



**DRIVING BUSINESS SUCCESS**

Issue 12 Volume 17 December 2021

**PLUS:**  
**SETTING THE RIGHT TONE**  
Awardees of the Best Corporate Governance and ESG Awards on integrating ESG best practices within the company's agenda

**PROFILE**  
Clement Kwok FCPA, Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited

**SECOND OPINIONS**  
What do China's new data security laws mean for companies?

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**“The Institute has the opportunity to show the diversity and resilience of Hong Kong’s accountants over the next year – let’s take it.”**



Dear members,

For my final President’s message, I want to look back on the year. It has been a year of transformation for the Institute. While not all of it was expected, I believe that in challenges there are opportunities.

The most important development over the past year is undoubtedly the further reform of the regulatory regime. After the reform becomes effective, the Financial Reporting Council will be entrusted with regulatory responsibilities currently undertaken by the Institute, including granting and renewing practising certificates, practice reviews and disciplinary actions. The Institute is now preparing for the transfer, and will continue to advocate for the best outcome for Hong Kong and our members.

Last year when we were elected, the leadership team of myself and my two Vice-Presidents set out a list of 10 priorities for developing the Institute. We have completed many of them and made good progress on the outstanding ones.

We held public consultations on the proposed framework for the one member one vote election of the president and vice-presidents. We reviewed our membership admission process to ensure that it remains fit for purpose, and made necessary revisions to the application procedures.

We set up new committees to investigate issues of importance to members around legal and compliance matters, long working hours, and digitalization. All these committees have worked hard over the year in their respective areas, and have made good contributions to our profession’s continuing prosperity.

We worked on enhancing the branding of our profession, including through videos,

social media channels and approaches, and revamped webpages. Members of the public are better able to see the wide array of possibilities available to CPAs in the age of Accounting Plus, and the important role that our members play across our community.

We have now introduced all three levels of the new Qualification Programme. The Capstone level, held for the first time this December examination session, received good feedback from its students. We can soon look forward to welcoming new members to our Institute who are graduates of this new QP.

We enhanced our training and development. We’ve arranged more online training, and made almost 1,000 e-learning programmes available. We developed a new training curriculum covering accounting, technical and ethics matters, introduced new bite-size learning videos, developed new specialist training in business valuation and forensic accounting, and offered more programmes in conjunction with other organizations. We held the CPA Conference 2021, the Institute’s first conference for both CPAs in business and practice. With the theme of “Transcending together” the conference provided a platform for speakers to share and inspire Institute members on the latest trends and developments.

As a globally recognized and responsible body, we joined together with 13 other accounting bodies, all members of The Prince of Wales’s Accounting for Sustainability Project Accounting Bodies Network, in publicly committing to achieve net-zero greenhouse gas emissions. The plan will be developed over the next 12 months.

Outside of these 10 priorities, we also organized the CPA Virtual Run 2021 to

encourage our members to lace up their running shoes and stay motivated and active during the COVID-19 restrictions. We also continued to teach the next generation of Hong Kong money management skills and financial literacy through online Rich Kid, Poor Kid sessions, and videos on financial management.

This month, we held the Best Corporate Governance and ESG Awards. The awards were renamed and refocused this year, in order to reflect the increasing importance of environmental, social and governance (ESG) reporting and practices. You can read more about the awards and what their recognition means to some of the awardees in the article on page 20.

Serving the profession as our President has been one of the highlights of my career, and certainly the 23 years of my involvement serving the Institute. I thank my Vice-Presidents, Council members and Institute management for their support, and wish Loretta Fong all the best for her presidency.

I hope the new leadership team will continue in our mission to inspire and support our members to look forward and to prepare for opportunities and to develop the skills needed for success in the age of “Accounting Plus.” The Institute must continue to advocate and remain recognized and valued – both in Hong Kong and internationally – as a professional body acting in the public interest.

The Institute has the opportunity to show the diversity and resilience of Hong Kong’s accountants over the next year – let’s take it and realize the theme and slogan of our annual dinner and annual report this year, “Together for the Profession.”

**Raymond Cheng** FCPA (practising)  
President



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## DRIVING BUSINESS SUCCESS

### About our name

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



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# NEWS

Institute news

Business news

## Institute elects new President and Council



From left: Institute Chief Executive & Registrar, Margaret W.S. Chan; Vice-President Au Chun Hing, Edward; President Fong Wan Huen, Loretta; and Vice-President Roy Leung.

