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DRIVING BUSINESS SUCCESS

Issue 10 Volume 17 October 2021

PLUS:

PROFILE
Francis Ngai, Founder and Chief Executive Officer of Social Ventures Hong Kong

ACCOUNTANT PLUS
Roman Lo CPA, Chief Financial Officer, Greater China Region, Rémy Cointreau

SECOND OPINIONS
How does the Capstone of the Qualification Programme prepare the next generation of CPAs for the future?

CHANGING FOR THE BETTER

Speakers at this year's CPA Conference 2021 discuss how businesses can remain resilient and how finance professionals must adapt in order to prosper amidst the new normal

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

"While the roles and responsibilities of the Institute will change when the amended ordinance becomes effective, we will continue our work in helping members to prepare for the future."

Dear members,

The Financial Reporting Council (Amendment) Bill 2021 was passed by the Legislative Council on 26 October. Ahead of becoming effective, subsidiary legislation will be introduced to provide for the transitional arrangements and other remaining technical details. The Institute will continue to engage with the Financial Reporting Council (FRC) as we prepare for the implementation of the new regulatory regime under the renamed Accounting and Financial Reporting Council.

As I told the media after the bill passed, our Institute has 48 years of history and it is difficult to transfer the current system and experience to others in a short period. I hope that a tripartite platform will be formed with the Financial Services and the Treasury Bureau and the FRC to ensure a smooth transition.

The functions to be transferred to the FRC are currently handled by over 60 Institute staff. It may be beneficial if these staff continue to perform the relevant functions on behalf of the FRC during the transition period.

Thanks to the members who took part in the Extraordinary General Meeting on 30 September. The two resolutions were passed by members who voted in person and by proxy, and the government has been informed of this. The minutes from the meeting are available now in the Members' area of the Institute's website. Council will pursue follow up actions in due course.

While the roles and responsibilities of the Institute will change when the amended ordinance becomes effective, we will continue our work in helping members to prepare for the future.

One of the ways we help members to prepare for the future is through professional development. One of these events was the CPA Conference 2021, which was held on 2 October. Congratulations to the team for putting in the hard work required to organize the conference. We had such an exciting and insightful day, and it was brilliant to be able to hold a full-scale face-to-face event. The past year has demonstrated that while virtual is definitely an important part of the future, there is something irreplaceable about holding physical events. In this month's magazine, you can read two articles on the panel discussions that took place during the conference. The event was also recorded and will be turned into an e-Seminar soon as well. Look out for that if you weren't able to catch it first time.

Another physical event we were able to hold this month was the QP Top Student Award and Scholarship Presentation Ceremony 2021. Although delayed by two weeks due to Tropical Storm Lionrock, it was great to be able to come together and celebrate the achievements of some of the next generation of our profession. We welcomed Joseph H.L. Chan, JP, Under Secretary for Financial Services and the Treasury as guest of honour of the event. I would also like to thank the sponsors for their ongoing involvement in helping us to recognize the achievements of our young future members over many years. During the event, I shared with the young people receiving their awards some career advice and why joining our profession was the right decision for them.

It's not long to go until the Annual Dinner 2021. The event will take place on Friday, 12 November, where we will be coming "Together for the profession." We will be celebrating how our fellow members support the development of the profession, and Hong Kong. We will celebrate the dedicated altruism of members who devote their time to assisting with the Institute's Qualification Programme, professional development courses and events, mentorship programmes, and corporate social responsibility programmes. I do hope that you will join us for the event.

Raymond Cheng FCPA (practising)
President

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Staying in good spirits

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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The digital version is distributed to all 46,859 members, 17,407 students of the Institute and 2,358 business stakeholders every month.

Annual Dinner 2021 to celebrate members

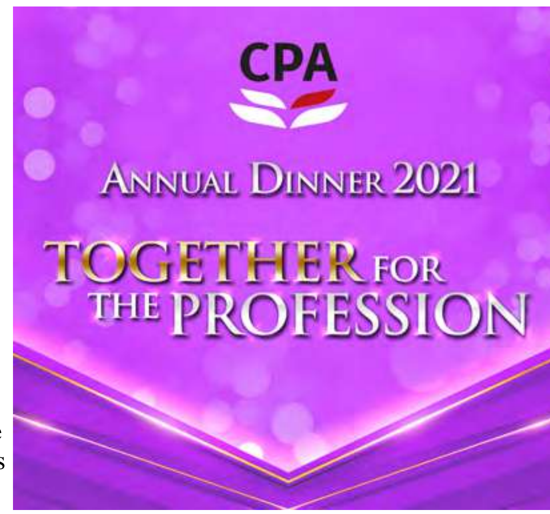
The Institute will hold its annual dinner on 12 November at the JW Marriott Hotel Hong Kong. Themed "Together for the profession," the event will celebrate how the diligence and skills of Institute members support the development of the profession and the wider community. It will celebrate the dedicated altruism of members who devote their time to assisting with the Institute's Qualification Programme, professional development courses and events, mentorship programmes, and corporate social responsibility programmes. Members can book their seats via the Institute's website.

Call for Council and committee applications

The Institute's Nomination Committee is inviting applications for 2022. Members interested in contributing to the development of the profession in a meaningful way next year can put their names forward to join the Council as a co-opted member or committees. Members can learn more about the committees from the Institute's website and should submit the nomination form before 26 November.

EGM outcome

Both resolutions regarding the reform of the regulatory regime of the accounting profession were carried by a majority of members voting in person or by proxy at the Extraordinary General Meeting (EGM) held on 30 September. The government has been informed that the resolutions passed. The minutes from the EGM are now available for members to read. They can be found in the "Members' area" of the Institute's website.



Young Members Virtual Conference 2021

Themed "Building an arsenal for young accountants – new trends and skillsets for future-ready CPAs," the Young Members Virtual Conference 2021 will be held on 6 November. The conference will bring a panel of speakers to share their insights on the skill sets young CPAs need, covering subjects relating to artificial intelligence, big data, cryptocurrencies, security token offerings, listed companies, as well as environmental, social and governance reporting. Those interested should enrol by 4 November via the Institute's website.

Minutes of Council meetings

The abridged minutes from the August and September Council meetings are now available for members to read. They can be found in the "Members' area" of the Institute's website.

Resolution by agreement

Tang Siu Kun, Stephen 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.

Tang was a founder of Magic Holdings International Limited and the chairman of its board of directors. In March 2021, the Market Misconduct Tribunal (MMT) fined the company and its directors for late disclosure of inside information on a proposed acquisition of the company in 2013. The MMT found that the company's disclosure of the proposed acquisition, which would have a positive impact on its share price, had been delayed for approximately three months.

The MMT also found that Tang breached the disclosure requirement under the Securities and Futures Ordinance and did not take all reasonable measures to ensure that proper safeguards existed to prevent the company's breach of the disclosure requirement. He was fined and disqualified by the MMT from being a director or being involved in the management of a listed company for 24 months. Tang was also ordered to undergo a training programme to be approved by the Securities and Futures Commission.

Regulatory action: Based on the foregoing, especially the actions taken by the MMT, and in lieu of further proceedings, the Council concluded the following should resolve the complaint:
1. Tang acknowledge the facts of the case and the areas of non-compliance with a professional standard;
2. Tang be reprimanded; and
3. Tang pay costs of the Institute of HK$15,000.

Disciplinary findings

Lin Ching Yee, Daniel CPA (practising) and Kwong Kam Wing, Kelvin CPA (practising)

Complaint: Failure or neglect by Lin to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 230 *Audit Documentation*, HKSA 315 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, HKSA 330 *The Auditor's Responses to Assessed Risks*, HKSA 450 *Evaluation of Misstatements Identified during the Audit*, HKSA 500 *Audit Evidence*, HKSA 530 *Audit Sampling and Other Means of Testing* and its subsequent revised version entitled *Audit Sampling*, and HKSA 540 *Audit of Accounting Estimates* and its subsequent revised version entitled *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*. Failure or neglect by Kwong to observe, maintain or otherwise apply HKSA 220 *Quality Control for Audits of Historical Financial Information* and its subsequent revised version entitled *Quality Control for an Audit of Financial Statements*.

Lin and Kwong were partners of JBPB & Co. and Grant Thornton, two firms that have since been de-registered. JBPB & Co. and Grant Thornton expressed unmodified auditor's opinions on the consolidated financial statements of E. Bon Holdings Limited, a Hong Kong listed company, and its subsidiaries (collectively, group) for the years ended 31 March 2010 and 31 March 2011 respectively. Lin was the engagement partner and Kwong was the engagement quality control reviewer of the audits.

The Institute received referrals from the Financial Reporting Council (FRC) about deficiencies in the 2010 and 2011 audits. For both years, the audit team failed to perform sufficient audit procedures and prepare adequate documentation in relation to provision for inventories and revenue from sales of goods. For the 2011 audit, the audit team failed to obtain sufficient evidence and prepare adequate documentation on revenue from contract variations and claims and relevant expenses, and on share-based payments made to the group's personnel.

Decisions and reasons: The Disciplinary Committee reprimanded the respondents. In addition, Lin and Kwong were ordered to pay penalties of HK$200,000 and HK$100,000 respectively, and to pay costs of the Institute and the FRC totalling HK$3,635,673.70. When making its decision, the Disciplinary Committee considered the particulars in support of the complaints and certain mitigating factors, which included the respondents' good compliance history and their adoption of a reasonable course of action to conclude these proceedings.

Mok Ching Ho CPA (practising)

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

Mok was practising in his own name and responsible for his practice's quality control system and the quality of its audit engagements. A first practice review of the practice identified significant deficiencies in a number of its audit engagements, in that there was no evidence of necessary audit procedures performed in key areas including purchases and sales, existence and valuation of inventories, and validity of expenses. In addition, Mok failed to make sure his practice had sufficient staff resources and adequate policies and procedures to ensure audits were performed in accordance with professional standards, and to establish a monitoring process for ongoing evaluation of the practice's system of quality control. Further, the practice reviewer found that Mok had a sizeable portfolio of 258 clients in the period covered by the review and for most of them, Mok performed little or no audit work before issuing the audit reports. He also created audit working papers and made misleading representations to the reviewer in an attempt to give a false impression that the audits had been properly conducted.

Decisions and reasons: The Disciplinary Committee ordered the name of Mok be removed from the register of CPAs for four years with effect from 18 October 2021. In addition, Mok was ordered to pay a penalty of HK$80,000 and costs of disciplinary proceedings of HK$73,630. The committee further found the extent of Mok's lack of integrity and competence to be very serious, amounting to professional misconduct.

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

PWC U.S. OFFERS PERMANENT REMOTE WORK TO EMPLOYEES

PwC in the United States is offering its 40,000 employees the opportunity to permanently work virtually and live anywhere they want, making the firm one of the biggest employers to embrace remote work in the U.S. amid the ongoing COVID-19 pandemic. Employees who choose to work remotely on a permanent basis will still have to come into the office a maximum of three days a month for in-person appointments such as critical team meetings, client visits and learning sessions, according to PwC's Deputy People Leader Yolanda Seals-Coffield, who added that the firm was the first in the industry to allow full-time remote work to workers. Other firms such as Deloitte and KPMG have also been giving employees more choice to work remotely, *Reuters* reports.

HKMA TAKES FIRST STEP IN EXPLORING DIGITAL CURRENCY

The Hong Kong Monetary Authority (HKMA) has sought feedback from academics and the finance profession after issuing a 50-page white paper entitled *e-HKD: A technical perspective* on 4 October, in a move seen as the HKMA's first step towards introducing a digital currency in the city. The white paper lists seven major areas and explores potential architecture and design options for the digital currency. It will collect comments by the end of the year, according to the *South China Morning Post*. The city's central bank reaffirmed that it had not decided to launch the e-HKD and wanted to collect views before making a decision next year. "The knowledge gained from this research, together with the experience we acquired from other central bank digital currency projects, would help inform further consideration and deliberation on the technical design of the e-HKD," said Eddie Yue, Chief Executive of the HKMA.

IESBA APPOINTS NEW PRESIDENT

The International Ethics Standards Board for Accountants (IESBA) has appointed Gabriela Figueiredo Dias to be its new chairwoman. Figueiredo Dias will be the IESBA's first female chairwoman when she takes office on 1 January 2022. She succeeds Stavros Thomadakis, who has led the IESBA since 2015. She is currently President of the Portuguese Securities Market Commission, the authority responsible for regulating and supervising the markets of financial instruments, which covers listed companies, asset managers, auditors and investment firms. "I am honoured to be selected as the next IESBA chair during this critical time of transition for the board and the profession," Figueiredo Dias said in a statement on 6 October.

EXCHANGE FUND LOSES HK$13.2 BILLION

Hong Kong's Exchange Fund has lost HK$13.2 billion in the third quarter as a result of a decline in the local stock market. The decrease, which follows gains of HK$51.3 billion and HK$51.4 billion seen during the first and second quarters respectively, compares to the HK$81.2 billion gain seen during the July to September period in 2020. The lacklustre stock market performance is attributed to the regulatory crackdown by Mainland authorities on the tech and private tutoring sector, leading the Hang Seng Index to drop by 15 percent during the third quarter, according to Howard Lee, Deputy Chief Executive of the HKMA, who announced the Exchange Fund's performance during a Legislative Council meeting on 18 October.

WEALTH MANAGEMENT CONNECT SEES HOT DEMAND FOLLOWING LAUNCH

The Wealth Management Connect saw a warm response from both Hong Kong and Mainland China customers following its launch on 19 October. The scheme enables residents in Hong Kong and Macau to invest in wealth management products distributed by Mainland banks in the Greater Bay Area and vice versa. The HKMA approved 16 lenders on launch day to sell products in the city and in Mainland China. Banks such as Bank of China (Hong Kong), HSBC and Standard Chartered and 10 other lenders all indicated a positive reaction from customers, with many of them purchasing investment products across the border, according to the *South China Morning Post*.

MORE THAN 200 IPOS PLANNED, SAYS HKEX

Hong Kong Stock Exchange (HKEX) has over 200 initial public offering (IPO) applications as of the end of September, according to Chief Executive Officer of HKEX Nicolas Aguzin this month, signalling a positive outlook for the city's IPO market for the last quarter of the year. During the first nine months of the year, 73 companies listed, raising a combined US$35.9 billion from IPOs and secondary listings, the most ever netted since records began in 1980, reports the *South China Morning Post*, using data from Refinitiv. "The IPO market in the third quarter reflects the cautious sentiment amid the regulatory development in Mainland China. However, the pipeline of IPOs in Hong Kong remains solid," said Aguzin during a post-earnings conference.

FRC AMENDMENT BILL PASSED: REGULATORY REFORM MOVES AHEAD

The Financial Reporting Council (Amendment) Bill 2021 was passed by the Legislative Council on 22 October. Under the new bill, the Financial Reporting Council (FRC) will assume functions from the Hong Kong Institute of CPAs such as the issuance of practising certificates to CPAs, registration and inspection of practice units, investigation of all CPAs and practice units and overseeing the remaining statutory functions of the Institute. The new legislation will take effect on a date to be appointed by the Secretary for Financial Services and the Treasury. Subsidiary legislation will be introduced to provide for the transitional arrangements and other remaining technical details. The Institute will continue to engage with the FRC as it prepares for the implementation of the new regime.

FRC INVESTIGATING PWC'S EVERGRANDE AUDIT

The FRC in Hong Kong announced on 25 October that it was probing China Evergrande Group's accounts from 2020 over inadequate reporting on the company's operating risks and its audit by PwC of their accounts for the full year of 2020 and the first half of 2021. The announcement said PwC "expressed an unmodified audit opinion in its auditor's report of China Evergrande's 2020 annual accounts but made no reference to going concern material uncertainties." China Evergrande Group, the nation's second-largest property developer, is faced with more than US$300 billion in debt and has been divesting assets in a bid to repay creditors. It has also missed three rounds of interest payments on its international bonds.

