedback, a majority of Hong Kong-listed companies and companies preparing for listing accounted for BCUCC using a book-value method; other BCUCC are reported using the acquisition method as set out in IFRS 3 *Business Combinations.*

In August, the Institute's Standard Setting Department responded to the International Accounting Standards Board's (IASB) discussion paper (DP) which sought feedback from stakeholders on its proposed new accounting model for BCUCC. Our *A Plus* April 2021 issue article provided an overview of the IASB's proposals. This article summarizes specific areas and highlights points of our response to the DP. The full response is available on our website.

Selecting the measurement method

We consider that not all BCUCC have the same nature or economic substance. Some are similar to business combinations covered by IFRS 3 while others are not. Therefore, we agree with the IASB's preliminary views that neither the acquisition method nor a book-value method should be applied to all BCUCC, and welcome the IASB in drawing a clear line for when each measurement method should be applied.

We note that although our respondents expressed mixed views on the IASB's preliminary views on determining when to use which measurement method, they generally agreed with the overall conclusions that:

- The acquisition method should be applied for BCUCC that affect non-controlling shareholders (NCS) of the receiving company whose shares are publicly traded, because these BCUCC are more akin to business combinations under IFRS 3.
- A book-value method could be applied to BCUCC for companies whose shares are privately held as this takes into account cost-benefit considerations, and internal group restructurings in initial public offering (IPO) cases because these transactions do not have real commercial substance.

We agree with the overall accounting outcomes resulting from the IASB's proposals on selecting the measurement method, and have the following recommendations:

- The IASB should further explore whether, and if so, how the information needs of holders of equity-like financial instruments that are not classified as equity under International Accounting Standard 32 *Financial Instruments: Presentation* should be captured in this project given the prevalence of these instruments in private or pre-IPO companies in Hong Kong.
- Similar to NCS, not all related parties can always access the internal information of the receiving company, and so the information needs of related parties could be the same as the NCS of the receiving company. Accordingly, we recommend that the IASB remove the related party exception so the optional exemption can also apply to related parties.

Applying a book-value method

(a) Pre-combination information

We have significant concerns about the IASB's preliminary view of prohibiting a receiving company from restating pre-combination information when applying a book-value method, for reasons including the following:

- Applying the IASB's preliminary view, the presentation of pre-combination information would solely depend on how the BCUCC is legally structured, i.e. which entity is the receiving company. This would result in different pre-combination information being presented for economically similar transactions, which would impair comparability.
- BCUCC undertaken for the purpose of an IPO are often internal group restructurings. Restating pre-combination information in such cases would meet the information needs of potential investors because it provides evidence of management's track record of the listing group as a whole, which helps potential investors assess the prospects for future cash flows to the listing group.
- For many years, Hong Kong listing applicants have been applying a book-value method to IPO cases and restating the pre-combination information in their financial statements. Such presentation is considered to be useful and effective by investors for making informed investment decisions and by regulators for assessing the eligibility of applicants for listing. The IASB's preliminary views, if implemented, would inevitably create a significant negative impact to the investor community and the Hong Kong capital market.

Given the above, **we strongly recommend that the IASB provide an accounting policy option for companies to choose whether to restate pre-combination information** to cater for the information needs of potential investors and regulators.

(b) Measuring assets and liabilities received

We acknowledge that the IASB's preliminary views on requiring the receiving company to use the transferred company's book values to measure assets and liabilities received are in line with the overall thinking of the DP that focuses on the receiving company's perspective. However, **we consider that there are situations where using the controlling party's book values would better reflect the economic substance of the transaction and mitigate structuring opportunities.** This could be the case when the BCUCC is undertaken solely to hide goodwill and intangible assets related to the transferred company, and any associated impairment losses, arising from a past business combination. Accordingly, we recommend that the IASB provide an accounting policy option for companies to use the controlling party's book values when such an approach would provide useful information, and require companies to disclose which book values they have used.

This article was contributed by ***Carmen Ho*** *and* ***Eky Liu CPA****, Associate Directors of the Institute's Standard Setting Department.*

Blockchain and accounting

Part one of blockchain series: An overview of recent developments in the accounting and audit of cryptocurrencies

Blockchain usage is increasing, particularly after the COVID-19 pandemic. Last year, the technology was recognized as one of the top 10 technologies by the European Parliamentary Research Service to mitigate the pandemic, particularly in monitoring disease outbreaks, contact tracing, patient information-sharing across various systems. A blockchain is a distributed, immutable, append-only ledger or database that maintains a continuous growing list of ordered records called blocks. Each block contains transaction data and a cryptography tag, which is used for verification and to securely connect the previous block to form a chain of blocks.

Innovative business models that use blockchain technology are emerging, particularly in the banking industry. For example, China Finance Technology (a pseudonym because of anonymity) is a professional service provider that uses blockchain to track and monitor the serial number of renminbi bills in circulation and to present the information flow to the People's Bank of China. As daily transaction volumes top RMB 1 billion for each of People's Bank of China designated branches and related commercial banks, using blockchain can reduce the costs associated with interbank transfers and assure transparency.

Blockchain is the technological framework by which bitcoin and other cryptocurrencies operate. Mordecai Lerer, Tax Partner in the Commercial Business Group at Marks Paneth LLP, defines cryptocurrency as a "digital currency that uses encryption techniques, rather than a central bank, to generate, exchange, and transfer units of currency. Unlike cash transactions, no bank or government authority verifies the transfer of funds."

According to CoinMarketCap, a price-tracking website for cryptoassets, there are over 6,000 cryptocurrencies being traded with a total market capitalization of around US$1.3 trillion as of the end of July. The increasing prevalence of cryptocurrency transactions, including initial coin offerings and cryptoasset transactions, has been an interesting and important topic for professional accountants and auditors.

Financial reporting

According to the International Financial Reporting Standards (IFRS) Interpretations Committee agenda decision published in June 2019, cryptocurrencies are classified as inventories (International Accounting Standard (IAS) 2 *Inventories*) if they are assets held for sale in the ordinary course of business, and otherwise as intangible assets (IAS 38 *Intangible Assets*).