Fong Wan Huen, Loretta CPA (practising) was elected the Institute's President for 2022, following the 49th annual general meeting (AGM), and Roy Leung FCPA (practising) and Au Chun Hing, Edward FCPA (practising) as Vice-Presidents.

Fong, Entrepreneurial Group Leader, Assurance, PwC Hong Kong, has served on the Council since 2017. Vice-President Leung has served on the Council since 2018, while Vice-President Au served from 2019 to 2020 before returning this year.

Fong is also the Chairman of the Institute's Auditing and Assurance Standards Committee and the Professional Development Committee, and has also been involved in the Executive Committee and Greater Bay Area Committee in recent years.

At the Council election, the following seven members were elected to serve for a term of two years: Au Chun Hing, Edward; Stephen Law; Lee Shun Yi, Jasmine; Roy Leung; Liu Kwok Tai, Teddy; Tse Hoi Fat, Calvin; and Andrew Yung.

The existing elected members who will hold office for one more year until their two-year term ends are Alan Au;

and Wong Kam Pui, Wilfred, as lay members of the Council for a term of two years from 1 December 2021 to 30 November 2023. The two government-appointed lay members, Agnes Choi Heung Kwan and Theresa Ng Choi Yuk, will fulfil the second year of their terms. The Immediate Past President Raymond Cheng will hold office as a member of the Council until the conclusion of the 50th AGM.

### Winners of revamped awards announced

The presentation luncheon for the Institute's revamped Best Corporate Governance and ESG Awards was held on 6 December, with Kelvin Wong, Chairman of the Financial Reporting Council, as the guest of honour and over 190 participants from some of Hong Kong's leading listed companies and public sector organizations. "We were pleased to see more interest than ever in the revamped awards this year, with high numbers of annual and environmental, social and governance (ESG) reports reviewed and more companies making it onto the short list, particularly in the ESG section of the awards," said Raymond Cheng, Institute President and Chairman of the Judging Panel.

Alan Chan; Raymond Cheng; Larry Cheng; Fong Wan Huen, Loretta; Lam Chi Yuen, Nelson; and Wong Wing Hei, Ernest.

The Hong Kong government has also re-appointed Au King Lun,

The Institute congratulates all the award winners, particularly the 10 awardees of the inaugural Most Sustainable Companies/Organizations Awards, which reflect a growing awareness around the world of the importance of integrating corporate governance and ESG policies and practices. The new, top category of awards, recognize listed companies and public sector organizations that have performed to an equally high standard in both corporate governance and ESG, and that are taking steps to integrate these two key aspects of their performance.

The full results and Judges' Report are available on the Institute's website. Read more about the winners of the awards on page 20.

### ESG Assurance in Hong Kong: A snapshot of the situation

To understand the current situation with ESG assurance Hong Kong, the Institute conducted brief research covering all the December year-end listed companies for 2020. The report reflects a snapshot of where Hong Kong listed companies stand at the present time with regard to ESG assurance. You can find the report in the "Thought leadership" section of the Institute's website.

### Annual report 2021 out now

The Institute's 2021 annual report is available now. Themed "Together for the Profession," the report celebrates some of the members who devote their time to supporting the profession and Hong Kong.

### Election results of the 2021 LegCo Election

Wong Chun Sek, Edmund has been elected to serve as a member of the Legislative Council (LegCo) for the accountancy functional constituency. His term of office will commence 1 January 2022. More details including the number of votes received by each candidate and the turnout rate are available from the official website of the 2021 LegCo Election.

## Disciplinary finding

**Hui Mei Sum, Virginia Ann CPA (practising)**

**Complaint:** Failure or neglect to observe, maintain or otherwise apply the 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*, Hong Kong Standard on Auditing (HKSA) 230 *Audit Documentation*, HKSA 500 *Audit Evidence*, HKSA 700 *Forming an Opinion and Reporting on Financial Statements*, HKSA 705 *Modifications to the Opinion in the Independent Auditor's Report*, the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants, and being guilty of professional misconduct.

Hui is the sole director of V A Hui & Co Limited. An initial practice review conducted on the practice revealed a number of significant deficiencies in its quality control system. In addition, significant deficiencies were found in three of the practice's audit engagements, in which inadequate audit procedures were performed on the sponsorship income of a non-profit entity, construction contracts of an engineering company, and sales and administration expenses in the consolidated financial statements of a group. In the aforementioned group audit, Hui also failed to determine whether the extent of a limitation of audit scope would require her to disclaim the audit opinion or withdraw from the engagement. Furthermore, multiple submissions of inaccurate client lists of the practice were made during the practice review, demonstrating Hui's negligence in supervising her staff and managing the practice's engagements.