TESLA VALUED AT OVER US$1 TRILLION

Tesla's market capitalization hit just over US$1 trillion on 26 October, making it the sixth company ever in United States history to be worth US$1 trillion. Its value soared after Hertz, an American car rental group, announced plans to add 100,000 Tesla vehicles to its fleets in North America and Europe. Tesla's shares went up by 12.6 percent and closed at US$1,025, bringing year-to-date gains above 40 percent. It took 12 years for Tesla to reach the US$1 trillion mark after its IPO, making it the second-fastest company after Facebook to do so following an IPO. Tesla is now one of six companies with a trillion-dollar value in the U.S., joining Apple, Amazon, Alphabet, Facebook and Microsoft. Founder Elon Musk's stake in the company is now valued at US$ 172 billion.

FINANCIAL INDUSTRY GROUP WARNS QUARANTINE MEASURES THREATEN HONG KONG'S STANDING

The Asia Securities Industry and Financial Markets Association (ASIFMA) has warned that Hong Kong's strict quarantine requirements are threatening the city's status as an international financial hub. The lobby group, which represents 155 of the largest banks and professional services firms in the region, addressed a letter on 25 October to Hong Kong Financial Secretary Paul Chan calling on the government to produce a timeline for relaxing travel restrictions. Visitors to Hong Kong from 25 countries must still quarantine in a hotel at their own expense for three weeks, while travellers from elsewhere are subject to a two-week hotel quarantine. Authorities have failed to offer any timeline for relaxing the rules. The letter stems from growing frustration among the city's business community as the rest of the region, such as Singapore, reopens.

GETTING BUSINESSES TO MOVE ON

COVID-19 offered many valuable lessons to organizations, including the need to have contingency plans put in place to handle crises and to embrace technology. Speakers at the morning session of the CPA Conference 2021 discuss the need for businesses to remain agile in responding to change and how CPAs can help build business resilience in the new normal. Jolene Otremba reports.

When news of a new strain of coronavirus first broke out in December 2019, no one could have imagined the impact that it would have on the entire world. Little did anyone realize that it would be the start of a global pandemic that would ravage economies, disrupt supply chains and fundamentally reshape organizational behaviours.

As businesses and industries scrambled to respond to an unprecedented situation, many lessons were learned as part of the journey. Earlier this month, a group of industry experts shared these learnings at the Hong Kong Institute of CPAs' first ever conference for both CPAs in business and practice. Titled "Transcending Together," the CPA Conference 2021 brought together speakers and panellists to share their experiences and to inspire Institute members and the larger business community to think about the latest industry trends stemming from the pandemic so far.

Lessons from the crisis

During the first panel discussion, the audience heard from Edwin Morris CPA, Group Chief Financial Officer, Jebsen & Co. Ltd., and Francis Ngai, Founder and Chief Executive Officer of Social Ventures Hong Kong (see profile on page 24). Moderated by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Panel discussion 1
Lessons from the crisis


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THE CPA CONFERENCE 2021:


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Panel discussion 2
Digital transformation
Title sponsor

Building blocks

Given the nature of the toy, LEGO, maker of the iconic toy bricks, has largely relied on brick and mortar retail shops to sell its products. But in 2018, the company decided it was time to move with the times and go online.

The decision paid off, said Kenny Sham Director, Head of Marketing (Hong Kong, Taiwan & Macau) (pictured below), for the LEGO Group during a keynote speech at the CPA Conference 2021. He explained that moving to e-commerce early on helped the company to weather two recent events: the social unrest in Hong Kong and COVID-19. "As people began to stay home, we realized that we had made the right move because people weren't coming to the stores – they were online," he said.

During the first half of this year, the LEGO Group's consumer sales grew by 36 percent, it's total revenue grew by 46 percent, and its operating profits soared 104 percent, compared to last year.

Aside from going online, Sham also believes that LEGO's success boils down to the fact that the company started to focus on several key areas. Firstly, when the pandemic hit, the company took the time to understand how its consumers had changed. It then made changes according to these new customer behaviours.

Secondly, LEGO reacted and transformed quickly. "What's amazing about our product is that it's really hands-on, once children touch and build our products, that's when they get addicted and fall in love with LEGO," he said. "So what were we going to do?" The company rolled out a "Bricks at Home" campaign to help parents and children who were stuck at home. He noted that parents greatly appreciated this, as it meant their children would stay occupied while they worked. So it continued with campaigns to engage with their customers through e-commerce and online channels, partnering with companies such as HKTV Mall to roll out exclusive product launches.

Thirdly, and perhaps most importantly, Sham said, the company held tight to their brand's core values. "During the pandemic, this really got lost with a lot of companies; they sailed along not really understanding what their purpose, mission and core values were anymore," he said. Through its monthly brand health check, it realized that issues such as sustainability, and diversity and inclusion were really important to their customers and to their staff, prompting the company to ramp up efforts in this area.

On that note, Sham imparted one last piece of advice: "During a crisis, that's when you really have to sit down and think about what your brand stands for and what you're all about," he said.

Francis Fong, Honorary President, Hong Kong Information Technology Federation, the panellists talked about how the pandemic disrupted their businesses, how they responded and the key lessons from that experience.

The panellists started by acknowledging that all businesses today have to deal with operating in a fluid environment that is constantly changing and full of uncertainties.

The overarching recommendation from the panel was that companies need to be more proactive in mitigating their external risks. These include being well-prepared to deal with all sorts of scenarios, having a strong sense of purpose, making sure their propositions stay relevant, and to make long-term plans for purposeful engagement with customers.

Kickstarting the conversation, Fong noted that the last 20 months have been a tumultuous time for all sectors. Those who clung on to the hope that the pandemic would soon pass and did nothing to adjust to their businesses have likely met a dire fate. On the other hand, those who quickly sprang into action and adapted themselves offer us many "survival lessons."

Morris reflected on the moment Jebsen, a marketing, investment, and distribution organization, realized the severity of the situation around Chinese New Year in 2020. "We knew this was going to be a big deal – you could see what was happening – so the first thing we did was go to our banks in Hong Kong, lock in our money and check that the banks had the money and facilities there for us," he recalled.

Despite Jebsen being a large organization with many diverse business units, Morris said it was solvency problems that kept him up at night. "What if we couldn't receive the money that was owed to us? We had to quickly tell our business units to monitor our customers and clients. It came to the point where we would have to assess who would survive," he said.

For customers who looked like they could weather the storm, Jebsen provided them with support and extended their credit lines, but for those who looked like they wouldn't make it, Morris said they had to make the difficult decision to pull the plug early on. "We had to cut them off, this was the balance we had to strike," he said.

Ngai, on the other hand, who comes from a non-governmental organization background, said the pandemic highlighted how fragile Social Ventures' business model was and how it lacked resilience. This prompted his company to revisit its original mission statement and

Above from right, counter clockwise: Edwin Morris CPA, Group Chief Financial Officer, Jebsen & Co. Ltd.; Francis Ngai, Founder and Chief Executive Officer of Social Ventures Hong Kong; and Francis Fong, Honorary President, Hong Kong Information Technology Federation.

to think of ways to adjust to the pandemic. “During the pandemic, you could see that our business model was fragile and lacked resilience, so we had to go back to our original vision and mission and try and figure out why we did what we did, and how we could move forward with that vision in a new environment,” he said.

Social Ventures is a company that promotes social change and helps organizations to align their social purposes in order to create a better Hong Kong. Through innovative ideas and capitalizing on the fact that there was growing social awareness around sustainability and environmental issues, it took the opportunity to promote sustainable change, one of its core missions. It did this by partnering with several organizations to roll out initiatives such as Green Monday, a movement that encourages people to go meat free every Monday with the support of its Green Common business, Asia’s first plant-based grocer.

“So, we expanded actually during the pandemic,” he said. “We even expanded to places like Taiwan, Shanghai and Singapore and we’re cooperating with a lot of chains now like Café de Coral and McDonald’s to introduce meat free Monday.”

In both cases, business resilience came from the fact that they were forced to face a situation head-on. For Jebsen, it had to rethink how to deal with dwindling sales considering its overhead was billed to high volume sales. “The pandemic really forced us to look at our entire overhead structure, and ask ourselves: how can we fix this and how can we change the fixed costs to become variable? This isn’t just an accounting issue, this is about the entire organization’s design,” added Morris.

For Social Ventures, much of its support comes from fundraising, and without that, it had to quickly think on its feet to find new ways to raise funds. “Take our ‘Run Our City’ programme for example. Because of the lockdown we couldn’t do this and we lost an important revenue. So we had to adjust our strategy and decided to change it to ‘Run to the Moon’ where participants individually ran, and we added up all the miles in the end to see if we could run to the moon.”

Another lesson for these two companies was figuring out how to be better prepared for future shocks, which involved understanding the businesses’ purpose. “When you do this, it’s good because you are actually reminded of your passion and why you wanted to do any of it in the first place,” Ngai said. “So we always encouraged companies to go back to the drawing board and work

> “The pandemic really forced us to look at our entire overhead structure, and ask ourselves: how can we fix this and how can we change the fixed costs to become variable? This isn’t just an accounting issue, this is about the entire organization’s design.”

out why they decided to go into the business in the first place."

With purpose and a plan, businesses are better able to deal with any incoming challenges. Ngai noted that the reason why so many businesses failed when the pandemic hit was because they were too short-sighted. Morris agreed, adding that companies that have not experienced a crisis tend to not plan for the long term. He said: "They generally plan for the short term; as long as they are alright today and tomorrow, they don't think about what might happen later, and that's where many of them went wrong. They didn't have the awareness and the ability to suddenly change."

One of the biggest lessons from the crisis is that companies need to be prepared to embrace sudden change and have a longer-term vision. For example, Fong raised the topic of working from home and impact investing. "The trend now is towards Business 2.0. The Hong Kong Management Association and Social Ventures have already launched 'Business with Purpose,'" he said, referring to the new platform which was co-created by the two organizations to advance social impact considerations and innovations in business. Some of the activities that they support include talks and seminars, consultancy services, awards and advocacy campaigns in the hopes that it can

"If you look at it and say 'it's too expensive,' and 'it's too hard to learn,' you will never change."

create a stronger ecosystem to advance purpose-led values and leadership among the business community. "And companies are now talking about this. What is your purpose? Businesses have to think about that."

Indeed, understanding this purpose is also important in attracting the next generation of workers, who are no longer happy to settle for a role solely with attractive monetary returns. They're looking for companies with a social purpose. As such, purposeful brand creation is also important for talent attraction and retention moving forward, the panellists agreed.

On that note, Morris conceded that the new normal means that companies have to look inwards and be prepared to face a situation that can change at any time. "Do you have the tools and people in place, and does your company have senior management level buy in? How can you be ready for any of that?"

Digital transformation

With those questions in mind, it was the perfect transition for moderator Jeffrey Chan FCPA (practising), Chairman of the Institute's Working Group on Practice Management under the Small and Medium Practices Committee, to invite the second panel to share their views on digital transformation and how it has impacted business operations and the accounting profession.

The panellists were Michael Chan FCPA, Co-Founder and CEO of Vis Mobility Limited, Dickman Chiu CPA, Group Financial Controller of 100x Group, Toa Charm, Chairman of OpenCertHub, and Andrew Lee, Partner, Greater China Markets, EY.

Michael Chan said that companies need to understand that digital isn't the enemy and that it is there to help solve customers' and businesses' pain points. There are many innovative technological tools and choosing the right one is really about finding a technology that solves your customers' pain points.

However, the biggest resistance towards technology, according to Charm, is a fear of the technology itself. "Technology is an enabler, it's not the enemy," he said. "If you look at it and say 'it's too expensive,' and 'it's too hard to learn,' you will never change."

Charm pointed to DBS Bank and Standard Chartered as well as virtual banks as examples of banks changing their business model using technology in order to gain resilience. He said that they had already been finding ways to use technology to enhance their services,

Above, from left: Dickman Chiu CPA, Group Financial Controller of 100x Group; Michael Chan FCPA, Co-Founder and CEO of Vis Mobility Limited; Jeffrey Chan FCPA (practising), Chairman of the Institute's Working Group on Practice Management under Small and Medium Practices Committee; Toa Charm, Chairman of OpenCertHub; and Andrew Lee, Partner, Greater China Markets, EY.

and the pandemic simply accelerated what they were already doing. The end result was that it allowed their businesses to grow, because they were digitally ready.

Jeffrey Chan agreed that digital transformation is absolutely necessary today, so he asked the panellists: how can the profession prepare for this?

The panellists believe that technological adoption required a mindset change first. But this can prove challenging, noted Chiu. "As accountants, we don't like change; we go by the rules. But in this change environment, we can't be the hindrance to any change, we must embrace it," he said.

Indeed, he said that this is where the profession can actually bring added value to a company. "If we embrace the technology to help customers solve problems, this is the value that the profession is bringing to the table," Chiu said.

Lee recognized that change can be intimidating. As such, it is important that senior management of all business functions understand the purpose of digital transformation and they need to have a plan and communicate this to their staff.

But firstly, finance professionals were advised to go to the drawing board and think about what they want to transform into, whether it's in finance or in its business operations. "If you don't have a clear idea of where you want to get to, then it's really pointless," he added.

Also driving hesitation for adopting new technologies is the fear that technologies such as artificial intelligence (AI) and robotics will eventually replace manpower. Lee said that those fears are understandable, but equally unfounded. He argued that professionals should spend more of their time upskilling and to find ways to get the technology to add value to what they are already doing. He encouraged the audience to look at the numerous free programmes set up by the government, associations and education institutions to upskill.

"In the end, humans can't be replaced," he said. "The whole world is moving towards adopting new technology, so use your skill sets and keep your profession relevant. Use the technology to enable yourselves to do your jobs more efficiently and to add value to your company. It's strategic, and besides, you're also improving yourselves."

Charm said that the pandemic was a huge wake-up call for businesses globally, and that digital transformation is now part of that change management. "No one likes change, and we've already been pushed out of our comfort zone, so any change has to come from having a sense of urgency – it's the urgency that will drive change," he said.

Charm then cited a statistic from a study conducted by PwC, which found that by 2030, around 30 percent of the work force today will be replaced by some form of AI. While he said that this doesn't mean jobs will be lost, it does mean that certain job functions will change, and that CPAs must find new ways to stay relevant and add value using new technology.

Finally, the panellists had some closing remarks regarding technology adoption and change in small organizations versus big organizations. While large companies may have the resources, they are not as agile as smaller companies, Lee said describing it: "It's like trying to get an elephant to turn around!"

As for small companies, Michael Chan argued that they are just as well equipped to make changes, saying that a lot of the available technology is not actually that expensive.

But at the crux of it all, digital transformation is inevitable. The panellists ended the discussion by encouraging the audience to keep an open mind. "This transformation is really about everyone embracing all the technology and to have a positive mindset change. Ask yourselves: 'how can I apply these technologies to my daily work?' This is the challenge you should give yourself," he said.

"Use the technology to enable yourselves to do your jobs more efficiently and to add value to your company. It's strategic, and besides, you're also improving yourselves."

THRIVING AMIDST CHANGE

Finance professionals must now spearhead the transition towards digital transformation in their organizations and make key decisions as trusted advisors. Speakers at the afternoon session of the CPA Conference 2021 speak on the evolving role of those leading the finance function. Jolene Otremba reports.

The role of finance professionals has been evolving for a while as the industry responds to digitalization. COVID-19, without a doubt, has been a catalyst to accelerate some of those changes, and as a result, many professionals today have seen their roles rewritten. This was duly reflected during the CPA Conference 2021 titled: "Transcending Together."