The Hong Kong Institute of CPAs expressed in its response in May 2019 to the IFRS Interpretations Committee tentative agenda decision that accounting for cryptocurrencies under IAS 2 or IAS 38 may not provide relevant information. This is so because that IAS 38 was developed long before cryptocurrencies and IAS 2 does not measure cryptocurrency holdings at fair value through profit and loss.

Under IFRS, an entity should disclose according to the requirements in the standard but it should also disclose any additional information that is relevant to an understanding of its financial statements.

Auditing and assurance

On the audit and assurance of blockchain, Kathleen Hamm, a Public Company Accounting Oversight Board Member, commented on 2 November 2018 at a symposium: "Blockchain does not magically make information contained within it inherently trustworthy. Events recorded in the chain are not necessarily accurate and complete."

Two control issues are of importance when it comes to blockchain. First, is authorization. Owners of direct cryptocurrency holdings should use appropriate controls to safeguard and ensure the private key used to authorize a transfer of the cryptocurrencies from one public address to another. If keys are lost or destroyed and backups are not properly secured, the entity would not be able to access the cryptocurrency; and in the case of stolen keys, the cryptocurrency could be transferred to another party and the transfer could be irreversible. Second is transaction controls, such as segregated duties associated with the initiation of cryptocurrency transactions. There should be well-designed manual reconciliations or programmed interfaces between the blockchain and the entity's books and records, including adequate cut-off procedures.

According to Jamie Hinz, a cryptocurrency specialist at EY, there are four key areas that auditors need to consider when auditing clients with cryptocurrencies and blockchain systems. Firstly, clients are required to perform pre-assessments of business process controls to prepare for the audit. For example, clients must have IT general controls and application controls over private keys to access cryptocurrencies through blockchains. Independent accounting books and records are needed for reconciliation with records found within the blockchain. Clients should assess their process, technology, legal and compliance risks of blockchain systems. Secondly, auditors need to plan discussions with clients so that their expectations of audit effort, cost and timing are realistic. Thirdly, auditors need to regularly communicate with clients about new business activities to minimize surprises. Finally, auditors need to consider the use of experts during audits of blockchain companies. A blockchain specialist may help the auditor to understand blockchain technology and its technical limitations, and provide technical support on the ownership, rights and obligations of cryptocurrencies. Overall, auditors need to work with their clients and other specialists to conduct audit procedures, such as cryptocurrency wallet analysis/verification and transaction analysis/verification.

The second part of the series will look at blockchain's impact on taxation. This article was contributed by ***Kang Li,*** *a Blockchain Project Consultant at GF Digital Technology Pty Ltd., and* ***Jim Wang****, a research staff at the Department of Accountancy of Hang Seng University of Hong Kong.*

TECHNICAL NEWS

The latest standards and technical developments

Financial reporting

Institute's webinar HKFRS 17 *Insurance Contracts*: An update in a nutshell
The webinar on 29 October will provide a high-level understanding of the basic requirements of Hong Kong Financial Reporting Standard (HKFRS) 17 *Insurance Contracts*. It will serve as a refresher course and cover some of the key aspects of the new standard. This webinar will also cover amendments to the standard that have changed some of the requirements, and which were approved by the Institute in late 2020 following the publication of Amendments to International Financial Reporting Standard 17 *Insurance Contracts* in June 2020.

New webpage: Presentation and disclosures of financial statements
The Institute has developed a new webpage which contains pronouncements, guides and articles that are relevant to the presentation and disclosures of financial statements for the following projects:
- Primary financial statements;
- HKFRS Practice Statement 2 *Making Materiality Judgements*;
- Disclosure of accounting policies; and
- Classification of liabilities as current or non-current.

IASB investor perspective article
Issue 24 of the International Accounting Standards Board (IASB) *Investor Update* highlights an interview with Philip Robinson, accounting specialist in the Corporate Finance Group at Moody's Investors Service and member of the Capital Markets Advisory Committee. It also includes a reminder for papers that are open for consultation from the IASB.

Auditing and assurance

Invitation to comment
The Institute is seeking comments on the International Auditing and Assurance Standards Board (IAASB) Exposure Draft *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)* by 31 December. The proposed standard aims at focusing the work of auditors through requirements designed to be proportionate to the typical nature and circumstance of less complex entities. Members are also invited to:
- Take part in the Institute's survey, which highlights the key attributes of the exposure draft followed by yes/no questions.
- Participate in the Institute's roundtable on 9 November to share views on the exposure draft. Members attending the roundtable will be entitled up to one CPD hour.

To facilitate responses, the IAASB has prepared an optional response template.

Learn more about the proposed standard by reading the overview article from the International Federation of Accountants (IFAC) and the IAASB webpage.

Institute's workshop on audit of licensed corporations
Join the workshop on 8 November to learn about audits of licensed corporations regulated by the Hong Kong Securities and Futures Commission (SFC). The workshop will cover:
- An overview of the Hong Kong Securities and Futures Ordinance requirements.
- Highlights and reminders on Practice Note 820 (Revised) *The Audit of Licensed Corporations and Associated Entities of Intermediaries.*
- New amendments of the Securities and Futures (Financial Resources) Rules for the preparation of financial returns.
- Sharing of key future developments in rules and regulations relevant to audit.

Recording of the Institute's panel discussion webinar on audit quality
The webinar recording of a panel discussion on how a culture of challenge and professional scepticism can contribute to audit quality in firms is now available.

How long should firms keep their engagement documentation?
As required by Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, firms should design and implement systems of quality management by 15 December 2022, including to maintain and retain engagement documentation appropriately. The Institute published a guidance which sets out factors for firms to consider when determining an appropriate retention period for engagement documentation.

Institute's Auditing and Assurance Standards Committee meeting minutes
Minutes of the meeting held in July is now available.