**Decisions and reasons:** The Disciplinary Committee reprimanded Hui and ordered the cancellation of her practising certificate, with no issuance of a practising certificate to her for six months with effect from 2 December 2021. In addition, Hui was ordered to pay costs of the disciplinary proceedings of HK\$141,811. When making its decision, the committee took into consideration the circumstances of the case, including remedial and preventive measures taken by Hui subsequently.

## Settlement

**Edmund Siu CPA (practising)**

The Hong Kong Institute of CPAs has settled regulatory proceedings concerning alleged non-compliance with its professional standards involving Edmund Siu CPA (practising).

The complaint concerns audit deficiencies identified in the 2019 practice review conducted on Elite Partners CPA Limited. The Practice Review Committee of the Institute raised a complaint pertaining to the audit of the

consolidated financial statements of a Hong Kong listed entity and its subsidiaries for the year ended 31 December 2018, on which Elite issued an unmodified opinion. The entity was principally engaged in investing in listed and unlisted companies. Siu was the engagement director of the audit. There is no evidence to suggest that the audit deficiencies below resulted in the wrong audit opinion being issued by Elite.

The entity's 2018 financial statements included a material amount of equity investments recorded at fair value through profit or loss. This amount comprised the entity's investments in three unlisted companies. The practice reviewer found that in performing the audit, Siu failed to:

- properly test or evaluate the reasonableness of assumptions and estimates made by management in the fair value estimation of the entity's investments in the three companies;
- obtain sufficient appropriate audit evidence for the investments in the three companies, including adequate evaluation of the work done by the valuer in relation to one of them;
- prepare adequate audit documentation in respect of the investment in one of the companies; and
- identify that the entity did not make adequate disclosures with respect to the equity investments as reported in the financial statements in accordance with the relevant requirements.

As a result of the above, Siu failed or neglected to observe, maintain or otherwise apply the following professional standards:

- HKSA 230 *Audit Documentation*;
- HKSA 500 *Audit Evidence*;
- HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; and
- the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants.

**Settlement agreement:** The Council of the Institute has agreed with Siu that:

1. Siu acknowledges the facts of the case and areas of non-compliance with professional standards;
2. Siu be reprimanded; and
3. Siu pay a financial penalty of HK\$120,000 and costs of HK\$155,000.

Before determining that a settlement was appropriate, the Institute considered past disciplinary and regulatory actions taken against Siu, and reviewed past, similar cases pertaining to other respondents. The Institute concluded a settlement on the agreed basis would be the probable outcome of disciplinary proceedings and would be in the public interest.

Details of the disciplinary finding and settlement are available on the Institute's website.