Panellists and speakers from a range of industries came together to discuss how the finance function has transformed from being a back-office support function to earning a seat at the table as a business-facing function that supports and enables decision-making. Furthermore, they discussed the new environment that is driving an evolution in the roles and skill sets that are required for future accounting and finance professionals.

Future of the finance function

Taking part in the third panel, which was moderated by Francis Fong, Honorary President of the Hong Kong Information


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THE CPA CONFERENCE 2021: TRANSCENDING TOGETHER
Keynote speech
Doing business with purpose


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Panel discussion 4
Skills evolution and the pathway forward
Reserved


CPA


Full Day

Technology Federation, were Keith Chan CPA, Chief Financial and Technology Officer of McDonald's Hong Kong and Anthony Lin FCPA, Financial Controller of Gammon Construction.

Fong opened the discussion by asking the panellists to share their thoughts on what they think were some of the biggest changes that resulted from COVID-19. Both panellists highlighted that their roles as finance professionals have fundamentally changed, and that these changes are not temporary, but are for good. "In the past, we were like historians; we looked at what happened and made recommendations, but now, we are forward-looking. We now help businesses to make forward-looking decisions to better prepare them to move their businesses ahead," Lin said.

Indeed, one of the key points that Chan highlighted was the fact that digital transformation has given finance professionals much greater depth and insight because of the amount of data it has procured. Turning to McDonald's as an example, he said that the company serves more than one million guests per day, hence accumulating sizable amount of data across its business. "Because this data translates into insights, we know exactly what to anticipate and we have the speed to get insight. We can then be actionable especially if you analyse the data well. This helps us to anticipate and have the agility to deal with any changes. This is how we have gone from having hindsight to having foresight."

"You have to use the numbers and data to tell a story and explain a situation that will lead to a major decision being made, so our roles have a lot more dimension to it today."

In other words, the future for finance professionals will be more focused on data, analysis and making data-driven decisions. Moving forward, the fast adoption and evolution of technology and data will need to be married with human judgement in order to make any business decision, according to the panellists. "It's not about 'man versus machine,' it's about 'man plus machine,'" said Chan.

As such, what are the new requirements and how can finance professionals advance their careers in this new normal? Fong asked.

The panellists first noted that there has to be a change in mindset and a need to accept that things have changed under the new normal. Resisting this inevitability, they added, will pose additional challenges. "Recognize that these trends are here to stay and that we won't go back – so either we stay

Above, from left, clockwise: Keith Chan CPA, Chief Financial and Technology Officer of McDonald's Hong Kong; Anthony Lin FCPA, Financial Controller of Gammon Construction; and Francis Fong, Honorary President of the Hong Kong Information Technology Federation.

A social purpose positioned for a better future

Businesses today face the momentous task of having to balance profits, build trust with their stakeholders, while doing good in society. This was the key message delivered by former senior civil servant and government official John Tsang at the CPA Conference 2021.

According to Tsang (pictured right), who was the longest serving financial secretary for Hong Kong and is the Founder of non-profit organization Esperanza, the global environment has changed significantly, and businesses and governments are being held accountable to everything that they do.

"It isn't just about profit anymore; employees and customers all have an active participation in your business, and they hold institutions to a higher standard," he said. There is also growing expectation that companies have a strong social purpose that aims to do good for society.

Indeed, Tsang said that corporate social responsibility is no longer something "nice-to-have" but key to a company's long-term survival. Quoting the *2020 Edelman Trust Barometer*, he noted that the study revealed that distrust in governments, businesses, non-governmental organizations and media is at its highest today.

While the cause of this fear is largely because of uncertainties surrounding an unpredictable future, he says it is a wake-up call for businesses to start thinking about how they can effectively rebuild trust. "How can institutions strike a balance and change the environment in which they are operating in, so that they can rebuild that trust in themselves and in society?" he asked.

"The good news is that it's not mission impossible," he then said. However, what is required is a change in mindset around social purpose, which, he said, should be the first step. Next, he advised institutions to communicate a clear purpose and mission statement to stakeholders, and then make a consistent delivery on those promises. "If the public can see that what you are doing is going to make the world a better place for future generations, you can win their trust. This is the way businesses are going to have to do things moving forward," he said.

ahead, or you're left behind. The world is not going to go back to the way it was. This is innovation by default," Chan said.

Secondly, the panellists said that finance professionals can't just see themselves as number crunchers anymore and have to embrace roles such as performing analyses and communicating recommendations. "In the past, the finance function in my company was 70 percent transactional accounting and 30 percent advisory, but it's now the other way around. We are used as a sounding board for making decisions," Chan added.

As data and technology continue to play a bigger role, Lin said the third thing that finance professionals must embrace is the changing team structures within finance departments today. Rather than simply having finance professionals on a team, other professionals and experts will also make up the finance function. These could include IT professionals, engineers, data analytics experts and scientists.

"There is more data, more IT and engineering and you are partnering more with businesses," Lin said. "You have to use the numbers and data to tell a story and explain a situation that will lead to a major decision being made, so our roles have a lot more dimension to it today."

Knowing this, Fong asked the panellists what the profession needs to do to better prepare for these changes. They responded that change management should come from the top down, and boils down to how you can inspire and influence your people. "Change management must start with the leadership team, and there has to be buy-in at that level. A quick win only happens when you can genuinely show how a technology or a new initiative helps with something. That's the only way everyone will embrace it," Chan said.

Turning to the data journey, Chan also suggested that finance professionals consider adopting what he calls the four stages of data usage. "We can summarize it into: the two Ds and two Ps," he said.

The first "D" is data, which Chan said should be descriptive enough to explain what has happened and what a situation has evolved into. The second "D" is diagnostic analytics, which is used to explain why something has happened. "If you are able to answer this, you're already one step ahead," he added.

Moving on to the Ps, the first "P" is predictive analysis, which allows you to make an educated guess about what will happen, and the second "P," which is prescriptive analysis, uses artificial intelligence to explain what data and areas you can improve upon and make something happen. "At the end of the day, the most important thing you have to show is how something adds value," Lin said. "Not only do you have to help solve a problem, but you also have to demonstrate the added value and given purpose to get buy-in."

"A quick win only happens when you can genuinely show how a technology or a new initiative helps with something. That's the only way everyone will embrace it."

Skills evolution and the pathway forward

Given these changes to finance and accounting roles, what kinds of skill sets and manpower are required in the profession moving forward?

This was aptly answered during the final discussion of the conference, which was moderated by Adam Wong CPA, Audit Director at EY and a member of the Institute's Young Members Committee. He hosted a lively and informative discussion with Teddy Liu CPA (practising), Member of the People Development Management Committee of The Hong Kong Management Association, Kit Wong CPA, Director of Education and Training with the Hong Kong Institute of CPAs, Louisa Yeung FCPA, Chief Executive Officer of KOS Group and Yan Yeung CPA, Partner of Tax Services at PwC Hong Kong.

"In our company, we really promote digital skills among our colleagues," said Yan Yeung. "By default, you have to have technical knowledge, and we actually encourage our colleagues to use programming or coding to improve their own workflow, as this can really help them with their work and efficiency."

However, embracing technology alone isn't enough; adaptability is also key. In fact, when Adam Wong asked the panellists what they thought was a key quality that finance professionals today should have, the resounding answer was the ability to adapt.

Kit Wong mentioned how the Institute had to figure out how to safely roll out their examinations during COVID-19. "We had to change the whole way that we did things, and we really had to adapt," he said.

He was not alone in sharing this sentiment. Almost all the panellists experienced drastic changes to the way their companies operated during the pandemic. Louisa Yeung noted how she was no longer able to travel to her offices in Mainland China and ended up having to delegate a lot of responsibility to her staff in those offices. For Yan Yeung, the entire workflow in PwC's offices had to change. "These are moments when you realize the external environment has changed so much, that you need to adapt and take quick action. You need to be sensitive to the environment in which you're working in," she said.

"These are moments when you realize the external environment has changed so much, that you need to adapt and take quick action. You need to be sensitive to the environment in which you're working in."

However, there were also some benefits to the disruption. Louisa Yeung said the company was forced to adapt to the situation rather than shy away from its challenges, leading them to still achieve good results. "We had to delegate a lot of responsibility to the more junior staff, so they really had to take ownership and mature in their roles," she said. "As a result, in the last 20 months, the crisis forced them to grow up a lot. We were even more efficient afterwards; our business was booming and our staff had upskilled and improved, so it's been an overall positive experience."

Of course, change and

Above, from left: Yan Yeung CPA, Partner of Tax Services at PwC Hong Kong; Louisa Yeung FCPA, Chief Executive Officer of KOS Group; Kit Wong CPA, Director of Education and Training with the Hong Kong Institute of CPAs; Teddy Liu CPA (practising), Member of the People Development Management Committee of The Hong Kong Management Association; and Adam Wong CPA, Audit Director at EY and a member of the Institute's Young Members Committee

adaptability comes from having strong communication lines, the panellists went on to say. "When we realized we had to adapt to the situation, we had to communicate a lot more," said Kit Wong.

In order to get buy-in, every decision was consultative in nature. By engaging and communicating with various stakeholders – from management, to examiners, and down to students – the Institute was able to eventually roll out the exams smoothly. "When you launch something new, stakeholders are much more willing to try it if they were part of the process of coming up with the idea," he said.

In fact, communication has become such an important quality that it's often cited together along with being agile as some of the core competencies that companies are looking for in new hires, Yan Yeung said. Adam Wong agreed, further adding that in order for companies to reach their targets, they have to be able to communicate their plans. Only when everyone is aligned towards a goal can a company achieve anything.

Liu chimed in, agreeing that having a clear purpose and communicating that purpose is equally important. "Make sure everyone is clear on this point. They have to see that the company is also fighting for them. It's not always about profit, but it's also about purpose and the people," he added.

"It's not that people are born successful, but successful people can overcome hurdles and challenges because they have a growth mindset."

Indeed, the idea that purpose, and environmental, social and governance initiatives are key to attracting talent and retaining them was another resounding theme during the panel discussion. "Young people want to try different careers because they are looking for purpose; they move around to try things to see what suits them," Adam Wong said.

Louisa Yeung agreed, adding that: "They are not just looking for money; they want to see that a company is contributing to society and what their values are. They want to see tangible meaning in what they do and learn something."

In fact, this desire to grow and learn is another key quality that companies are looking for in employees today. On this note, Kit Wong emphasized the importance of having a growth mindset. "It's not that people are born successful, but successful people can overcome hurdles and challenges because they have a growth mindset," he said. "Of course they are hardworking too, but they have the mindset to push forward, and this is what is needed in this day and age."

Kit Wong also said he has noticed a change even in the profession's expectations of its people. He noted that during the CPA exams, they have had to reform exam materials so that they are not just focused on technical skills, and they also have assessment centres to assess professionals' skills in critical analysis, problem-solving, communication skills, as well as analysis, leadership and business acumen. "That only makes sense," said Liu. "You can only make an impact if you can communicate, tell a story. And a number can only tell the story if you are a good accountant."

The recordings of the CPA Conference 2021 will be available on the Institute's website soon.

SECOND OPINIONS: HOW DOES THE CAPSTONE PREPARE THE NEXT GENERATION OF CPAS FOR THE FUTURE?

The Institute is seeking workshop facilitators for the Qualification Programme. Join by 19 November and help nurture future CPAs.

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

In the past, people asked "will artificial intelligence (AI) take over CPAs' jobs?" Now, people are asking "when will AI take over CPAs' jobs?" and "what is next for CPAs whose jobs have been taken up by AI?"

As CPAs, it's a common understanding that "automation risk" is close at hand. Technological developments not only make our lives more convenient and comfortable, but also create great challenges to our job security, wages and promotion opportunities.

We can't stop the technology development, so instead of avoiding the challenge, we can beat it!

Automation is a good solution for matters that are routine, mechanical, standardized and required a high level of consistency and accuracy. Therefore, basic accounting work, or even certain predetermined complex accounting treatments can be fulfilled by automation with AI. This trend releases us from boring, routine and mechanical bookkeeping work.

Undoubtedly, AI will continue to get better over time. Programmes are constantly evolving to become more intelligent, perform more intricate functions and do it all more efficiently. These improvements not only make tasks easier for CPAs, but also push the industry to adapt and grow as well. CPAs can continue to add value services to their repertoire by maximizing the potential of AI and fulfilling market needs. Better automation also means better data for CPAs to work with and analyse, and the client gets to reap the rewards.

Therefore, the market is expecting us to play a more important role in formulating business strategies, appraising potential solutions and making critical decisions that are usually uncommon, unique and situation-specific in the context of the ever-changing business environment.

The Hong Kong Institute of CPAs is well aware of these challenges and has rolled out the brand new version of Qualification Programme (QP), in particular, the Capstone level, to equip our future CPAs with the required professional knowledge, enabling competences and real-world experience.

Unlike traditional examinations – that are mainly focused on testing the technical knowledge and skills and are just basic requirements – the Capstone level provides opportunities for and inspires our next generation to develop their ability to deal competently with situations CPAs regularly face. It does so through its three full-day, face-to-face workshops on a team basis as facilitated by CPAs with rich experience and backed with well-defined case studies, individual and team exercises, and other online materials – all while involving the integration and application of technical knowledge and skills gained from any part of the QP syllabus, across all fields of technical and enabling competences.

The takeaways of the Capstone level are not just skills and techniques, but also tools for pursuing continuous personal development, effective communication among people and, to some extent, business acumen, leadership and vision for CPAs' future development.

"The Capstone level provides opportunities for and inspires our next generation to develop their ability to deal competently with situations CPAs regularly face."

KIT WONG CPA
DIRECTOR OF EDUCATION AND TRAINING AT THE HONG KONG INSTITUTE OF CPAS

CPAs are moving into a wider range of businesses beyond the traditional roles of the accounting function. Our role is transforming from dealing with numbers to analysing and advising on business issues, especially as the impact of COVID-19 speeds up technological advancements in the business environment and society expects more from CPAs.

As such, a new mix of technical knowledge and core enabling competences including business acumen, critical analysis, problem-solving, communication skills and leadership, on top of upholding our ethical values and integrity, are required for CPAs to stay relevant in the business world.

The new QP adds emphasis to those core enabling competences to develop QP students' ability to apply their professional knowledge in professional contexts and meet the needs in today's complex business environment.

The Capstone, which is the final level of the new QP, is integrated and comprised of three full-day workshops and the Final Examination. It focuses on the development of the ability to deal competently with different situations by simulating the business world.

The business-oriented Capstone level provides QP students with a progressive journey to enhance their core enabling competences for their future development. The three-day workshops stimulate practical workplace discussions and are designed to be dynamic and interactive, and inspire learning through various activities, e.g. pre-work, group discussions, presentation, simulations, case studies and assessments tasks. Both the workshops and the Final Examination develop QP students' lateral thinking in making a pragmatic decision in today's ever-changing business environment.

We believe that QP students passing the new QP including the Capstone level would be able to demonstrate to employers the necessary knowledge and skills as business partners in their organizations and with their clients.

> "The three-day workshops stimulate practical workplace discussions and are designed to be dynamic and interactive, and inspire learning through various activities, e.g. pre-work, group discussions, presentation, simulations, case studies and assessments tasks."

ICY LAI CPA
INTERNAL AUDIT DIRECTOR, PWC, AND FACILITATOR OF THE CAPSTONE AND MODULE 13 BUSINESS ASSURANCE OF THE QUALIFICATION PROGRAMME

The Capstone workshops provide QP students with valuable learning experience and exposure to situations that professional accountants may face every day, such as resolving business issues and ethical dilemmas. In the workshops, students need to work on a mega business case and perform various analyses and evaluations. Additional information is available in each workshop to build on the existing case information so the case and issues become more challenging and complex – just like in real-world situations. Students have the chance to practice progressively and then do a deep dive in evaluating very complex business matters. Professional accountants are expected to have strong global and business acumen to understand and evaluate financial and non-financial information, under both micro- and macro-perspectives, and communicate insights and the best advice to clients and employers. Now our students can be exposed to these experiences in the Capstone workshops.