2020 IAASB Handbook
The IAASB has released the 2020 edition of the *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*. It includes ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures*; conforming and consequential amendments from ISA 540 (Revised) to other standards; changes for the conforming amendments arising from the restructured *International Code of Ethics for Professional Accountants (including International Independence Standards)*. It also includes standards which are not yet effective in the back of Volume 1 and 2.

Exploring the link between culture and high-quality audit
The Financial Reporting Council in the United Kingdom published a summary document from its recent Culture Conference held in June which explores a variety of themes namely building an audit firm culture that supports high quality audit; the role of audit committees; the importance of a culture challenge; embedding and measuring organizational culture; audit firm culture, audit quality and the role of the regulator.

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:

- Financial Reporting, Audit and Assurance Conference: Join the virtual event on 11 and 12 October and explore how reporting and audit are transforming to strengthen the trust and to help build a sustainable future.
- Hot topics and tips for 2022 audit: Join the online webinar on 1 November aiming at helping small- and medium-sized audit firms get ready for the 2021/22 reporting season. It focuses on current topical issues and areas for improvement on audits into 2022 and top tips for auditing in post pandemic world.
- Audit and Beyond September 2021: Access to technical articles on application of ISA 540 (Revised); improving audit files; resources to help firms with their approach to 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.

Ethics

Institute's Ethics Committee meeting minutes
Minutes of the meeting held in June is now available.

Maintaining an ethical and supportive culture during remote working
An ICAEW article explores practical steps some firms have taken to ensure that an ethical and supportive culture is maintained while teams of staff work remotely.

New series of articles on ethical leadership
To help guide finance professionals to maintain ethical standards in a complex environment, the Chartered Professional Accountants of Canada, the Institute of Chartered Accountants of Scotland, and the IFAC have released a new publication series – *Ethical Leadership in an Era of Complexity and Digital Change*, focusing on ethical leadership that is crucial to the future success of the accounting profession and the global financial system as a whole.

Paper 1 of the series – Complexity and the professional accountant: *Practical guidance for ethical decision-making* – addresses the key themes presented in the exploratory work, leveraging discussions and recommendations featured in a recent global roundtable event, to offer practical guidance for finance professionals in the area of ethical leadership.

Corporate finance

SFC's consultation conclusions on climate-related risks in funds
On 20 August, the SFC released consultation conclusions on the proposed climate-related risk management and disclosure requirements for fund managers, together with amendments to the Fund Manager Code of Conduct (FMCC) and a circular setting out the expected standards for complying with the amended FMCC, including:

- Baseline requirements for all those managing collective investment schemes (CIS); and
- Enhanced standards for fund managers with CIS under management which equal or exceed HK$8 billion in fund assets for any three months in the previous reporting year. This represents an increase from the HK$4 billion threshold proposed in the consultation paper.

Please refer to the press release for details. The first phase of the new requirements will be implemented on 20 August 2022.

Please also refer to the Institute's submission, which supported the SFC's proposals in principle, while commenting on the details of their implementation.

Taxation

Announcements by the Inland Revenue Department
Members may wish to be aware of the following matters:

- List of Qualifying Debt Instruments (as at 30 June 2021).
- *Tax Guide for Charitable Institutions* and *Trusts of a Public Character.*
- Legislative Council question on double taxation relief for income from international operation of ships.
- Legislative Council question on data relating to housing.
- Stamp Duty statistics.

Legislation and other initiatives

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

- Government welcomes formal launch of Cross-boundary Wealth Management Connect.

AML notices
Gazetted list of terrorists and terrorist associates designated by the United Nations Security Council (UNSC), published pursuant to the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575) was gazetted on 8 September. 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 7 September. 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

Welcome

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

QP Graduates – June 2021 Session

The Institute is pleased to announce that 740 QP candidates successfully completed the Qualification Programme in the June 2021 Session. The list of graduates is as below.

AU Hiu Wai
AU Man Wai
CAI Pik Nam
CAO Xuefei
CHAN Chak Chung
CHAN Cheuk Ming
CHAN Chi Fung
CHAN Chi Hei
CHAN Chi Kit
CHAN Chi Weng
CHAN Ching Yi
CHAN Cho Man
CHAN Cho Yiu
CHAN Chun Hei
CHAN Chung Yip
CHAN Claudia Yuk Ying
CHAN Hang Fong
CHAN Hau Tuen
CHAN Hei Lam
CHAN Hei Lam
CHAN Hing Wing
CHAN Hiu Hong Felix
CHAN Ho Ming
CHAN Ho Pong
CHAN Hoi Yan
CHAN Hoi Yan
CHAN Hor Shan
CHAN Ka Fai
CHAN Ka Hei
CHAN Ka Man Carrie
CHAN Kam Hin Brian
CHAN Kam Hing
CHAN Kam Kong
CHAN Kiu Kiu
CHAN Kwun Ki
CHAN Lok Hin
CHAN Man Kin
CHAN Man Wai
CHAN Man Yee
CHAN Ming Lung Justin Noel
CHAN Ming Yan Lundi
CHAN Nga Ki
CHAN Pak Lun
CHAN Shuk Fan
CHAN Sin Yee
CHAN Siu Lan
CHAN Siu Yan Jenny
CHAN Suk Yu
CHAN Sze Man
CHAN Sze Ming
CHAN Sze Ngar
CHAN Sze Yui
CHAN Tsun Hin
CHAN Tsz Fung Hank
CHAN Wai Ching
CHAN Wai Fung
CHAN Wing Hung
CHAN Wing In
CHAN Wing Ki
CHAN Wing Kin
CHAN Wing Sze
CHAN Yee Ching