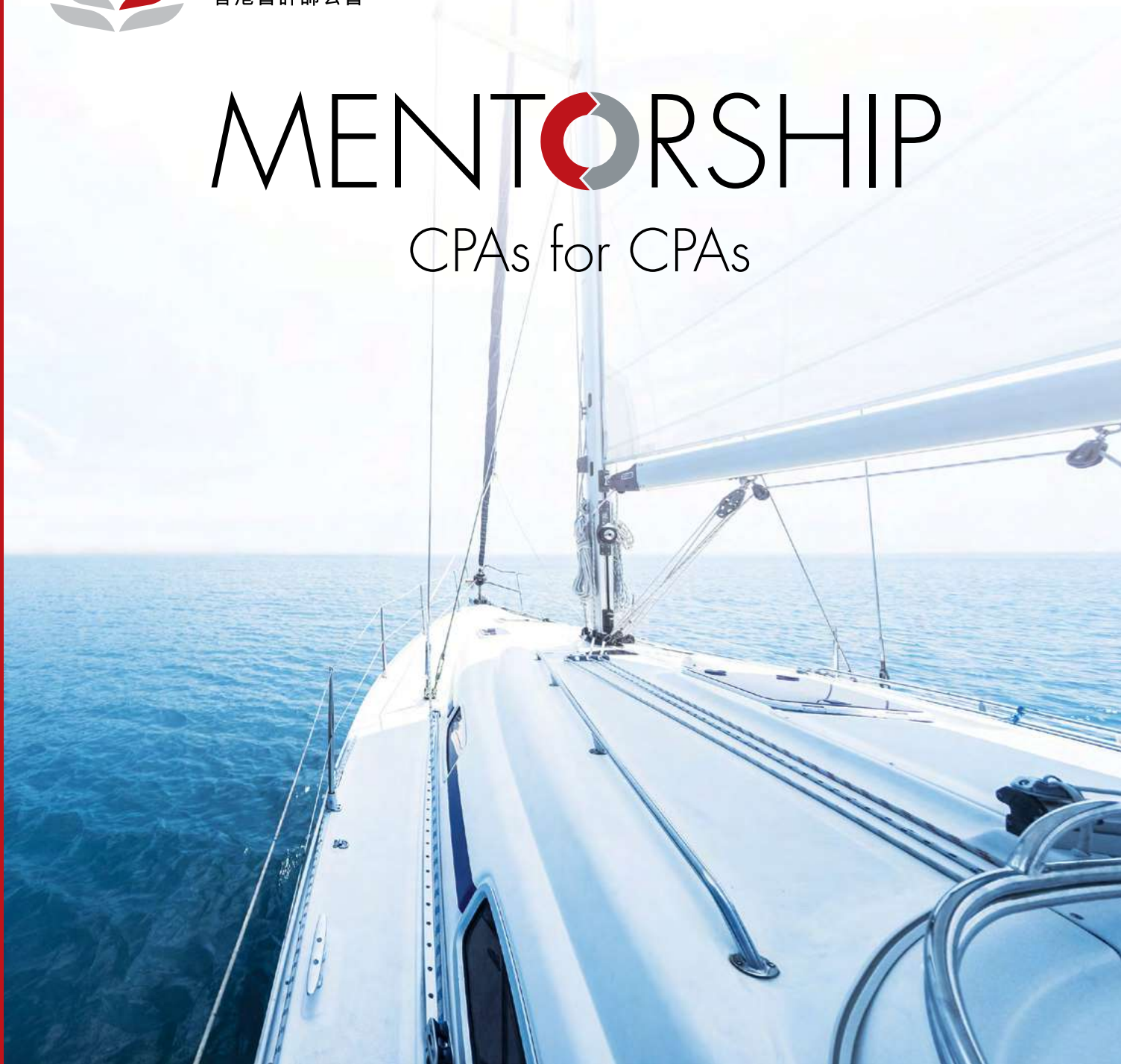




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# MENTORSHIP

## CPAs for CPAs



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# US\$32.13 BILLION

KPMG International's revenue for the fiscal year ending 30 September 2021. The figure, an increase of 10 percent compared with the previous year, saw the firm's advisory function grow by 17 percent, achieving US\$13.65 billion globally.

# US\$8.78 BILLION

The amount China Mobile is set to raise from its initial public offering (IPO) in Shanghai this year. The IPO would be the second-largest offering globally this year after American electric vehicle automaker Rivian Automotive raised US\$13.7 billion on the Nasdaq last month. It will see the world largest mobile network operator, which was delisted from the New York Stock Exchange last year, sell between 845.7 million and 972.6 million shares.

## *Non-current Liabilities with Covenants*

Title of an International Accounting Standards Board exposure draft. The Institute is seeking comments on it by 11 February 2022. More details on *Technical News* on page 36.



Hong Kong's unemployment rate sank to 4.1 percent in the rolling three month period between September and November, down from 4.5 percent for July to September, as the job market continued to recover from the impact of the COVID-19 pandemic.

# 1,529

Number of merger and acquisition deals involving Hong Kong companies this year. The number, a four-year high, is worth a combined US\$182.79 billion, and is largely the result of start-ups merging with special purpose acquisition companies.

# 4,450

The number of unique users registered in the last 30 days by The Sandbox, a blockchain-based decentralized metaverse, according to data from DappRadar. PwC Hong Kong announced that it acquired virtual land in The Sandbox. While the cost of its land asset was undisclosed, it was reported that the firm intends to build a Web 3.0 advisory hub to facilitate a new generation of professional services, including accounting and taxation.

## **“One of the reasons I was excited about joining this initiative is we will significantly reduce the greenwashing noise.”**

– Emmanuel Faber, newly appointed Chair of the International Sustainability Standards Board (ISSB). Faber is the former head of Danone, a multinational food products corporation, and was appointed on 16 December for an initial three-year term to lead the ISSB in developing high-quality sustainability disclosure standards.

## The net-zero guide

Hong Kong Exchanges and Clearing Limited published a net-zero guide this month for Hong Kong-listed issuers, and any other corporations looking for guidance and insight, on charting their net-zero carbon journey. More details on *Technical News* on page 37.

# 15%

The global minimum tax rate multinational enterprises will be subject to from 2023. The Organization for Economic Cooperation and Development published Pillar Two model rules on 20 December to define the scope and set out the mechanism for the Global Anti-Base Erosion rules, which will introduce the global minimum corporate tax rate.