The practice sessions throughout the three-day Capstone workshops are very realistic. Students need to apply their technical knowledge as well as their core enabling skills (e.g. addressing ethical dilemmas, problem-solving, critical analysis, project management etc.) in resolving issues and make recommendations. For example, students will need to identify the ethical dilemmas from the case. They need to recognize the nature and impact of the problems, explore alternatives, and provide suggestions. Ethical dilemmas can frequently occur in our workplace, so it is beneficial for students to simulate in these situations and tackle the challenges.

Students enrolled in the Capstone are well-prepared with good technical knowledge. They are at the peak of the QP and are ready for careers as CPAs. Capstone students demonstrate a strong ability to integrate technical knowledge in order to resolve complex issues and show significant improvement in mastering the enabling skills, such as critical analysis and effective communication.

In the Capstone workshops, students utilize multiple enabling competence guidelines we introduced in driving their thinking process and structuring their presentations. It is impressive to see them applying what they have learned through the QP. Students show their capability to process large amount of data and identify the most relevant and important information in supporting their recommendations systematically. They reflect on their justifications and also evaluate arguments of other groups after presentations. Students commented that they enjoyed the opportunity to reflect and share ideas with their peers. The ability to engage in reflective and independent thinking is an important quality for our future CPAs.

> "Students have the chance to practice progressively and then do a deep dive in evaluating very complex business matters."

cloudThing, a technology company based in the United Kingdom, on how an organization can start its journey of eliminating paper-based processes

The paperless office: five steps to make it a reality

Accounting firms and other organizations operate in a world of regulations, governance, and compliance. However, staying compliant, relevant, and up to date in a paper-based office is becoming exponentially harder. There are now several adoptable solutions for organizations looking to increase the amount of data they work with, in a manner that skips or replaces as much paper as possible. Incoming documents can be scanned in or digitized using an optical character recognition tool. Anything coming off a printer should be digitally native from the start and sent via email or an other application rather than being printed in the first place.

Why is going paperless so important?

Aside from the benefits to the environment and the increases in efficiency, there are several other potential benefits to going paperless:

- Converting paper files to digital will create a much more tailored experience to the end-user, for example, allowing for custom email notifications or reminders or cloud services bringing outside data into current workflows.
- Have you ever had an emergency and had to rush back to the office? Needed to be at home but still wanted access to work files? Storing all your data in the cloud completely does away with those situations, making it all accessible by any device with Internet access and the right levels of security.
- Having to manually keep track of paper files, store them, organize them, copy them, and disseminate them when needed is time-consuming. Going paperless can make processes significantly more organized. Disorganization can be a major disadvantage when compared to a competitor that has adopted digitization in terms of responsiveness.
- Digitizing your paperwork will have a substantial impact on collaboration. The digitization of all paperwork means the entire team (or organization depending on permission levels) has all the necessary access to any data they might need, at any time. By their very nature, paper-based processes are inefficient and do nothing to advance an organization's goal in today's market.

How to go paperless

If an organization has been operating with paper-based processes for a while, it may seem like an intimidating task to even start, but it can be achieved through effective communication across all levels and ensuring that digital files are stored carefully. Organizations can start by taking the following steps:

1. **Gather all stakeholders together to discuss the process**. It's vital this isn't just C-level executives and management dictating how things will be from now on, but all future users. C-level managers will often operate under the assumption an organization is run one way, only to find midway through a digital transformation that their staff have been quietly doing something completely different for years. To assure the success of the project, everyone needs to have input as to what's happening, mapping out exactly how the organization runs so that those processes can be accurately and effectively digitized.
2. **Try and not reinvent the wheel.** The temptation when adopting new technology will be to completely revolutionize your processes, changing everything in the name of efficiency. However, the risk that poses is that you will leave your staff – the people who will be using the new process on a day-to-day basis – behind. To ensure success, it's much easier to map out your existing paper-based processes and convert them into digital workflows. Changes and improvements can be made from there once everyone has got used to the new way of working, but the goal should be for continuous improvement: small changes over time rather than massive changes all at once.
3. **Map out exactly where all your data is currently stored**. Is it all in one central location? Is it scattered over multiple offices? Have some people already started to go electronic, with important data stored locally on their work machines? All that data needs mapping to create a comprehensive plan to migrate it all into a system that everyone can easily access and update, based on their access levels.
4. **The actual digitization of all files.** There are normally two choices here. It can all be done internally, with staff scanning in all your documents, or it can be outsourced to a third-party company. There are pros and cons to both. Going the internal route may be less expensive but this can cause a lot of disruption as people are pulled away from their regular roles, potentially for several weeks. Outsourcing will likely cause less disruption but will have a higher upfront cost, and there are security issues that will need to be resolved in advance. Ultimately, an organization will need to decide which solution works best for them.
5. **Decide who will be able to access what data and from where.** Once the digitization process is mapped and underway, individual users can be set up with a login based on their security credentials that will take them to a tailored dashboard with access to all the workflows they need.

by Kera Kong

The Product Manager, RMB Business Coordination Team, Bank of China (Hong Kong) Limited, on the impact Mainland China's new digital yuan will have on its digital payment sector

How the e-CNY will likely bring substantial changes to China's digital payment sector

"Central bank digital currencies (CBDCs), be it wholesale or general purpose, has been high on the agenda of the central banking community," said Howard Lee, Deputy Chief Executive, Hong Kong Monetary Authority, in a speech in March. "Apart from being a new and trusted digital means of payment, CBDCs could potentially also foster competition and innovation in the payment sector."

Indeed, over 80 percent of 66 central banks around the globe are exploring the use of CBDCs, according to the Bank for International Settlements statistics. These 66 countries cover 75 percent of the world's population and 90 percent of economic outputs. However, none have fully launched yet.

One CBDC initiative taking place is the roll out of the e-CNY, or digital yuan, issued by the People's Bank of China (PBOC), which has so far initiated pilot programmes in certain cities around Mainland China. After the official roll out, which is expected to happen in 2022, the digital currency will likely bring major changes to China's digital payment sector.

What is e-CNY?

E-CNY is a sovereign digital currency issued by the PBOC. Its value will be as stable as the physical yuan, and is designed to replace money in circulation (known in central banking parlance as M0).

Commercial banks and electronic payment companies would deposit 100 percent worth of reserves at the central bank in exchange for digital currency, which it then distributes to retail users. The e-CNY will adopt a two-tier structure, according to the PBOC. In the first tier, the PBOC will issue e-CNY to authorized agencies, including the six largest state-owned banks and non-financial institutions Tencent and UnionPay. In the second tier, the authorized agencies will distribute to end users such as companies and individuals. Instead of using bank accounts, e-CNY will be stored through electronic wallets that can transfer e-CNY without access to the Internet. While there's no official white paper published by the PBOC on the e-CNY infrastructure yet, the PBOC has called its privacy protection feature "controllable anonymity." This means that e-CNY offers better personal information protection, yet still keeps sufficient records for tracing illegal activities, such as money laundering, tax evasion and terrorist financing.

E-CNY can be seen as a digital payment that has equivalent value to other forms of the yuan, such as bills and coins. It can be transferred without relying on a bank account. During a transaction, it simply verifies the value of e-CNY, instead of verifying the account holder's identity. Compared with consumer bank deposits, the biggest difference is that holding e-CNY in a digital wallet won't accrue any interest.

Based on these features, we can understand e-CNY as simply an electronic version of cash. The central bank's role is mainly to make changes to the currency's physical form, distribution and payment framework.

The impacts of e-CNY

E-CNY will bring positive changes to the operation of traditional commercial banks. It can conduct end-to-end value transfer without bank accounts, reducing dependence on financial intermediaries and achieving "controllable anonymity." It may even boost earning potential for commercial banks since they, as the operator of mobile wallets of e-CNY, can offer some other value-added services.

In the long-run, commercial banks will be able to leverage technologies such as blockchain, biometric identification and big data to manage customers' financial data, driving further innovation in the financial industry.

E-CNY will bring challenges to third-party payment agencies. China's popular digital payment platforms WeChat Pay and Alipay feature low costs and convenience, all of which can be achieved by using e-CNY. Although the current costs for mobile payment is very low, the central bank has said that payments and transactions in the future should be free of charge.

The central bank's digital currency can be put in the mobile wallets of PBOC and commercial banks. When the central bank's digital currency is officially launched, it could potentially occupy the current market share of third-party payments.

Since the e-CNY aims to replace physical cash in circulation in the short-term, its impact on the RMB exchange rate will be minimal, given that digital payments are already prevalent in China. In the long-run, as e-CNY helps to advance the internationalization of the RMB, the RMB may appreciate given higher external demand, especially against currencies of countries along the Belt and Road initiative. However, since it will be easier for the central bank to monitor the two-way capital flow under the e-CNY, the PBOC is unlikely to allow sustained volatility in either direction.

E-CNY could promote the internationalization of RMB, especially in the areas where its economic growth is highly dependent on trade with China. E-CNY's peer-to-peer transactions could help to reduce cross-border settlement costs and remove the restrictions levied by correspondent banks with disparate systems. The adoption of CBDCs in other countries could further increase the convertibility between e-CNY and other currencies while bypassing correspondent banks.

Kera Kong was a speaker in the Mainland Business Interest Group's webinar "Digital RMB." A recording of the webinar is available for members on the Institute's website.

MAKING AN IMPACT

Francis Ngai, Founder and Chief Executive Officer of Social Ventures Hong Kong, a venture philanthropic organization, is determined to prove that there's a workable midway in which businesses can make money while contributing to society and social purpose. He talks to Nicky Burridge about social investing and how he's steering the organization in a new direction

Photography by Calvin Sit

Only three out of 10 women in Hong Kong from underprivileged backgrounds are employed. Barriers to entering the workforce range from not having childcare, to a lack of self-esteem due to the grind of living in poverty.

To help women in this situation get back into work, Social Ventures Hong Kong (SVHK) launched a co-working factory called HATCH.

Francis Ngai, Founder and Chief Executive Officer of SVHK, explains that it converted a 5,000-square feet factory unit in Kwai Chung into a space in which products, such as bedding and handmade soap, could be manufactured.

It found six brands that were willing to move some of their production back to Hong Kong, sharing the costs of operating the facility and hiring women on a flexible basis.

Aside from being Founder and Chief Executive Officer of Social Ventures Hong Kong, Francis Ngai is the Co-Founder of Green Monday.

The space includes a playroom, so that mothers can bring their children to work. Social workers also have lunch with the women once every two weeks, to help them address other problems they are facing in their lives.

While the project was first set up with a grant from SVHK, it has gone on to become financially self-sustaining.

HATCH is an example of what Ngai loves to do through SVHK, namely bring people from different sectors together to help solve social problems. "I like looking at how we can join the dots between different sectors. How we can build up collaborations and bring things together that have no relation to each other to make a difference," he says.

A change-maker

Ngai founded SVHK nearly 15 years ago when his two children were aged one and two.

He explains that he felt society did not have enough new solutions to cope with all the old problems, such as housing issues, and challenges around an ageing society, but he wanted to show his children that you could keep striving to create change. "It was an important value that I wanted to communicate to my kids. I wanted them to be proud of their dad as a change-maker," Ngai says.

He was head of strategy at PCCW Solutions at the time, and admits that giving up a well-paid corporate career to work in the charity sector raised eyebrows, but he says he was willing to sacrifice a lot for his children.

The concept of social enterprises was not well-known in Hong Kong at the time. Ngai first become interested in the idea after volunteering with non-governmental organizations (NGOs) and hearing professionals talk about social entrepreneurship and the concept of social investing. He explored the idea more, looking at social enterprises in other parts of the world and listening to experts speak on the topic, before founding SVHK in 2007.

The organization has two parts, which Ngai describes as being a dual engine. One arm is SVHK Foundation, which operates as a charitable arm, mobilizing grant money and doing non-profit work. The other arm is SVHK Capital, Hong Kong's first venture philanthropy fund and advisory firm, which provides investment and professional services to support high-impact social ventures.

While the foundation is not-for-profit, the venture fund operates on a for-profit model, with the money generated through its investments and consultancy services used to support both arms of SVHK.

Alongside generating revenue, the consultancy business also aims to change the mindset of businesses. "If we can convince them that the dual model of making money while also creating purpose works, we can address many of the bad things that are happening," Ngai explains.

He gives the example of Green Monday, which he co-founded to encourage people to have one meat-free day each week, as a social enterprise that also makes money.

As more people in Hong Kong became vegetarians or flexitarians, Green Monday opened a concept store, Green Common, selling plant-based meat alternatives. Most recently, it has signed a deal with McDonald's to provide it with plant-based luncheon meat.

A corporate perspective

Ngai started out in advertising and marketing, working for advertising and public relations agency Ogilvy, and health and beauty retailer A.S. Watson, before moving to PCCW Solutions.

He sees his corporate experience as being invaluable to what he is doing now. "I try to apply corporate skills to social ventures. I want to blur the borders of the sectors and build a business solution around a social problem," he says. "In the past, we were more reliant on the non-profit model. It is good but it is not always sustainable. If we can introduce a business model, it can help social ventures to be more sustainable," he explains.

> "I try to apply corporate skills to social ventures. I want to blur the borders of the sectors and build a business solution around a social problem."

An example of this approach is Diamond Cabs, which was set up by SVHK in 2011 to provide taxis that were accessible to wheelchair users. "Rather than just getting a grant from the government, we worked with the taxi industry because we wanted to have a wider impact. Now many taxi license holders have followed us and introduced bigger cabs."

He points out that by introducing larger taxis, license holders have access to a new customer base.

Ngai spends much of his working day talking to people in businesses, family foundations and NGOs to help them understand more about the impact world, and to try to build bridges between different sectors and encourage them to work collaboratively together. "One of the things we have found over the past 15 years is that different sectors work in silos. We want to bridge those silos and show that doing social good isn't just charity – it can fulfil business needs as well."

He adds that having purpose is becoming increasingly important for corporates, with both investors and millennial employees increasingly looking for companies that do social good, and getting people involved in a social venture

Francis Ngai was a panellist at the Institute's CPA Conference 2021 this month, discussing business lessons from the COVID-19 pandemic. Read more about the panel discussion and the conference on page 8.

also helps individuals feel that they have a sense of purpose. "A lot of people in Hong Kong feel quite helpless and a lot of younger people do not have much hope. By getting them involved, we show them how they can have an impact, even in a small way, and it helps them to feel good."

Impact investing

When deciding which ventures to invest in, SVHK uses an "IMPACT" model. Ngai explains that the "I" stands for innovation, adding that SVHK is looking for interventions that are not currently happening in Hong Kong. The "M" stands for market, as the ultimate aim is for social ventures to be self-sustaining, meaning there must be a market for their solution so that it can generate income. "P" stands for people and whether the entrepreneur or project owner shares the change-maker mindset, while "A" is for alignment and the entrepreneur's ability to collaborate.

"C" stands for capacity. Ngai explains that even if someone has a good idea or business model, they must also have the capacity to be able to fulfil it. Finally, "T" stands for transformation, as SVHK is looking for solutions that can create a paradigm shift in the way social issues are tackled.

Ng gives the example of Light Be, which was the first affordable housing initiative in Hong Kong, connecting landlords of underutilized properties with families who needed housing. The scheme has 130 apartments, in which families have their own sleeping space but share a kitchen and bathroom with other families. They are charged an affordable rent.

It is aimed at families who have been living in sub-divided units, to help them get back on their feet. They can stay in the housing for a maximum of three years, although the average family spends just two

Before establishing SVHK in 2007, Ngai was the head of strategy of PCCW Solutions. Prior to that, he worked for advertising and public relations agency Ogilvy, and health and beauty retailer A.S. Watson.