CHAN Yik Lui
CHAN Yin Hei
CHAN Yin Tsung
CHAN Yin Tung
CHAN Yuen Ting Staphiane
CHAN Yuet Yi
CHAN Yuk To
CHANG Chiu Yu
CHANG Pak Ho
CHAU Ching Yi
CHAU Hau Chung Stephen
CHAU Ka Yu
CHAU Long Yat
CHAU Oi Ying
CHAUVIN Louis Robert Marcel Jin
CHEE Ka Yan
CHEN Jinhui
CHEN Lili
CHEN Xia
CHEN Xiangju
CHEN Xiuyan
CHEN Yishi
CHEN Yiwen
CHEN Hongni
CHEN Hongyu
CHEN Ying
CHENG Chun Weng
CHENG Ka Chun
CHENG Ka Kin Daniel
CHENG Ka Kiu
CHENG Kinny
CHENG Kwan Lok
CHENG Pik Shan
CHENG Pui Yi
CHENG Shuk Yan
CHENG Sze Ming
CHENG Tin Lai
CHENG Tsz Kin
CHENG Tsz Ying
CHENG Wing Yee
CHENG Yu Hon
CHEUNG Chu Hei
CHEUNG Chun Ho
CHEUNG Chun Kit Tony
CHEUNG Chun Mei
CHEUNG Hiu Ching
CHEUNG Ho Kwan Maurice
CHEUNG Hoi Yan
CHEUNG Kam Shan
CHEUNG Ling Huen
CHEUNG Ling Wai
CHEUNG Lok Yee Louise
CHEUNG Man Ho
CHEUNG Mei Yi
CHEUNG Ming Yan
CHEUNG Shing Him
CHEUNG Shuk Ting
CHEUNG Shuk Yu
CHEUNG Sing Ho
CHEUNG Sze Nok
CHEUNG Sze Wai
CHEUNG Yi Tak

CHEUNG Ying Ying
CHEUNG Yuk Kam
CHIANG Hoi Yan
CHIK Shin Yee
CHIO Chun Wai
CHIU Hoi Yee
CHIU Kam Hei
CHIU Sai Hung
CHIU Wing Ki
CHO Yu To
CHOI Ka Hei
CHOI Mei Yan
CHOI Nga Yin
CHOI Sin Tung
CHOI Siu Kei
CHOI Sze Yan
CHOI Tsz Kit
CHOI Wai Yan
CHOI Yuk Chak
CHONG Chung Man
CHONG Eunice Ceris
CHONG Pik Lan
CHOW Cheuk Him
CHOW Chi Hang
CHOW Chun Lun
CHOW Chun On
CHOW Ka Shun Nelson
CHOW Tsz Kin
CHOW Tsz Ting
CHOW Tsz Ying
CHOW Cho Man
CHOY Bonnie Yuen Ying
CHOY Ching Fung
CHOY Pui Kwong
CHU Claudia Kung Wai
CHU Hoi Yee
CHU Kai Keng
CHU Sin Hung
CHU Tin Yan
CHU Yuk Lam
CHUAH Jin Yin
CHUI Corliss Wing Chee
CHUI Wing Fung
CHUNG Hau Yin
CHUNG Hei Man
CHUNG Hoi Ching
CHUNG Johnny Po Shing
CHUNG Kin Ling
CHUNG Sai Kit
CHUNG Shing
CHUNG Wai Yi
CHUNG Wing Ki
CHUNG Yuen Lai
DU Yunqiao
DU Xingzhong
FANG Wen
FENG Xiaofan
FENG Zhen
FOK Yan Yan
FONG Hei Yin
FONG Hoi Yin
FONG Kei Hou Kelby

FONG Oi Ning
FU Cho Yu
FUNG Cheuk Sum
FUNG Chi Lap
FUNG Ho Kiu
FUNG Ka Lam
FUNG Wing Kei
GAN Ning
GAO Jihui
GAO Xin
GAO Tianqi
GAO Wei
GENG Yunqing
GONG Tingting
GU Ching Yi
GU Weiqi
GUAN Sue
GUO Ziying
GUO Ying
HAI Pui Man
HO Cheuk Fung
HO Cho Yi
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HO Tsz Ching Alice
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HU Hongfu
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HUI Chi Man Mandy
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HUI Dan Hung
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HUI Sai Man
HUI Wing Lam Crystal
HUI Ying Kai Adrianna
HUNG Cheuk Fai
HUNG Chun Kit
HUNG Hiu Kuen
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HUNG Man Yuen
IP Chiu Yi
IP Ka Yan
IP Shin Man
IP Wing Sum
JIAN Yue
KAN Kin Pui
KEI Hiu Ying
KEY Yuen Yan
KO Chun
KO Ho Ying

KO Jonathan Ka Wing
KO Tak Kuen
KO Tsz Ching Lourdes
KOK Mei Ting
KOON Cho Yu
KWAN Pui Yi
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KWOK On Ki
KWOK Tsz Ying
KWONG Chun Hin Vincent
LAI Chun Yin
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LAI Hok Sam Bryan
LAI Lorraine Long-ying
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LAI Tsz Ki Arthur
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LAM Ngoi Ying Grace
LAM Shing-hong Leon
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LEUNG Sin Ching
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to Success

LEUNG Suet Yee Karen
LEUNG Sze Man
LEUNG Tsun Sum
LEUNG Tsz Nga Esther
LEUNG Wing Shun
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LI Chee Kwan Priscilla
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LI Hau Yan
LI Ho Yi Aphros
LI Janice Wei Meng
LI Jessie Qinwei
LI Kong Ying
LI Kong Yiu
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LUO Xinming
MA Hiu Ting
MA Lawrence
MA Man Kuen
MA Sz Yan
MA Tsz Ying
MA Wai Yin
MA Wynne Wing Yee
MA Yuk Yi
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MAN Yick Ho
MARK Yee Man
MAU Lok Yee Janice
MENG Yu
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MO Yunsheng
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NAM Cheuk Lun
NG Chi Wing
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NG Fung Yee Louisa
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NG Lok Man
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NG Reg Hon Lam
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NG Tsz Ching
NG Tsz Ching Tammy
NG Wing Sze
NG Yan Ling
NGAI Chun Long
NGAI Siu Chung
NGAI Yau Tat
NGAN Hung Ho
OU Lilu
OU Qianyao
PAN Lunjie
PAN Xin