"Thinking deeply about an organization and incorporating purpose is good for both a corporation and society."

years there. "We believe that poverty should have an exit. Monetary or housing welfare support is good, but sometimes that builds reliance among grassroot families which, in a way, will disempower them," Ngai says.

He adds that only 20 percent of families that leave Light Be housing go into public housing, with the majority going into private housing having found a better paid job. In 2016, Light Be partnered with the government to convert an abandoned textile factory in Sham Tseng into housing for underprivileged families. The initiative was featured in the Hong Kong Chief Executive's 2017 Policy Address.

It also recently started a collaboration with real estate developer New World Development to convert agricultural land in the New Territories into social housing. "It has helped to change housing policies. There are now 10 NGOs offering affordable housing in Hong Kong," Ngai says.

Pandemic-driven business model

Unsurprisingly, COVID-19 has had a significant impact on social ventures, many of which have not been able to hold their regular fundraising events due to social distancing measures.

Despite the challenges it has created, Ngai says it has helped them to build different business models and become more resilient.

He thinks the pandemic has also highlighted the need for society to change, and has increased the interest of both consumers and investors in corporate purpose. He adds that the impact of COVID-19, as well as the social unrest Hong Kong suffered before the pandemic, has made him rethink what SVHK is doing. "A lot of things are reshaping the city and we need to cope with a new situation, so we are adopting a new impact model. I feel very excited about it."

The new model is called 2030 New Urban and puts an emphasis on changing people's mindsets to create an impact ecosystem to transform Hong Kong to a place where there is meaningful youth engagement, sustainable living and a community economy.

Ngai wants to bring people with a change-maker mindset together to collaborate, share learnings and influence people in different sectors. He dubs it an "impact of things."

"They would not just be people who were quitting their jobs to become social entrepreneurs, they could be 'intrapreneurs' working in corporates, or policymakers who are up-and-coming stars in government, or a non-profit leader or the CEO of a big organization. Imagine if that group of people got together, and the effect it could have rippling out."

Ngai sees it as a 10-year impact journey and has called it an "odyssey" after the Greek epic.

He thinks accountants have a significant role to play in helping to bring about the new urban transformation. "Accountants operate across all sectors and industries. They can show that running a business with purpose is important not only to the future, but also to engage employees, different stakeholders and investors," Ngai explains.

He adds that accountants can also persuade businesses of the need to incorporate purpose proactively now, rather than waiting until investors are demanding it, while they can also demonstrate that there is a middle way under which businesses can still make money but also carry out social good. "Donating money to charity or doing voluntary work is a quick win, but it is not enough to instil purpose into a business. Thinking deeply about an organization and incorporating purpose is good for both a corporation and society."

A social runner

In his spare time, Ngai is a keen long-distance runner, taking part in marathons and ultra-marathons, including the recent Hong Kong Marathon. "Running is not just a hobby for me, it is something that keeps my mission and passion alive. If I encounter a difficult problem, I go running. If I find a solution and feel happy, I go running. It keeps my energy up."

A few years ago, he took part in a marathon at the North Pole as part of a corporate event to raise awareness about Green Monday. "The temperature was minus 30 celsius. You had to go inside to drink water because if you took water outside it would be frozen solid in minutes. Frostbite was also a danger, and I lost some feeling in my fingertips. I am afraid of the cold, so it was really challenging for me."

Despite these challenges, Ngai came first out of the team from Hong Kong, generating a lot of media coverage for his cause.

Ngai likens running to his journey in social innovation. "Both running and my journey are reflective. I may feel pain, but I learn from it and go on to have inspiration."

STAYING IN GOOD SPIRITS

During his time as Chief Financial Officer, Greater China Region, at Rémy Cointreau, Roman Lo CPA has implemented changes at the spirits group and helped build a data-driven culture. He talks to Nicky Burridge about Greater China's appetite for cognac and how his CPA training gave him a taste of exclusivity

Photography by Raul Ariano

Unlike some spirits, cognac needs to be drunk slowly to appreciate the taste. "You don't taste cognac in the moment that you first drink it. It is when the liquid passes down your throat and into your stomach that you taste it. It takes time," Roman Lo CPA, Chief Financial Officer, Greater China Region, at Rémy Cointreau, says.

He likens working for Rémy Cointreau to drinking a good cognac. "It is a great company and has close to 300 years of history but you don't feel the company culture when you first join it, it takes time before you feel the difference," he says.

Rémy Cointreau is a family-owned French group that traces its origins back to 1724. It is one of the top cognac producers in the world and is home to brands such as Rémy Martin, Cointreau, The Botanist gin and St-Rémy brandy.

Lo explains that the barriers to entry to be a cognac producer are high, as it takes three to four years from the time grapes are harvested for them to mature in wooden barrels, while for the most prestigious brands of cognac, some ingredients are 100 years old. All the grapes used to produce cognac must be grown in the "fine champagne" or southwest region of France. "The production is limited, and it takes a long time, so it is difficult for a new company to enter the industry because no-one will put money into a company that won't make any return for the first three to four years," he says.

Lo says working for Rémy Cointreau, which has a prominent place in the spirits industry, is fascinating and has given him the opportunity to meet many interesting people within the sector, as well as the chance to try the group's exclusive LOUIS XIII cognac, something only a small number of people in the world have the opportunity to experience. "The taste is really excellent and if I did not work for the company, I do not think I would have been able to try it," he says.


THE BOTANIST

As Chief Financial Officer, Greater China Region, of Rémy Cointreau, Roman Lo CPA is in charge of ensuring the financial integrity of the company's operations in Greater China, which is made up of Mainland China, Hong Kong, Taiwan and Macau.

Good with numbers

Lo describes his work as CFO as ensuring the financial integrity of Rémy Cointreau's operations in Greater China, which is made up of Mainland China, Hong Kong, Taiwan and Macau. "Financial integrity includes both financial and operational controls for various aspects of the business, such as credit controls, advertising and promotion investment, people investment and cash flow," he explains.

Lo is also involved in strategic discussions on both financial and non-financial matters. "People often seek my advice on whether certain operations or ideas make sense because I'm good with numbers, and from numbers, I'm good at logical thinking."

The third part of his role involves participating in negotiations between Rémy Cointreau and its wholesalers in Greater China.

Lo has held the post for four years, and during this time he has helped the management team to become more data-driven, basing their decisions on facts rather than instincts. "I support the team by preparing scenarios and analyses and helping them understand the logic behind the assumptions of those scenarios," he says. "My colleagues may have a lot of ideas, but they are not always able to put them into a logical sequence to present to our counterparts at the company's headquarters or our trade partners. I support them with data to help them build up their argument."

Lo adds that he is also able to help the management team focus on the big picture, rather than getting too caught up on small issues.

"Sometimes things that you cannot predict just pop up. The challenge is to make a decision in a very short period of time. I'm often forced to make a decision in a few hours without being able to get all the information I need."

Preparing for the unexpected

Lo says the most challenging aspect of his role is trying to foresee what will happen in the weeks ahead, and handling unexpected things when they arise. "Sometimes things that you cannot predict just pop up. The challenge is to make a decision in a very short period of time. I'm often forced to make a decision in a few hours without being able to get all the information I need, or I have too much information and that can distort my focus."

He adds that while difficulties can happen without any prior notice, challenges one has spent a long time planning for may also not work out as had expected. "For both things, you have to understand why they happened in the way they did," he says.

It is the challenges that keep the job interesting for Lo, and he likes looking back at what he has learned from them, whether it is a technical aspect of tax law, or something related to customs procedures. "Learn from your mistakes. Investigate them and question the decisions you made so that you know how to handle similar situations in the future," he says.

New directions

During his four years with Rémy Cointreau, Lo has helped to plan and implement a number of changes at the company, working closely with the head office in Paris to change the sales channels in Greater China and restructure the way the company does business there.

The group has more than 10 brands, but not all of these are sold in China. "We have to select which products we are going to sell. If we have a unique product, we have to work with the headquarters team to develop a strategy for how we are going to introduce it. So if a few wholesalers do not like the idea, we may have to convince them." He adds that the company sometimes has to let go of wholesalers, but this is not as simple as just dropping them, as they have to be compensated. "These are things we have to balance," he says.

Lo has also overseen the expansion of Rémy Cointreau's e-commerce channel in Greater China. He explains that the group started e-commerce in the region in 2015, which only accounted for less than 1 percent of sales at the beginning. It started to expand the channel when he joined in 2017, and it now accounts for a significant percentage of our business.

Lo remembers that it was difficult to decide which products to sell online and which ones to continue to sell through wholesalers. "At the time we started the online business, we didn't know if we should sell the same products as through our wholesalers or different ones. The customers for e-commerce and the traditional business are different, but we didn't know this when we started to grow the business. It is this kind of strategy that we had to align."

Rémy Cointreau is a family-owned French group that traces its origins back to 1724. It is one of only three large cognac producers in the world and is home to brands such as Rémy Martin, Cointreau, The Botanist gin and St-Rémy brandy.

He adds that the group now knows that e-commerce customers tend to be younger and prefer smaller bottles. As a result, it has some products that it sells exclusively online, such as its Rémy Martin Club 35cl bottle, which has been very successful. "It has been an interesting experience for the group, and for us in China. If you don't try new things, you will never know," he says.

A varied career

Lo studied accounting at the Hong Kong Polytechnic University and says he was attracted to the subject by the good career prospects it offered. He started his career as an auditor at KPMG, where he stayed for three years. He says qualifying as an accountant not only provided him with technical skills but it also taught him about time management, handling pressure and ensuring he produced high quality work. He adds that being a member of the Hong Kong Institute of CPAs made him proud to be an accountant.

> "When you are in the commercial sector you are more interested in the day-to-day operations of the company. Together with the management team, you are also building something beyond the numbers. That is the interesting part."

After leaving KPMG, he spent just over two years working for a company in Singapore and one in Beijing, before the opportunity came up for him to join beer producer San Miguel Corporation as assistant financial controller in 1997.

He explains that the market in Mainland China was booming at the time, but despite being a well-known brand, it was challenging to gain a foothold in the market. "In China, every province has its own locally produced beer, which the local people are proud of. As a result, it can be difficult to gain market penetration as a foreign brand. I had to learn a lot," he says.

He left San Miguel to become financial controller at Nokia, before holding positions at BMW Group, International SOS, education group Pearson and Wolters Kluwer, and then joining Rémy Cointreau in 2017.

Lo says the biggest difference between working at KPMG and his experience in the commercial sector is that you have to look at numbers from a different angle. "As an auditor, your concern is whether the numbers give a true view of the company or whether it has made sufficient provisions for accounts receivable," he says. "When you are in the commercial sector you are more interested in the day-to-day operations of the company. Together with the management team, you are also building something beyond the numbers. That is the interesting part."

The story behind the numbers

Lo advises Institute members who are interested in becoming financial controllers or CFOs to learn to see the story behind the numbers. "Accounting trains you to look at things in a logical way. One number leads to another number and you learn how to draw conclusions from data," he says. When you become a financial controller or CFO in the commercial field, you have to be able to get more from the numbers and understand the story behind them. It is not just about whether you are meeting the budget or not meeting the budget, you have to be able to identify what has gone right and what has gone wrong."

He gives the example that if sales

Lo began his career as an auditor at KPMG after graduating from Hong Kong Polytechnic University with a degree in accounting. He then worked in Singapore and has since spent more than 25 years working in Mainland China.

has gone up, this could have nothing to do with good salesmen, but rather that better credit terms had been offered during the period.

He adds that CPAs who want to become financial controllers or CFOs must also be prepared to make difficult decisions under time pressure and be able to identify what information is most important. "I have to make difficult decisions, and sometimes I have to select from several options that are all bad."

Finally, he says they should not be afraid to take on responsibility, and to keep going even if things do not work out as they expected. "If things do not go in the direction you wanted, it does not mean failure, it just prepares you for another task. Things happen. Learn from them and move on."

Unwinding with family… and a drink

When he is not working, Lo likes to spend time with his wife and two sons, who are 17 and 25. "I try to have at least an hour every day to talk to my family. We are all busy but it is not just about how many hours you spend together, but having an hour to talk and to really communicate – that is important. That is how I strike a work-life balance."

He also enjoys photography and taking road trips with his family. He explains that when they travel around Mainland China, they often intentionally do not take a flight, but opt to drive instead, even if it involves driving more than 1,000 kilometres to reach the destination.

Lo, unsurprisingly, also likes to unwind with a drink. His favourite is a gin and tonic, with cognac coming in second place. "We have a gin called The Botanist. It is extremely good," he says.

Annual Accounting Update 2021 – Are you prepared to move on?

With the impact of the COVID-19 pandemic likely to be felt for years to come, this year's Annual Accounting Update conference, held virtually, will cover how professionals should prepare for the latest and future changes in financial reporting

Ernest Lee FCPA (practising) is Technical Partner at Deloitte China. He has very extensive experience in auditing and providing technical advice on accounting and auditing related matters in a variety of industries across Asia-Pacific. He is Chairman of the Institute's Financial Reporting Standards Committee, and a member or former member of various advisory panels and committees of the Institute. He is a member of the Financial Reporting Review Panel of the Financial Reporting Council and also serves as an advisor to the Master of Accounting programme of Cambridge Judge Business School, University of Cambridge.

Last year's annual accounting update was themed around the "new normal" and how the COVID-19 pandemic had disrupted lives, and made "certainties" less certain. We covered the work of standard setters in helping practitioners to prepare for and respond to the new normal. Back then, it was uncertain how long the disruption would continue and what the lasting impact would be.

Now, though COVID-19 has begun to be tamed, the pandemic is not over. Therefore, this year's conference is themed around this idea that the COVID-19 pandemic has changed the world, and its effects will persist for years to come. It is therefore necessary to move on and prepare for future changes in financial reporting and corporate reporting more generally. "You gotta move on."

Over the past year there have been some revisions to financial reporting standards to account for how the pandemic has changed the world. For example, as the pandemic continued, the International Accounting Standards Board (IASB) issued an amendment which extended the availability of the practical expedient in International Financial Reporting Standard (IFRS) 16 *Leases* to rent concessions that reduce lease payments due on or before 30 June 2022. We are also preparing for the introduction of IFRS 17 *Insurance Contracts*, which will become effective on 1 January 2023 and significantly change the financial reporting of insurance companies.

The increasing importance of environmental, social and governance considerations is changing the corporate reporting landscape. However, at the moment there are a number of competing reporting frameworks. The Trustees of the IFRS Foundation are seeking to create an International Sustainability Standards Board (ISSB) to set global standards for sustainability reporting, just like how the IASB sets financial reporting standards. This year, the Trustees undertook a consultation on this project, and have begun work to create the ISSB.

About the conference

Join this year's Annual Accounting Update conference, which will be held virtually, on Saturday, 13 November from 9:00 a.m. to 1:00 p.m. for an update on the latest developments in standard setting. I will begin the virtual conference with a presentation on how financial reporting standards are set, including the Institute's standard setting function, and the progress of some major standard setting projects.

After my presentation, Lisa Zhang, Director at PwC, will discuss application issues of financial reporting standards, including recent agenda decisions by the IFRS Interpretations Committee, and new and not-yet-effective standards. After me, the conference will turn to discussing the future, with two presentations on the future of corporate reporting and emerging issues. The first will cover climate change, sustainability reporting, and the IASB's focuses for the year ahead. The second will cover cryptocurrencies and special purpose acquisition companies.

After viewing the conference, participants will have a good understanding of how standards are set now, and how they are likely to develop in the future. Visit the Institute's website for the enrolment details.

"Now, though COVID-19 has begun to be tamed, the pandemic is not over. Therefore, this year's conference is themed around this idea that the COVID-19 pandemic has changed the world, and its effects will persist for years to come."

Breaches to the code of ethics: A case study for PAIBs

A look at how the *Code of Ethics for Professional Accountants* underpins the importance of professional behaviour and integrity for professional accountants in business

The *Code of Ethics for Professional Accountants* (code) applies to all Institute members. Chapter A of the code is based on the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (Including International Independence Standards)*. It is underpinned by the five fundamental principles that establish the standard of behaviour expected of a professional accountant. They are:

- **Integrity**
- **Objectivity**
- **Professional competence and due care**
- **Confidentiality**
- **Professional behaviour**

The code also requires professional accountants in public practice to be independent when performing audits, reviews, or other assurance engagements. Independence is closely linked to the principles of integrity and objectivity and is an important element of serving the public interest.

Paragraph 10 of the preface of the code states that "Council requires members of the Institute to comply with the code. Apparent failures by members of the Institute to comply with the code are liable to be enquired into by the appropriate committee established under the authority of the Institute, and disciplinary action may result..." Disciplinary action may include:

- Temporary or permanent removal from membership.
- Temporary or permanent cancellation of a practising certificate issued to a CPA.
- Reprimand.
- Penalty of up to HK$500,000.
- Payment of costs and expenses of proceedings.

This is the first of two case studies in *A Plus*, developed by the Institute's Ethics Committee. This case study covers a situation in business, while the next case study, which will be covered in next month's issue, will cover one in practice. They illustrate breaches to the fundamental principles of the code by professional accountants and are adapted from the real-life cases involving Institute members. These scenarios illustrate the fundamental principles in the code, but are not intended to cover every possible circumstance. Where appropriate, additional case studies would be developed to raise the awareness of certain ethical topics and corresponding requirements in the code.

Case 1: Sales of trust assets

In 2014, Peter became the sole director of ABC Limited. He also became the sole registered shareholder of the company for the benefit of the beneficial owner of ABC Limited who is a separate legal person.

The company held shares in a Hong Kong-listed company, XYZ International Limited. On 18 September 2015, the shares' market value was HK$140 million. On 18 September 2015:

- Peter facilitated ABC Limited to sell the shares to a buyer at 40 percent of the closing price on the day immediately before.
- A HK$5 million cheque was drawn by the buyer to ABC Limited as part of the purchase consideration, but Peter never cashed it. The terms of the sale were to be completed seven days later. There was no security for the payment other than a deposit of HK$5 million.
- The disposal of shares was without the consent, knowledge or instructions of the beneficial owner of ABC Limited.

Peter claimed that the poor annual results published by XYZ International Limited on 18 September were an impetus for selling the shares. He considered the sale of shares was in the best interest of ABC Limited, the beneficial owner and himself.

Peter signed the "sold notes" of the shares which stated that the sales were for full market value and that the consideration had been received, in the knowledge that this was untrue. These notes would be provided to the Inland Revenue Department for stamp duty purposes.

Consider the following with reference to the code:

1. *Which fundamental principles did Peter fail to comply with?*
2. *Was it appropriate for Peter to sell the shares in the manner described in the case? Why or why not?*
3. *Peter asserted that there was no breach of the fundamental principles with regard to the sold notes for stamp duty purposes. He argued that there would only be falsity if it involved understating the consideration, but there would not be falsity in overstating the consideration and paying more stamp duty. Do you agree?*

Peter failed to comply with the fundamental principles of **professional behaviour** and **integrity**.

Professional behaviour
Peter failed to uphold the fiduciary duties to the beneficial owner of ABC Limited under the relevant laws (i.e. the common law) to act in the best interests of the company. He sold the shares at a substantial discount of the market price and executed the sales without security other than a deposit of HK$5 million. Also, he disposed of 100 percent of the shares without any prior consent from the beneficial owner.

The Institute's Disciplinary Committee, when considering the facts and circumstances in the given scenario, summarized in its disciplinary decision that it is untenable that the respondent (i.e. Peter) would consider that it was in the company's best interests to sell the shares at a 60 percent discount without first selling the shares on the market; it is unbelievable that the respondent would consider it to be in the company's best interests to execute the sales without any security other than a deposit for HK$5 million.

Peter made false statements in the sold notes to the shares that the sales were for full market value and that consideration had been received, which was not true. They were false statements regardless of whether the consideration was more or less than the actual amount. The fact that Peter had not defrauded upon the amount of the stamp duty to levy is irrelevant regarding whether there was a breach to the fundamental principles.

Integrity
Peter acted dishonestly and caused ABC Limited to mislead the Inland Revenue Department by signing the sold notes showing incorrect sales proceeds, and by knowingly participating in a transaction which involved the misapplication of trust assets to the detriment of the beneficial owner.

What does the code say?

Paragraph R115.1 in Chapter A requires Institute members to comply with the principle of professional behaviour, i.e. to comply with relevant laws and regulations; behave in a manner consistent with the profession's responsibility to act in the public interest in all professional activities and business relationships; not perform any action that would discredit the profession.

The code also requires members to act with integrity, i.e. to be straightforward and honest in all professional and business relationships (paragraph R111.1 in Chapter A). The code describes integrity as involving fair dealing, truthfulness and having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organizational consequences (paragraph 111.1 A1 in Chapter A).

What should Peter have done?

Peter should have:
- Obtained prior consent from the beneficial owner before disposing the shares.
- Acted in the interest of ABC Limited. This includes but is not limited to assessing threats to compliance with the fundamental principles by exercising professional judgement and taking into account whether **a reasonable and informed third party** would be likely to conclude that it would be in ABC Limited's best interests to:
  - Sell the shares at a 60 percent discount instead of selling them on the market; and
  - Execute the sale without any security other than a deposit for HK$5 million.
- Acted honestly, including but not limited to, stating the actual price for the sale of shares in the sold notes.

This article was contributed by the Institute's Standard Setting Department. This guidance is for general reference only. The Institute, Ethics Committee and the staff of the Institute do not accept any responsibility or liability in respect of the guidance and any consequences that may arise from any person acting or refraining from action as a result of any materials in the guidance. Members of the Institute and other users of this guidance should also read the original text of the code for further reference and seek professional advice where necessary. The Institute's Standard Setting Department welcomes your comments and feedback on this guidance, which should be sent to commentletters@hkicpa.org.hk.

Five areas of focus for general insurers during IFRS 17 project planning and implementation

A look at some key topics to support management in effectively delivering IFRS 17, with consideration of the different national and regulatory transition timelines and requirements

With the imminent arrival of International Financial Reporting Standard (IFRS) 17 *Insurance Contracts*, many insurance and financial institutions are already in the midst of their implementation programmes. In this age of big data and expanding workloads, many institutions have turned to third-party solutions to lessen the pressure of implementation. Although outsourcing IFRS 17 system implementations can ease pressure on daily operations in the short term, there are longer term considerations to assess together with many other issues for management to address beyond system implementation. This article focuses on these challenges in the context of general insurance (GI) companies.

Differences in the mandatory effective date of IFRS 17 across Asia-Pacific

Across the Asia-Pacific region, many jurisdictions with mature insurance markets have opted to align with the IFRS 17 adoption date of 1 January 2023. This includes all insurers in Australia, New Zealand, Hong Kong, Malaysia, Singapore, South Korea and listed insurers in Mainland China. Many other countries have deferred adoption to later dates between 2024 and 2026 (including unlisted insurers in Mainland China). GI companies with business in more than one jurisdiction need to consider whether jurisdictional differences in the mandatory effective date could affect their implementation timelines.

The transition steps required

GI companies should consider the full functional scope of implementation steps required. Although the IFRS 17 transition is primarily driven from an accounting perspective, collaboration with actuarial and information technology functions will be just as vital for implementation success. In addition, there are potential impacts on related areas. For example, in treasury activities, IFRS 17 will have an effect on current interest rates and other financial variables on the measurement of profit and loss where they previously were not applied. Another example is in human resources, where remuneration and incentives are based on accounting results that are materially changing.

Changes to management reporting

To support GI company finance teams to better adapt to changes in external and internal reporting arising from IFRS 17 adoption, training programmes can be leveraged to learn the different measurement models under IFRS 17 and how they are applied. Teams will likely need to update and adapt management information and potentially produce key performance indicators (KPIs) using new measurement methods or decide what new KPIs are necessary. On top of these challenges, there needs to be a clear understanding of how existing products and accounting treatments under IFRS 4 *Insurance Contracts* will be transitioned to IFRS 17. In a global survey conducted by Deloitte a while ago, a substantial portion of participants agreed that the implementation of IFRS 17 would result in companies changing their product design and KPIs. This is now happening and, apart from considering their existing platforms and products under IFRS 4, GI companies are now considering how IFRS 17 will influence future product offerings.

Impact on data, systems and processes

In the global survey cited earlier, participants also expressed concerns regarding the complex requirements surrounding data, systems and processes (DSP). The key issues highlighted include reporting compliance at the consolidated group level, remapping of their charts of accounts and testing to ensure auditability. This is potentially more taxing for GI companies that currently use a significant level of manual processes. In addition, while GI companies will generally be able to comply with the level of granularity required from IFRS 17, the DSP changes will still bring additional stress to a GI company's daily operations, and require more resources. For example, GI companies will need to incorporate in their project the time required to bridge and test information systems between IFRS 4 and IFRS 17 to ensure financial reporting compliance during the transition.

Implications for executive management

Aside from compliance and data management considerations, GI companies should also factor external stakeholder expectations into their IFRS 17 implementation projects. With increasing demand for higher audit quality and accountability from market participants and regulators alike, GI companies should consider the quality and auditability of their new IFRS 17 data, including addressing key areas such as audit trails, internal controls and governance processes. While GI companies can leverage existing data under IFRS 4 to a greater extent than life insurers, there are still many accounting changes driven by IFRS 17 that will result in the need of a refresh of most related processes and controls.

Getting a sense of the likely financial impact of IFRS 17 on a GI company's results will grow in importance as deadlines approach. Questions should also be expected about the anticipated financial impact on results and KPIs. Managing this stakeholder engagement can be built into IFRS 17 implementation projects from an early stage to allow time to develop and explain the anticipated financial impact as well as to collate and present new KPIs that are indicative of a GI company's performance and comparable with pre-implementation indicators.

GI companies also need to consider the requirements of external regulators, such as the Hong Kong Monetary Authority and the Insurance Authority. Most regulators in the Asia-Pacific region will have varying requirements to address IFRS 17 accounting changes and ensure compliance in support of their broader supervisory needs, many of which will change to rely more than before on financial reporting and the underlying IFRS 17 books and records.

Efficacy of solutions can vary

As is often the case when implementing new complex accounting standards, technology solutions have emerged in the market. Mindful that many of these solutions can have very specific data requirements and may not align to management information needed to run the business, GI companies need to consider a solution's compatibility with their existing systems and broader reporting requirements. An extensive research project conducted by Deloitte found that a DSP upgrade will be one of the top complexity drivers of the IFRS 17 implementation process. Concerns such as reporting functionality, compatibility with existing enterprise resource planning systems, the extent of customization, and reconciliation or testing capabilities should inform the selection of an IFRS 17 solution. A solution without such features may increase the risk of an implementation breakdown and add operational stress to future finance activity post IFRS 17 implementation.

Cost-saving is often a priority when choosing between an external solution and an in-house solution. It is important to identify all related costs, including the degree of assistance to implement a solution, and the ongoing costs post implementation. GI companies should also consider the level of understanding that their accounting, actuarial and IT teams have of the IFRS 17 requirements before considering external solutions. This can equip the selection team with the knowledge to be in the best position to assess whether a solution meets the reporting requirements of the business. A benefit of this approach is that GI companies can better focus on the areas where more support or attention is needed for their IFRS 17 implementation.

Conclusion

The IFRS 17 implementation is a significant challenge but it also presents an opportunity to develop more automated solutions and to deliver efficiencies in the reporting processes, including the opportunity to move towards cloud-based platforms to facilitate and support remote working. Although budget constraints may limit GI companies' appetite for new platforms, this upfront implementation cost can be balanced against future operating efficiencies and the opportunity to improve governance and controls over the reporting process. Irrespective of the platform used, GI companies should consider their requirements for managing DSP ahead of implementation.

When considering the resources required for IFRS 17, GI companies should carefully assess their current resources, capability, capacity, and understand the quality and nature of existing DSP and the implementation complexity of any chosen IFRS 17 solution. Management should also be aware of how IFRS 17 will impact KPIs, financial and management reporting, as such changes may greatly affect the perception of the internal and external performance of the GI company. Lastly, with remote work being today's new normal, GI companies should take advantage of the opportunity for change, and consider implementing systems and platforms that enable virtual collaboration and offer a resilient platform for finance to successfully operate even under operational stress scenarios.

*This article is contributed by **Phil Gough**, Partner, Audit & Assurance, and **Vikash Saraf**, Director, Audit & Assurance, Deloitte China.*

A "simplified" auditing standard?

An overview of the IAASB's exposure draft on the audits of less complex entities

In July 2021, the International Auditing and Assurance Standards Board (IAASB) issued the exposure draft of a "simplified" auditing standard, *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE).*

The International Standards on Auditing (ISAs) are designed to be applied to a wide variety of entities with differing circumstances and sizes and are continually updated to address the evolving business environment and changing reporting landscape. Some stakeholders have therefore questioned whether the ISAs remain relevant and can be applied in a cost-effective manner to all audits. For example, increases in length and details of the ISAs can be a barrier to auditors' reading and understanding of the requirements. The complexity of ISAs may also result in a perceived "checklist-approach" to perform audit engagements, with a greater focus on compliance rather than using professional judgement.

In response to these concerns, the IAASB issued a discussion paper in 2019 exploring possible options to address the challenges of applying ISAs. Following responses to the paper, the IAASB developed two work streams to address the issues and challenges with the broader suite of ISAs:

1. A separate standard for audits of financial statements of LCEs.
2. Address issues related to complexity, understandability, scalability and proportionality (CUSP) in the ISAs more broadly.

Key principles of the proposed standard

The proposed standard is separate from the ISAs. Its standalone nature means that there is no ability to directly reference back to the ISAs. Auditors are not allowed to use ISA requirements for matters or transactions that are not included in the proposed standard.

Requirements in the proposed standard are proportionate to the nature and circumstances that would be typical of audits of LCEs. They are principles-based, and utilize a risk-based approach to an audit to address the need to obtain sufficient appropriate audit evidence to support an audit opinion.

To develop a standard that will achieve reasonable assurance, the IAASB has used the requirements in the ISAs relevant to the nature and circumstances of LCEs. Audit procedures not relevant to LCEs such as those specific to listed entities are not included in the proposed standard. As such, the proposed standard would have the same overall objectives and inherent limitations as an ISA audit, while it is not envisioned that it will necessarily reduce the core procedures an auditor is required to perform under ISAs to support the overall quality of the audit.

The underlying concept of professional scepticism in the proposed standard continues to apply in the same way as any other audit. Some of the changes to enhance the auditor's exercise of professional scepticism that were introduced in ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* and ISA 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement*, for example around corroborative or contradictory audit evidence, have also been incorporated within the proposed standard.

Authority (scope) of the proposed standard

The IAASB describes the eligibility to apply the proposed standard through prohibiting certain classes of entities from using it. Where an entity is not restricted by the limitations as described below, the proposed standard is appropriate to use for an audit engagement:

(a) Specific classes of entities for which the use of the standard is prohibited, such as outright prohibition by law or regulation; the entity is a listed entity; an entity whose main function is to take deposits from the public, provide post-employment benefits etc.; the audit is an audit of group financial statements.