PANG Chung Wai
PANG Ho Chuen
PAU Hoi Yan
PHAN Anthony
PO In San
POON Chun Sing
POON King Yat
POON Man Yui
PUN Ka Shing
PUN Shu Yeung
PUN Shuk Kwan
QIU Qingzi
SHAM Dominic Joseph
SHEK Chun Kei
SHEK Ka Ying
SHEK Mei Yu
SHEN Meng
SHEN Yanhao
SHIH Kwan Ho
SHIN Yuet Ming
SHING Long Kit
SHIU Ying Tung Janice
SHUM Shi Kit Regan
SIO Ka In
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XIANG Yang
XIE Fengge
YAN Chun Yu
YAN Pak Kiu
YANG Wen
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YAU Monica
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YU Suk Yin Iris
YU Sze Ming Jasmine
YU Tianjiao
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YUEN Yi Hsuan
YUNG Yuk Wa
ZE Dejun
ZENG Yangruijia
ZENG Yongchuan
ZHANG Boyan
ZHANG Chuyi
ZHANG Fuya
ZHANG Jieping
ZHANG Qi
ZHANG Xinzhong
ZHANG Xueyan
ZHANG Zidi
ZHANG Chuhao
ZHANG Xiaoman
ZHANG Zeming
ZHENG Xujiao
ZHOU Yuqing
ZHOU Sulin
ZHU Yueming

Congratulations to the graduates of the Hong Kong Institute of CPAs' Qualification Programme. Under the guidance of experienced CPAs, these graduates are on their way to joining the world's most prestigious accounting professionals. And they've taken the first big step towards becoming one of Hong Kong's success ingredients.

THE BRIGHTEST STARS

The Institute's highly-anticipated new Qualification Programme (QP) began its classes in December last year. Four top-scoring students of the new QP tell Jeremy Chan how the programme's newly-designed Associate Level modules, as well as its Professional Level modules and workshops, have not only equipped them with the right knowledge and expertise to thrive in the business world, but also given them a clearer picture of their careers ahead

Photography by Anthony Tung

Despite not having an accounting degree, Kelvin Ng enrolled himself in the Hong Kong Institute of CPAs' Qualification Programme (QP), assured that the programme would provide him with a solid foundation in the subject – as well as a diverse set of technical and soft skills – to one day become a CPA. "I enrolled in the QP because I felt that even though I was gaining a bit of finance and accounting knowledge on the job, I didn't feel well prepared," says Ng, who is a Senior Analyst at Bank of China Group Investment Limited.

Ng is among the second batch of students to enrol in the Institute's new QP and experience the programme's newly introduced Associate Level modules. Having taken the first five modules so far, he has scored the highest exam scores in three of them – Module 1 Accounting, Module 2 Management Accounting and Module 3 Business Economics.

For more than two decades, the Institute's QP has helped to train and nurture young professionals to become CPAs in Hong Kong. Its latest iteration launched in December last year starting with its Associate Level, followed by the Professional Level in June, and its Capstone Level will commence in December. Its Associate Level and 10 modules are the new QP's biggest change as it offers an opportunity for students with different educational backgrounds, including sub-degree holders and non-accounting majors, to gain fundamental knowledge before

(First row from left) Tiffany Yip, Angel Lam, (Second row, from left) Kelvin Ng and Kelvin Li moving on to the Professional Level. The Professional Level's four modules, Module 11 Financial Reporting, Module 12 Business Finance, Module 13 Business Assurance and Module 14 Taxation, are based on the previously sat four modules, and are designed for students with an accounting background, such as those who studied accounting in university. Students are provided with a "learning pack" or course materials to prepare for each module. Each module consists of lectures from experienced facilitators, while modules in the Professional Level include workshops. To graduate from the QP, students will need to complete the programme's Capstone Level, which consists of three-day workshops and a four-hour final exam.

"I can already say I have the skills to explain to someone what accounting really is, and the key aspects of my job in the accounting process."

What struck Ng the most wasn't his top marks, but how well structured and informative the Associate Level modules are, especially for those who enrolled with limited accounting knowledge like himself. "I can already say I have the skills to explain to someone what accounting really is, and the key aspects of my job in the accounting process," Ng says, adding that despite having to study the QP modules online, that the learning materials have helped him greatly. "I've been learning through the e-textbook provided by the Institute and taken mock exams through its website. Still, the course materials were very rich in content – I was very impressed. It's been both convenient and a practical path to take."

Kelvin Ng (left) was the top scorer for Module 1 Accounting, Module 2 Management Accounting and Module 3 Business Economics; and Tiffany Yip (right) scored the highest marks in Module 11 Financial Reporting, at the June 2021 session.

Ng, who majored in Finance at the Chinese University of Hong Kong, now works in his company's accounting department and is involved in the treasury function of the company. He says he found the management accounting module to be the most helpful so far. "This module taught me how to systematically look at a company's financials," he notes. "My duty is to raise funds for the company. This requires me to understand the company's annual reports and explain some of the figures to external parties, such as other banks and investors, and why we issue bonds in the market. So the module has helped me to understand the working nature of the company's business and how it is performing, which is a very important aspect of my role."

The Associate Level also prepares professionals with the ability to make strides in today's increasingly digital and technology-driven workplace, adds Ng, through Module 5 Information Management. "The content in the module was very up to date; it covered big data, artificial intelligence and their uses in the real world. I did not expect to learn this at all," he says. "I imagine many young accountants have little exposure to this at work, so it has been extremely beneficial." Indeed, the knowledge he has gained from this module has already proven useful for Ng. "We are working on a new system that will link up all accounting information with the treasury function. Relying on these IT systems will speed up routine jobs and automate many finance and accounting functions, so knowledge in this area has been helpful, especially in my role now."

While Ng is aware that the nature of his role provided him with a slight advantage in understanding the modules, he says students of all educational backgrounds will be able to benefit from the QP's Associate Level modules, and should start by setting aside time to read through the learning outcomes of each one. "This will help you understand the importance of each one and what you can expect to learn," he explains. "When I started studying for the management accounting module, I actually knew it would prepare me for the accounting module as well, because they are interlinked. These two have to be learned together, so you won't get confused when taking the next module. This will help the learning process and help you to understand accounting more logically."