(b) Qualitative characteristics exhibited by an entity which are indicators of, or proxies for, matters or circumstances for which the proposed standard has not been designed. They include:
   - Complex matters or circumstances relating to the nature and extent of the entity's business activities, operations and related transactions and events relevant to the preparation of the financial statements.
   - Topics, themes and matters that increase, or indicate the presence of, complexity, such as those relating to ownership, corporate governance arrangements, policies, procedures or processes established by the entity.

Main areas for comments

The IAASB is inviting comments on the proposed standard, and the Institute has issued an invitation to comments with consultation documents for our stakeholders available via the Standard Setting Department's "Open for comment documents" webpage on the Institute's website. The IAASB's exposure draft contains specific matters for feedback including:

- Do you agree with the standalone nature of the proposed standard? Will there be any possible obstacles that may impair this approach?
- Do you agree with the approach to how the ISA requirements have been incorporated in the proposed standard, and the principles in relation to professional scepticism and professional judgement?
- Do you agree with the proposed limitations relating to the use of the proposed standard? Are there unintended consequences that could arise that the IAASB has not yet considered?
- Whether group audits should be excluded from (or included in) the scope of the proposed standard?

The Institute is interested in hearing your views about the proposed standard. To collect these views, you are invited to participate at the Institute's roundtable on 9 November, or take part in the Institute's survey which highlights the key attributes of the proposed standard followed by yes/no questions. Visit the Institute's website for enrolment details and the survey link.

Visit the IAASB's designated webpage for more information on the proposed standard.

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

TECHNICAL NEWS

The latest standards and technical developments

Members' handbook
Update no. 265 relates to the issuance of Practice Note (PN) 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*. The PN has been revised to provide practical guidance for auditors when reporting on a listed issuer's continuing connected transactions under the Listing Rules issued by the Stock Exchange of Hong Kong.

Financial reporting

Invitation to comment
The Institute is seeking comments on the International Accounting Standards Board (IASB) Request for Information *Post-implementation Review of IFRS 9 – Classification and Measurement* by 3 December. The request for information seeks feedback on applying the classification and measurement requirements of International Financial Reporting Standard (IFRS) 9 *Financial Instruments* and related disclosures. Members are also invited to participate in the Institute's roundtable on 16 November to share their views.

Institute submissions
The Institute has submitted comment letters on:

- IASB Request for Information *Third Agenda Consultation.*
- IASB Exposure Draft ED/2021/8 *Initial Application of IFRS 17 and IFRS 9 – Comparative Information.*

Institute roundtable on IASB Exposure Draft *Subsidiaries without Public Accountability: Disclosures*
The Institute will hold a roundtable on 4 November on the IASB Exposure Draft *Subsidiaries without Public Accountability: Disclosures*, which permits eligible subsidiaries to apply IFRSs with a reduced set of disclosure requirements. Members attending the roundtable will be entitled to up to one CPD hour. Members can also submit comments by 17 December.

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

- 11 November: General insurance – Deep dive application: application examples of measurement models, contractual service margin (CSM) calculation, and expense allocation.
- 12 November: General insurance – Reinsurance, presentation and disclosures, interaction with other standards, highlights of the June 2020 amendments, and practical insights.
- 19 November: Life insurance – Deep dive application: application examples of measurement models, CSM calculation, expense allocation, and highlights of the June 2020 amendments.
- 22 November (half day): Life insurance – Reinsurance, contract boundary, presentation and disclosures, and practical insights.

Annual Accounting Update 2021 "You Gotta Move On"
At this Institute's conference on 13 November, speakers will discuss common application issues of HKFRSs, newly and not yet effective HKFRS, the future of corporate reporting, and emerging issues including accounting for cryptocurrencies and special purpose acquisition companies.

Speech by the IASB Chair
Andreas Barckow, Chair of the IASB, delivered a speech at the World Standard-setters Virtual Conference. He reflected on his first three months in the role, discussed the IASB's agenda in the upcoming years, and shared how the IASB could collaborate more with national standard setters.

IASB September podcast
In an September IASB podcast, IASB Chair and Vice-Chair highlight the projects discussed during the September meeting, including extractive activities, financial instruments with characteristics of equity, dynamic risk management, primary financial statements and goodwill and impairment. They also touch on the recent World Standard-setters Virtual Conference and the IFRS Foundation Trustees' work on the proposed International Sustainability Standards Board.

September IASB update
The *September IASB Update*, highlighting the tentative decisions reached at the IASB monthly meeting, is now available.

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

September IFRS for SMEs Update
The *September 2021 IFRS for SMEs Update* that provides a summary of news, events and other information about the *IFRS for SMEs* standard and related small- and medium-sized entities (SME) activities is now available.

IASB investor perspective article
In an investor perspectives article, Nick Anderson, an IASB board member, discusses the new approach to develop and draft disclosure requirements in IFRS as proposed in the IASB Exposure Draft *Disclosure Requirements in IFRS Standards – A Pilot Approach*. The pilot approach responds to investor demand for better quality information in the notes to financial statements. Members can submit comments to the Institute by 26 November.

Auditing and assurance

Proposed new standard for the audits of LCEs
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 (LCEs)* by 31 December. Members may be interested in the following:

- Taking part in the Institute's survey, which highlights the key attributes of the exposure draft followed by yes/no questions. The survey can be found on the Standard Setting Department's "What's new" webpage.
- Participating in the Institute's roundtable on 9 November to share views on the exposure draft. Members attending the roundtable will be entitled to up to one CPD hour.
- Viewing the IAASB LinkedIn livestreams.
- Using an optional response template.

Institute's webinars on auditing and assurance
Join the following webinars in November to stay updated:

- 16 November: Industry update relating to licensed corporations.
- 18 November: Industry update relating to investment funds.

CPA Canada practitioner's pulse guidance webinars
The following recorded webinars by CPA Canada provide updates to auditing and assurance in different areas:

- New suite of quality management standards.
- Understanding your client – COVID-19 implications for internal controls.

Updated quality management implementation guide
The IAASB released an updated version of the first time implementation guide for International Standard on Quality Management (ISQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* to provide further context and clarification to help stakeholders implement and evaluate its system of quality management.

The IAASB also released the first time implementation guide for ISQM 2 *Engagement Quality Reviews* in June. The suite of quality management standards will come into effect on 15 December 2022.

IAASB's action to address the complexity, understandability, scalability and proportionality of the standards
The IAASB's *Drafting Principles and Guidelines* have been developed to guide how the IAASB's staff draft the standards. The IAASB is currently undertaking outreach with stakeholders to gather feedback on the document.

IAASB eNews
The IAASB September eNews is now available, highlighting various activities going on in and around the IAASB.

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

ICAEW's article on data in audit
An Institute of Chartered Accountants in England and Wales (ICAEW) article discusses how better data processing and management opens up new opportunities for auditors and could even help rebuild trust.

Ethics

Institute submission
The Institute has submitted a comment letter on the International Ethics Standards Board for Accountants (IESBA) Exposure Draft *Proposed Quality Management-related Conforming Amendments to the Code.*

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

IESBA September board meeting
The meeting summary and audio recording of the IESBA's September meeting is now available.

Sustainability

A4S Finance Leaders' Sustainability Barometer
Accounting for Sustainability (A4S), of which the Institute is a member, has launched the A4S Finance Leaders' Sustainability Barometer survey of chief financial officers and chief investment officers to track how attitudes to sustainability are changing. Complete the survey to help identify trends and ongoing gaps in terms of skills and actions.

Webcast on the Technical Readiness Working Group's preparations for a sustainability standard board
The IFRS Foundation has published a webcast explaining the role of the Technical Readiness Working Group (TRWG), which was created by the foundation's Trustees in March to do preparatory work for the proposed International Sustainability Standards Board. The webcast introduces the member bodies of the TRWG and provides a high-level summary of its work programme.

Insolvency

Official Receiver's Office Circular No. 2/2021
The recently issued Official Receiver's Office (ORO) Circular No. 2/2021, advises that to enhance communication with the ORO, and to promote greener practices, private insolvency practitioners and their staff are encouraged to make use of electronic communication in insolvency case matters.

Corporate finance

SFC concludes consultation on anti-money laundering guidelines
The Securities and Futures Commission (SFC) released *Consultation Conclusions on Proposed Amendments to (1) the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) and (2) the Prevention of Money Laundering and Terrorist Financing Guideline issued by the Securities and Futures Commission for Associated Entities*. Please refer to the press release for details.

Taxation

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

- Legislative Council question on Shenzhen-Hong Kong Innovation and Technology Co-operation Zone.
- Government responds to inclusion of Hong Kong in the European Union's (EU) watch list on tax cooperation. See also the EU Council's update on 5 October.
- Government welcomes passage of Securities and Futures (Amendment) Bill 2021 and Limited Partnership Fund and Business Registration Legislation (Amendment) Bill 2021.
- Stamp Duty statistics.

Legislation and other initiatives

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

- Government publishes *Report on Hong Kong's Business Environment: A Place with Unique Advantages and Unlimited Opportunities.*
- Government welcomes launch of Southbound Trading under Bond Connect.
- Government maintains most social distancing measures under Prevention and Control of Disease Ordinance.

AML the essentials
AML the essentials, issue 22, published by the ICAEW, contains new United Kingdom government consultations, guidance on engaging in financial activity in Afghanistan, new suspicious activity reports resources and an inside look at the roles of experienced money laundering reporting officers for reference.

AML notices
The United Nations Sanctions (Democratic Republic of the Congo) Regulation 2019 (Amendment) Regulation 2021 was gazetted on 24 September.

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

PUSHING TOWARDS THE FINISH LINE

After being cancelled last year due to the pandemic, the iconic Standard Chartered Hong Kong Marathon returned this month with around 15,000 runners, including Institute members. Three of them who ran the full marathon talk to Erin Hale about balancing running with work and their journeys to the finish line

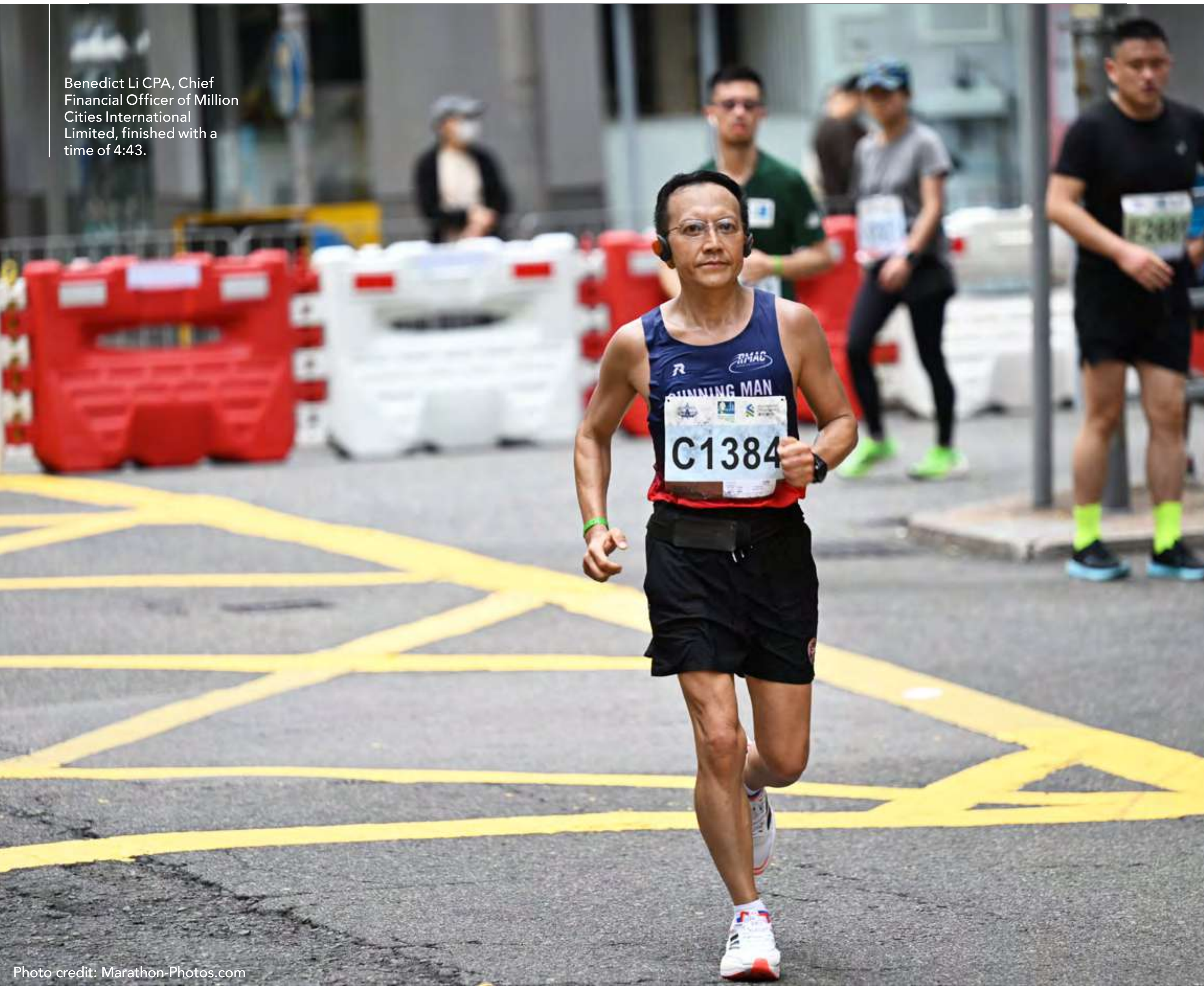
As Bryan Ho FCPA hit the 30-kilometre mark of the Standard Chartered Hong Kong Marathon this month, he knew that he was heading into one of the hardest segments of the race. For most runners, the last 12 km of a marathon can be the hardest to face both physically and psychologically, but marathon participants like Ho face the last leg with a fighting spirit.

For Ho, the challenge was compounded, as it involved running through the Western Harbour Tunnel. "The tunnel is around 1.9 km of uphill road so many people walk this stretch of the race, and it can get backlogged. At the same time, the inside of the tunnel gets very hot after the sun comes up, so it's a very messy and uncomfortable part of the race," says Ho.

The Western Harbour Tunnel is an infamous segment of the marathon, but this year it was even more tasking, Ho says, because organizers merged runners in the 10-km race with the runners of the full marathon at the tunnel this year. Typically, the Standard Chartered-sponsored race draws over 70,000 runners participating in the marathon, half marathon and 10-km race, but due to COVID-19 regulations, the event was limited to around 18,000. The event was also held in October instead of the

Bryan Ho FCPA, Chief Financial Officer of iFund, finished with a time of 3:40.

Photo credit: Marathon-Photos.com



Benedict Li CPA, Chief Financial Officer of Million Cities International Limited, finished with a time of 4:43.

Photo credit: Marathon-Photos.com

much cooler month of February.

Course modifications reflecting the smaller-scale event, however, created unplanned bottlenecks that were frustrating for everyone. "The 10-km runners had to change their route so we were all stuck in the Western Harbour Tunnel together. It was very crowded," adds Ho.

> "When you finish a marathon or ultra-marathon, it's something you can talk about for the rest of your life."

Despite the obstacle, Ho took the race in his stride and finished with a time of 3:40. Ho, the Chief Financial Officer of iFund, a private equity firm, only began running marathons in 2016 and quickly became addicted, noting that he regularly runs marathons as well as ultra-marathons. He was planning to use the marathon as a way of training for the 100-km Oxfam Trailwalker in November before the race was cancelled.

"I think it's very important to always push yourself. As accountants, we are always fielding new challenges, but for many people, facing something new can make them anxious or reluctant to change their ways," Ho says. "I remember when I first enrolled in a marathon, it felt a lot like taking on a new project at work. I knew the one thing I could do was plan, so I prepared for more than three months and set out a training programme that included advice from experts not just on running, but also nutrition, rest and diet," he says.

Ho says every race also teaches him an important lesson, because

no matter how well he prepares, there's always something that goes wrong like forgetting to carry enough energy gels or extra batteries for a headlamp used during a nighttime trail race. Even though running long distance comes with its frustrations and often humbling experiences, says Ho, he finds himself always coming back for more.

"I love running. There are so many things to manage in life, so it's good to have something to be passionate about as well as a sense of balance. When you finish a marathon or ultra-marathon, it's something you can talk about for the rest of your life."

From quarantine to finishing

Benedict Li CPA, Chief Financial Officer of property developer Million Cities International Limited, was also uncertain if he would finish the marathon. He finished the race with a time of 4:43, slower than previous events, but to him, it was an achievement given his hectic schedule in the past two years. Li's work frequently takes him to Mainland China, which makes life busy in ordinary times, but COVID-19 travel restrictions led to multiple stints in quarantine on either side of the border. "Quarantine has made it difficult to find enough training time to prepare for the race. Usually, I prepare for at least two months before the race and gradually increase my distance from 10 km to 13 and then 15 per run and so on, until I get to 30 km over two to three months," Li explains.

This time, Li increased his distance from 20 km to 25 and finally 30 km in only three weeks. Many runners will run around 30 km at least twice before their race, sometimes increasing their mileage up to 32 km before they taper training ahead of race day.

Before COVID-19 travel restrictions set in, Li was a marathon regular and participated in races in Japan, Taiwan, Germany, the United States, and the United Kingdom alongside Hong Kong. "Normally, I run two marathons a year, but of course, I haven't run any recently because of COVID-19. Last year I applied for four marathons overseas and they were all cancelled."

While Li often races alone, he does

"I was a lot more relaxed and even took photos because there were fewer people than in years past. Usually, I'm concentrating so much I don't want to waste a minute on anything – but this time, I just had fun."

not train alone. In addition to his regular weight training at the gym, Li says he joins a running club once a week in Tai Po. The group's activities often take them to the Tai Po Stadium, which he says was a real boon during COVID-19 because mask rules were more relaxed there than outdoors.

It was Li's running friends who, in the end, convinced him to run the marathon this year despite his less-than-ideal training. "I applied online on the very last day before registration closed. I knew I wasn't in shape, and I struggled with whether I should wait until next year, but my running buddies said they were joining and encouraged me to do the same."

They also reminded him about what races are ultimately about – the joy of running. "Every time I run a marathon I usually have a target. Last time it was less than four hours, but this time I knew the situation was different, so I didn't set a target," says Li. "I was a lot more relaxed and even took photos because there were fewer people than in years past. Usually, I'm concentrating so much I don't want to waste a minute on anything – but this time, I just had fun."

Coming full circle

Ian Leung CPA, Chief Operating Officer at investment management and advisory company Sterling Private Management Limited, has run the marathon since it restarted in 1997, and until a few weeks before race day this year, he thought his marathon days might be over. Due to COVID-19 restrictions, the 2020 event was cancelled and until a few weeks before,

15,650 runners took part in the Standard Chartered Hong Kong Marathon on 24 October. The number of participants allowed to take part in the three races – the full marathon, half marathon and 10 km race – was reduced from 74,000 to 18,500 as part of COVID-19 precautions.

Runners Bryan Ho FCPA, Benedict Li CPA and Ian Leung CPA with their families and friends at the Standard Chartered Hong Kong Marathon on 24 October.

it was unclear if this year's event would be held due to safety concerns. Leung, however, took his chance to join the race with a spot secured by the Hong Kong Institute of CPAs – even though he knew it would be a greater mountain to climb than previous years.

"Two months ago, I even couldn't even run 400 metres because I was recovering from a foot injury, but I kept up training and physical therapy so I could do it," says Leung. "I was able to run maybe three times a week. I was quite devoted to training this year because I knew I might not be able to finish it, so I pushed myself really hard."

"Two months ago, I even couldn't even run 400 metres because I was recovering from a foot injury, but I kept up training and physical therapy so I could do it."

Leung says pre-pandemic he would spend at least two to three months training for a marathon, and stick to a weekly routine running and playing tennis to keep fit. Training was particularly hard this year because of record high temperatures in September that made running outdoors – a necessary part of most runners' preparation – a slog.

He also had to balance his training with other responsibilities. "I need to take care of my family before going out for a run, so I usually train in the morning. After sending my daughter to school, I'll run for about an hour," Leung says, adding that he was only able to withstand running 20 to 22 km during his training because of the weather. "I was often running when it was 30 degrees celsius."

Leung, however, has able to draw on his experience from previous marathons. This year, he ran his third-personal best time of 4:25. He says he has learned the course well after watching it evolve from an event with around 6,000 runners into a major international event featuring experienced athletes.

"The first Hong Kong marathon was held near the new airport at Chek Lap Kok. I remember running on the landing area for planes in the cold weather because the airport was still being built," Leung recalls. "It's been an interesting experience watching the race change over the last 10 years. There are now many more sponsors giving out a lot of drinks, energy gels and other support to runners. In the old days, you just had your shoes and a few spots to get water."

Ian Leung CPA, Chief Operating Officer at Sterling Private Management Limited, finished with a time of 4:25.

Photo credit: Marathon-Photos.com

KEVIN LAI CPA

Head of Accounting at Richemont Asia Pacific Limited

Photography by Anthony Tung

As Head of Accounting at Richemont Asia Pacific Limited, Kevin Lai CPA is tasked with overseeing the financial operations of the group's luxury brands and digitalizing the company's accounting and financial processes. He tells *A Plus* why and how CPAs in business should aim to become trusted advisors in their companies and what he enjoys the most about working in the world of luxury

What is your current role and responsibilities? How is it going so far?
As Head of Accounting at Richemont Asia Pacific Limited, I'm in charge of three main areas. Firstly, I'm responsible for monitoring my team and handling the end-to-end financial accounting services of Richemont Group. Our group has 17 brands, and my team supports the finance operations of these brands. This includes external reporting, which involves liaising with our auditors, and internal reporting such as group reporting with our headquarters in Switzerland. Secondly, since our brands hold different initiatives, we provide solution-based accounting to support sustainable business growth. It's more of an advisory role; we provide a "total package" solution where we consolidate accounting, payments and collection arrangements for each brand's business initiatives. Lastly, I'm focused on pitching and driving financial innovation projects, which is a particularly exciting aspect of my job. A lot of new tech has emerged within the last three to five years, and we've started implementing them in our accounting and financial processes. For example, we implemented chatbots and data visualization tools last year. The role has been very challenging but enjoyable so far. I am privileged to have a great team that helps with the day-to-day operations very well, and I have the luxury of working on different innovative projects each day.

What are the most rewarding and challenging aspects of your role, and why?
The most challenging part is implementing change. Most people don't like change – myself included. The launch of new initiatives usually changes people's daily routines, so it's all about knowing how to manage all these changes among finance and non-finance personnel. We always start with discussing "why?" This involves telling people the rationale and benefits behind these changes in order for them to adapt to a new way of working. We make it clear that these changes are deployed for the sake of addressing pain points and creating value, which is key. It's most rewarding when the team finds new solutions to be useful and seeing their routines change as a result. Take the chatbots for example. At the beginning, our colleagues thought they weren't feasible and didn't have many uses. But three months after, both the team and our stakeholders found them to be very helpful and mentioned that they had a really good user experience. We receive many daily enquiries on payment status and whether invoices have been processed, so implementing these chatbots to help with those enquiries has freed up a lot of time and allows us to perform more value-added tasks.

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?
The world is rapidly changing, and the future of accounting will be even more focused on business partnership and digitalization. With this in mind, I look forward to climbing up the ladder to become a senior finance leader who leads innovation and digitalization. I'd also like to focus on developing our people and creating value for business during the transformation journey. Also, since this is my first role in the luxury industry, I've developed a passion for it over the last four years. Before I joined, I didn't know much about the history, heritage and craftsmanship that goes into creating these luxury pieces. The pieces our brands sell also mark key milestones in people's lives, which is very special and meaningful. For example, when young professionals buy a watch, it could be to celebrate a career advancement, and when couples purchase a wedding band, it marks a very special occasion and that ring is often worn for life.

What are the biggest lessons you have learned so far from work experience or managers?
It would be learning the importance of being a trusted problem-solver. In my previous role at Schneider Electric, I was focused on management consulting. By the time management sought our help, it usually meant they didn't have a concrete solution to their problem – and it was always a tough problem. So this taught me the importance of staying updated and understanding the business well. If you just sit back and solely focus on the numbers, you're not going to be able to help people – especially stakeholders – that much. You have to be able to put yourself in people's shoes and understand their difficulties. This requires you to understand the business first. Once you're able to solve their problems, you can build trust with people and they won't hesitate to seek you for help. This then creates more opportunities to create value together.

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 different from other professional courses and exams, as it really focuses on problem-solving. I still remember how helpful the workshops' discussions and case studies were. During case studies, we had to identify the root cause of certain issues and then apply our professional knowledge – be it knowledge in accounting standards, tax or corporate finance – to solve them. This is something that I have to do on a day-to-day basis as a CPA in the commercial field and even back when I was an auditor. How much you "know" won't guarantee that you're a good accountant. What's most important is whether you know how to apply your knowledge within a business environment and create value for your stakeholders. I think the QP has done a great job in training CPAs' mindsets and thinking processes.

SPOTLIGHT ON AFTERNOON TEA

Institute members recommend their favourite places in Hong Kong to have afternoon tea

The Butterfly Room

"For the ultimate afternoon tea experience, I recommend The Butterfly Room at The Rosewood Hong Kong. From savoury starters such as black Angus steak tartare with truffle fries and smoked salmon and salmon roe with cream cheese, to desserts such as mini madeleines, apple tarts and homemade chocolate bon bons, this is the place to indulge. It's one of the most popular spots for afternoon tea, so be sure to book in advance!" says Wong.

- Katy Wong CPA, Tax Manager at RSM Hong Kong

The Butterfly Room

Kowloon Shangri-la Hong Kong

"I recommend having afternoon tea at Kowloon Shangri-la Hong Kong. Their afternoon tea set includes both savoury and sweet options, and their tea selection is impressive too – you can try regular teas such as Earl Grey and chamomile tea or more interesting ones such as Darjeeling and Assam tea. The hotel also regularly partners with brands to offer special afternoon tea sets. When I went last time, I enjoyed their afternoon tea set, which was offered in partnership with beauty brand Sabon," says Wong.

- Janet Wong CPA, Senior Analyst at The Estée Lauder Companies

Kowloon Shangri-la Hong Kong

Ham6Baang6Laang6

"For a more inexpensive afternoon tea experience, be sure to try new eatery Ham6Baang6Laang6 (冚棒呤) located in Jordan. Their coffee selection is great, and I recommend trying their salted caramel crunch cappuccino. Their rice burgers are also quite popular, but my favourite is their toast with black truffle. If you're a fan of art, the café also sells food-themed paintings, stickers, pin badges and postcards," says Law.

- Leanne Law CPA, Accounting Manager at Ednovators

Ham6Baang6Laang6

EYES & EARS

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

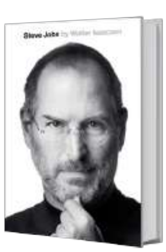
YOASOBI

What I'm listening to

- Dick Tang CPA, Manager at EY-Parthenon's Turnaround and Restructuring team

"I'm currently listening to Japanese band YOASOBI. I've been a J-pop fan for many years, but this band stands out from the others, especially when it comes to their song lyrics. When I listen to their songs, it feels like I'm reading a novel. My favourite song as of late is *Gunjou*, which they once performed live along with a group of high school students for a video. I love listening to this one before going to work – it always re-energizes me!" says Tang.

What I'm reading

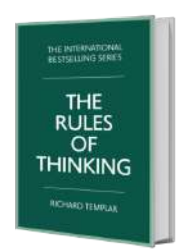


As the world commemorates the 10th anniversary of Steve Jobs' passing this month, I recommend *Steve Jobs: The Exclusive Biography* by Walter Isaacson. I was always inspired by Jobs' vision and passion, which changed the tech industry, marketing and business world. Based on more than 40 interviews with Jobs, Isaacson talks about how he combined his passion for arts and technology and created some of the most innovative products in the tech world.

- Lawrence Li CPA, Senior Product Manager at Klook

I recommend *It's Your Ship: Management Techniques from the Best Damn Ship in the Navy* by Michael Abrashoff. It is a story about how Abrashoff, a former United States Navy captain, motivated his crew so that they could complete the missions, and in the process, improved his own leadership skills. I gained new insights from the book in terms of how to effectively manage my own team at work.

- Andy Luk CPA, Senior International Tax Manager at Alibaba Group



I recommend *The Rules of Thinking* by Richard Templar. The book features some guiding principles that show you how to make wiser decisions, stop procrastinating, know when to compromise, avoid mistakes and find other options. It also discusses some deeper issues regarding how we deal and process our thoughts.

- Brenda Chan CPA, Executive Director at Dongxing Securities (Hong Kong) Co. Ltd.

Accountants' curious career paths

Hong Kong's humorist on the many weird and wonderful roads that accountants can take in life

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*

I got into trouble so often in my early days as a reporter, that I thought of signing Power of Attorney to my three-year-old.

Victims of journalism can't sue toddlers. And unlike my wife, he wouldn't be able to spend all my money, because he couldn't reach shop counters.

(When you defame people for a living, you have to think about this stuff.)

In those days, I thought life as a journalist was far more exciting than the careers of my accountant friends – not realizing that they often end up running firms or doing other genuinely exciting stuff. The reflection was sparked by a spate of reports I had read about where accountants end up. The first was a feature about how Australia's man in charge of saving the country from climate change is Barnaby Joyce, a cowboy hat-wearing former accountant.

On another page, I read about an accountant who had moved from auditing accounts to rescuing turtles from fishermen's nets off the coast of Kenya. On the face of it, that definitely seemed preferable to sitting in an office staring at a spreadsheet, although I suspect he'll have as much trouble getting paid by the turtles as one normally does by human clients.

Over on the job ads page, there was a role that combined traditional accounting with a touch of potential excitement. The Jenner/Kardashian family in the United States had just advertised for an accountant for one of their businesses. Remote workers will be considered, it says, so you don't have to move to California.

Worth recommending to accountant friends in Hong Kong? Hmm... upon reflection, no. Why would anyone want to work for the Kardashians without being an actual physical part of that crazy headline-grabbing family and ending up on TV? No point, otherwise – you get all the pain of auditing their accounts, but no Instagram presence.

Flicking through the media later the same week, yet another story of an accountant with an unusual job popped up. Ryan Blake, a 23-year-old accountant, took a break from his job to take part in a reality TV challenge, it said. TV producers dropped him (and three other people) naked, moneyless and phoneless in the British countryside and challenged them to find their way home. They start off wandering through fields, without a stitch of clothing and with a horrified look in their eyes. Now that's what I would call a way of making a boring desk job look wonderfully attractive.

Of course, you don't have to take your clothes off to get some drama into your days. Accountants who like raw power can go into governance – and many do. This column once featured Adeyeye Enitan Ogunwusi, a 40-year-old accountant, who in 2015 ascended an African throne to become Ooni of Ife, or what the Yoruba people of Nigeria call their monarch.

And Barnaby Joyce, mentioned earlier, is Deputy Prime Minister of Australia, showing that accountants do often go high up the ladder.

But not everywhere. There have been grumbles in the U.S. recently because more than half the people who have been leader of that country have been lawyers. The remaining ones were military men, doctors, academics, a farmer, and of course, two screen celebrities.

Clearly it is an accountant's turn to take the job of U.S. president, arguably the most powerful position in the world. But who would want that thankless task?

I'd rather rescue turtles from fishing nets. Maybe the accountant who had to wander naked through the British countryside may consider it? He's done one of the hardest jobs in the world, he might like to try another.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