With plans to complete the last five modules and their exams in the December Examination Session and then take on the Professional Level modules after, Ng deeply appreciates both the knowledge and direction the QP has given him so far. "I now have a clearer picture of my career path, what I'm going to be, and the key abilities that I will gain through the whole programme," he says. "It has prepared me for the next step, which is, of course, becoming a CPA."

Practical knowledge

Tiffany Yip says the QP's content-rich modules and interactive workshops provide students like herself with a strong foundation of accounting and financial knowledge, as well as the effective interpersonal and communication skills to excel in their careers. "It's a programme that went beyond my expectations," says Yip, Associate at PwC's Financial Services Assurance team. Yip, who completed the business assurance and taxation modules of the previous QP last year, enrolled in Module 11 Financial Reporting and Module 12 Business Finance in June and scored the highest marks in the financial reporting module exam.

"The facilitators help by questioning our answers and suggest new perspectives when we discuss case studies."

Yip is most proud of how she applies her newfound knowledge in the workplace. One of the most unique and valuable aspects of the QP, she says, is its workshops, which offer students the opportunity to practice what they have learned in the lessons, and for facilitators to see where they need to improve on. "At first, I thought workshops would involve just sitting and listening to the facilitators, but it's far from that. There are numerous interactive group discussions, case studies and debates," she says, noting that the workshops encourage students to learn by engaging with each other to take on simulated scenarios.

Yip, who entered the QP with around two years of auditing experience, was pleasantly surprised at how the workshops thoroughly cover real-world situations. "For the Module 11 workshop, we did a case study as a group on Hong Kong Financial Reporting Standard (HKFRS) 16 *Leases* and HKFRS 3 *Business Combinations* where we learned how to do consolidation entries. This is something CPAs will actually face at work," Yip explains. "When I have to audit a group company, for example, I need to consolidate the financial figures of the parent company and its subsidiary into a single set of financial statements. And when I calculate lease payments, I need to understand how to account for right of use assets and lease liabilities."

Workshops also see students taking turns to present their findings after each case study to the rest of the class. "The facilitators help by questioning our answers and suggest new perspectives when we discuss case studies. It helps all students to think deeper," Yip says. "You really get a chance to exchange ideas with group mates. I gained a better business mindset and better critical thinking skills from these workshops."

She reminds students to make full use of each workshop by arriving prepared. "Students should complete any relevant learning materials before the QP workshops. During workshops, you really have to force yourself to join in the group discussions. They will help you identify any gaps you have in your knowledge," she says.

Planning ahead of time

To get the most out of the QP, students should dedicate time to intense studying, says Kelvin Li, Compliance Officer at UBS Bank. Since QP students are also working full time, he says being able to manage one's time throughout the entire process will be key to gaining the most knowledge from the programme and passing the exam.

Li, who recalls working as fast as he could during the Module 12 Business Finance exam, knows this first-hand. "I was writing non-stop, right up until the last few minutes of the exam. I nearly couldn't finish," he says. "I honestly wasn't sure if I'd answered all the questions correctly and thought I wouldn't pass." Luckily, he did, and was surprised to find out that he was the top scorer of the Module 12 exam.

He enrolled in the QP last year and first completed the financial reporting, business assurance and taxation modules before taking on Module 12 this year. He found that particular module to be the most helpful in his compliance role. "It's a very all-round module that covers a wide range of topics within finance such as company valuations, risk management, and company strategy," he says, adding that the knowledge he gained from the financial reporting module was equally beneficial. As a compliance officer in his company's financial crime team, Li spends much of his time looking at financial statements that their clients provide. "I'm able to pick up on anything suspicious and notify my team. I also handle personal investments too, so by knowing how to look at financial statements, I can better understand the background of different companies."

> "Some students may not feel as confident during these workshops, but that's where the facilitators come in to help."

Li encourages students to make good use of the course materials provided. "I found the learning pack to be very useful and well-written, as there are exercises and questions from past papers for us to see if we are on the right path," he says. Li is also aware that many students may feel intimidated by its length, but urges them to spend time familiarizing themselves with as many topics discussed within, as this will also help them during workshop discussions. "Before attending the workshops, have a read through the key points of that module. By being prepared, you'll at least have input to share during group discussions."

He agrees that the workshops, and its facilitators, are an indispensable aspect of the QP. "Some students may not feel as confident during these workshops, but that's where the facilitators come in to help," he explains. "They guide us through the group discussions, give us tips, and if they notice we don't understand something, they'll provide us with examples to help us continue the conversation."

To maximize efficiency during the exam, Li advises students to complete the "easy" questions, or the ones they already know the answers to, first. "This will allow you to warm up, attain as many points as possible and give you the confidence to finish the rest of the paper," he says. "By doing the easier questions first and having a second thought about the more challenging questions, you will have a better chance of coming up with the answer later. This was my method in the exam."

A clearer picture

Angel Lam says the knowledge she gained from the QP helped her to better understand her own role as an auditor, and how to add value in her role. She remembers the moment everything clicked after completing the programme's business assurance module. "After completing the programme, it made sense why we perform overall analytical audit procedures during each engagement, and the principles behind these procedures," says Lam, who is a Staff Accountant at EY. Lam, who knew she wanted to become a CPA when she was in secondary school, majored in Professional Accountancy at the Chinese University of Hong Kong, and says the QP's unique structure and content gave her that edge she was seeking. "What I learned in university wasn't as in-depth, practical or as updated as the QP. The programme fully explains *why* CPAs need to do certain tasks," she adds.

Lam, who first enrolled in the QP in December 2020, was the top scorer of Module 14 Taxation exam. She found all modules equally beneficial and notes that her newfound knowledge in tax, for example, is often called upon during audit engagements. "The taxation module covered a lot of technical knowledge in depth," she explains. "We learned about tax rules, tax planning, transfer pricing and stamp duties, for instance. I need to look at tax matters during each audit engagement such as when a company is shifting profits or engages in transfer pricing. My awareness and knowledge has been very useful on the job." Lam also commends Module 11 Financial Reporting. "We learned about financial reporting frameworks and how they work. Without knowledge from this module, I don't think I'd be able to identify misstatements during an audit."

Therefore, students have to be proactive throughout the programme,

Kelvin Li (left) attained the highest marks in Module 12 Business Finance; and Angel Lam (right) achieved the top scores for Module 14 Taxation, at the June 2021 session.

especially its workshops, in order to make the most progress, she notes. "The workshops are a precious opportunity for QP students to apply what they have learned; they remind us of what to spend more time studying on and what gaps we need to fill, such as our knowledge of accounting standards," she says. Lam adds that the workshops and group discussions also offer students an invaluable chance to refine their soft skills. "We are presented with a case study each workshop and we have a limited timeframe to discuss it with our group mates. Everyone is trying to brainstorm different ideas and also to ensure a good presentation is given. So during this process, you get to improve on your communication and presentation skills, and also your ability to work well within a team."

"What I learned in university wasn't as in-depth, practical or as updated as the QP. The programme fully explains *why* CPAs need to do certain tasks."

Though it is crucial to pass the QP's exams, Lam says it is most important that students finish the QP with a genuine understanding of each module's content. "You need to ask yourself whether you fully understand all the concepts. To test your knowledge, spend time doing past papers. This will help understand the material and also the format of the exams," she says. "The content in all modules is all very much relevant to what you will experience in the job, so you need to make the most out of this programme. Try to find connections between the four modules and apply them in your related field."

Lam is studying hard to pass the QP final exams this December Examination Session and applying her new skills at work. "I look forward to completing the QP and want to continue doing audit at EY," she says. "I enjoy being able to audit companies from different sectors and learning about each one. By being an auditor, you also have better exposure to the business world as well – and the QP has helped me to become an better auditor."

The new Qualification Programme comprises three progressive levels with 14 modules and a Capstone, i.e. Associate Level (10 modules), Professional Level (four modules) and Capstone. More information on the programme can be found on the Institute's website.

TAYYEB MOHAMED CPA

Senior Manager in International Tax and Transaction Services – Transfer Pricing at EY

As Senior Manager in International Tax and Transaction Services – Transfer Pricing at EY, Tayyeb Mohamed CPA currently spends a lot of time helping clients to navigate an increasingly complex and challenging global tax environment. He tells *A Plus* what he finds to be most satisfying about helping people and why he intends to continue growing and specializing in tax

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

As Senior Manager in International Tax and Transaction Services – Transfer Pricing at EY, my role is to lead my team on different projects and provide the best support to our clients in relation to international tax and transfer pricing issues. Apart from transfer pricing, I am also involved in the cultural diversity network at EY, which is focused on building a culturally diverse workforce through empowering and embracing cultural diversity and fostering community engagement. We work with different non-governmental organizations in Hong Kong and overseas where we mentor and support different minority groups. We have organized a number of workshops to equip minorities with skills in financial literacy and teach them how to handle job interviews. Thanks to my team's support, we have overcome a lot of challenges together. The partners of my team have provided me a lot of opportunities to grow at the firm – my secondment experience in Australia, in particular, broadened my horizons and contributed a great deal in my career. Overall, my journey at EY has been amazing so far and I trust it will continue to be wonderful going forward.

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

The most challenging aspect is to provide our clients with the best solutions, which often involve thinking outside of the box. For instance, there have been a lot of questions in relation to the latest global tax developments such as base erosion and profit shifting (BEPS) 2.0 proposals and how its proposed global minimum tax rate of 15 percent would affect different businesses. This requires me to have a solid understanding of the latest developments of tax rules and regulations in different jurisdictions and how they impact different businesses. It is also challenging coming up with a solution that does not interrupt business operations and also complies with regulatory requirements. The most rewarding part of the job is exceeding clients' expectations. It is most satisfying when the clients come back to us and tell us that because of our solutions they were able to meet their objectives and goals.

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?

I've spent much of my career in transfer pricing and I'm still very much interested in it. I joined EY through the Young Tax Professional of the Year competition right after graduating from university. When I started my career, BEPS 1.0 was a heated topic and it presented a lot of opportunities for me to learn and grow in the field of transfer pricing. Now that the dust surrounding BEPS 1.0 has settled, the focus has shifted to BEPS 2.0, which looks closely at digital businesses and the regulations surrounding them. Tax regulations keep changing, and these changes keep me interested in this field. I look forward to doing similar tax and transfer pricing advisory work here at the firm in the coming years.

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

Managing time, expectations and stress is very important for me as a senior manager since I have to manage multiple global and regional projects with tight deadlines simultaneously. From my work experience, I've learned to plan projects ahead of time and to have regular status updates with my team to identify any potential obstacles and resolve them promptly. When it comes to managing stress, I find high-intensity interval training to be very helpful. A 45-minute high-intensity workout during lunch hour or late at night helps me to substantially reduce stress. It's my way of recharging for the day ahead.

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

The QP is a comprehensive programme that covers various aspects that a tax consultant must be equipped with. The financial reporting, business finance, business assurance and taxation modules have all provided me with a solid foundation of knowledge, which I've found to be very useful in understanding our clients' audited financial statements, management information reports and tax returns.

SPOTLIGHT ON FILM AND TV

Institute members recommend their favourite films and TV shows to watch

Shang-Chi and the Legend of the Ten Rings

"As a fan of superhero films, I paid a visit to the cinema this month for Marvel Studio's latest release – *Shang-Chi and the Legend of the Ten Rings*. It has marvelous visual effects and it was awesome seeing Chinese kung fu elements in a world-class superhero movie. I would definitely recommend this movie, which stars Simu Liu – and what could be more exciting than seeing the guy who once appeared in your company's training slides now on the big screen all over the world!" says Lai.

- Erica Lai CPA, Manager at the Securities and Futures Commission

Simu Liu

MasterChef

"I strongly recommend *MasterChef*, the American series, hosted by world-renowned chef Gordon Ramsay and guest chefs such as Joe Bastianich and Aarón Sánchez. Asides being a gripping reality TV cooking show, you will also get to learn variations to cooking your local cuisine, as well as new and exotic dishes. Who can say no to good food?" says Pun.

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

Gordon Ramsay

The Game

"I recommend *The Game*, a great 1997 thriller featuring Michael Douglas and Sean Penn. The film is about a wealthy investment banker, played by Douglas, who is invited by his brother to take part in a 'game' that integrates in strange ways with his daily life. To me, it's a movie that will encourage you to step outside your comfort zone and help you realize what is most important in life," says Li.

- Jackson Li CPA, Internal Audit Manager at the Hong Kong Productivity Council

Sean Penn (left) and Michael Douglas

EYES & EARS

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

RubberBand

What I'm listening to

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

"A song that I have had on loop is *Ciao* by four-piece Cantopop group RubberBand. What touched me is the meaning behind the song: that every goodbye has its reasons. So long as we meet people, we also have to say goodbye to them, and that there will always be a longing to reunite. This is a part of life. The song reminds me that every moment spent with my friends and family could be our last, so we have to treasure these moments," says Au.

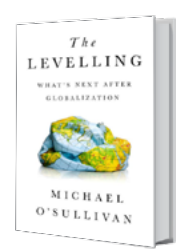
What I'm reading

I was so touched after watching the film *Freedom Writers* – based on the book *The Freedom Writers Diary: How a Teacher and 150 Teens Used Writing to Change Themselves and the World Around Them* – that I couldn't wait to read it. The book is about a high school teacher who completely devotes herself to teaching and changing the lives of "neglected" black, Latino and Asian students. The book inspired and taught me that we have no excuse to not work for what we believe in.

- Christine Chen CPA, Senior Consultant at Pan CPA Limited

I recommend *What It Takes: Lessons in the Pursuit of Excellence* by Stephen Schwarzman. It is an inspirational story on the formation of Blackstone, a leading global investment firm. According to *The New York Times*, it is a "must-read for everyone who wants to know what it really takes to achieve success in work and life," to which I agree. Having said that, Schwarzman, CEO of Blackstone, is one of the best private equity investors of all time. If you want to learn about qualities needed to be successful on the front-line, I highly recommend this one.

- Jonathan Kong CPA, Investment Associate at an asset management company



A year ago, I read *The Levelling: What's Next After Globalization* by Michael O'Sullivan, a book that gave me great insights into the transition in world economics, finance and power to the post-globalization era. It discusses the recent rise of globalization, supplemented with historical anecdotes, to make far-sighted predictions about the world economic development. O'Sullivan sees a multipolar world and voices imbalances such as indebtedness, inequality and climate change, which international institutions are unprepared for.

- Henry Kwan CPA, Senior Associate at PwC's Deals – Restructuring and Insolvency Department

From ledgers to legends

Hong Kong's humorist on why accountants should stick to the numbers – unless they plan on becoming action movie stars

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*

Many news articles are making a big thing about the fact that Simu Liu, an actor born in Mainland China, is Hollywood's first Asian blockbuster movie superhero.

But much more important for us is the fact that Liu studied business management and worked at Deloitte before putting on his tight, muscle-emphasizing crime-fighter costume.

I have long suspected that most accountants would, given the chance, also put on superhero costumes and go save the world at least when no one is looking. But how exactly did Liu jump from the Big Four to battling supervillains?

Apparently, Liu was a victim of Asian parenting, judging by interviews he has given. Born in freezing Harbin but raised in almost equally chilly Toronto, he wanted to become an actor, but his parents encouraged him to get a serious job – which is why he ended up in the Toronto office of Deloitte.

Lucky for him, he lost his job at the age of 23 following a restructuring in 2012, and, thus, had an excuse to tell his parents that he had obediently done what they had asked, and that it was time for him to try doing what he wanted to do. This led to Liu working as a stunt man before becoming an actor, and ending up wearing skin-tight gear as superhero Shang-Chi from the new Marvel film *Shang-Chi and the Legend of the Ten Rings*.

One social media commentator said that Liu was "too good-looking to be an accountant," which will delight people in that profession who enjoy being outraged.

But there are good-looking people in finance. George Clooney, heartthrob of many, recently also admitted having a finance-related job. He was a financial planner selling insurance policies. "The first day I sold one, the guy died," he told the *Evening Standard*. To Clooney, that must have been a message from the universe that it was time for a career change.

This prompted me to check whether any of Hong Kong's current hottest stars came from finance. "Nope," said my contact in showbiz. Local talent is nearly always "manufactured by entertainment companies," mostly from attractive young people who are either dancers or dance teachers.

However, Hong Kong's top heartthrobs at the moment are two pop groups, Mirror and Error. While most came from dancing, others have business links.

Tiger Yau of Mirror came from a family in the clothing business so he decided to run his own clothing label called Dézert on the side. His bandmate Ian Chan decided to launch an online shop called iNDIPANDANT.

One of the lads in the group called Error is known mysteriously as 193. But people in the Hong Kong fashion industry know him as Denis Kwok Ka-chun. The 31-year-old worked for five years in that sector. Despite his fame as a singer, 193 also decided to keep one foot in his previous industry and launch a business on the side. "I have my own ideas about launching a brand," he hinted to reporters last year.

However, it is now clear that "my own ideas" may not be quite the right phrase. He launched a brand called "LILABOC," short for "Life is like a box of chocolates," a line from the movie *Forrest Gump*, and the logo is a stick figure of a man on a bench, inspired by the poster of the same movie.

Is there any hope of pretty young men with rather questionable levels of skills in spelling and originality making it big in business?

You might think otherwise, but these lads will have the last word, I can tell you.

This writer visited the Mirror-linked online shop iNDIPANDANT just now. Almost every item on the whole website was labelled as "Sold out."

With that level of success, you know what each of the boys from Mirror needs now, right? Yes, a good accountant.