# THE QUALITY JOURNEY

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Implementing the new Quality Management Standards, coming into effect at the end of next year, is expected to be challenging for small and medium practices. **Nicky Burridge** finds out what they can do now to start preparing and how this is more than a one-time compliance project for all firms

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Illustrations by Gianfranco Bonadies

**A**fter a string of accounting scandals in recent years, the International Auditing and Assurance Standards Board (IAASB) has created a new set of quality management standards for the audit profession. The standards aim to strengthen and modernize audit firms' approaches to quality management in response to the increasingly complex audit ecosystem.

The IAASB not only wants to ensure audits are being performed to the highest standard, but it also wants there to be global consistency, particularly for large multinational networks of member firms that undertake thousands of audit engagements each year. In addition, it wants to make sure firms are focusing on the quality of their audits over financial and operational priorities, such as market share or how much business a partner brings to the firm.

But while the new rules may seem more targeted to large audit practices and multinational accounting networks, they also apply to small and medium practices (SMPs).

## A new approach

The Institute issued Hong Kong Standard on Quality Management (HKSQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and HKSQM 2 *Engagement Quality Reviews* in April this year. Both standards take effect from 15 December 2022, replacing the extant Hong Kong Standard on Quality Control (HKSQC) 1, and sees the revision of Hong Kong Standard on Auditing (HKSA) 220 *Quality Control for an Audit of Financial Statements*.

One of the biggest changes under HKSQM 1, as the standard's name suggests, is a shift from quality "control" to quality "management," according to Charbon Lo CPA (practising), Partner (Audit and Assurance), at Crowe (HK) CPA Limited. "Management includes planning, organizing, controlling, commanding and coordinating," he says.

The new standard requires practices to put in place a robust quality management system that is tailored to the nature and circumstances of their own firm and the engagements it conducts.

Chris Joy FCPA, Executive Director, Standards and Regulation, at the Hong Kong Institute of CPAs, explains: "The revised quality management standards change how firms manage quality to enable a proactive, risk-based approach and higher quality engagements." He adds that they are also not limited to practices conducting audits. "If practice units provide professional services such as audits or reviews of financial statements, or other assurance engagements or related services engagements, like agreed-upon procedures (AUP), or compilation engagements, they are required to design and implement their system of quality management by 15 December 2022."









Lo points out that compared with HKSC 1, which had six elements, HKSCM 1 has eight interrelated components covering a firm's risk assessment process, governance and leadership, relevant ethical requirements, acceptance and continuance, engagement performance, resources, information and communication, and monitoring and remediation process. "The approach of the new standard is integrated, more proactive and tailored. The new standard requires firms to design their own policies and procedures tailored for the firms' structure, operations, and

the services they provide," he says.

But he adds that not all of the quality objectives stipulated under HKSCM 1 will be applicable to every SMP. For example, quality objectives relating to the direction and supervision of staff will not be applicable to a sole proprietor.

Meanwhile, while many elements of HKSCM 2 come from HKSC 1 and HKSA 220, the standard also includes new eligibility guidelines for the engagement quality reviewer (EQR), including a two-year cooling-off period before an engagement partner can be an EQR. "In addition, for audits of

financial statements, it requires the EQR to evaluate the basis for the engagement partner's determination that the relevant ethical requirements relating to independence have been fulfilled, and for all engagements, to evaluate whether appropriate consultation has taken place on difficult or contentious matters involving differences of opinion and the conclusions arising from those consultations," Lo says.

He adds that the EQR also has to discuss with the engagement partner significant matters and judgements made in planning, performing and reporting on the engagement.

## Getting started

Joy suggests the first thing SMPs should do in terms of implementing the new standards is to read them carefully to ensure they are thoroughly familiar with their content. “If practitioners have not already gained an understanding of the standards, they are strongly encouraged to read and understand them. Members should start to consider how the new requirements affect their practices and what needs to be revised,” he says.

The next step is for firms to design their own risk assessment process which takes into account their structure, operations and business lines to establish their quality objectives. Once firms have done this, they should identify the quality risks they face and design a response. “The new approach to quality is risk-based. The quality objectives set by the firm are outcome-based, as the firm determines how to achieve the quality objectives. Quality risks identified through the risk assessment process are tailored to the firm, given that the firm focuses on understanding conditions, events, circumstances, actions, or inactions, that relate specifically to the nature and circumstances of the firm and the engagements it performs,” Joy says.

He points out that the standard sets out very limited specified responses, although he adds that there are examples in the application material that demonstrate how to apply aspects of the standard to less complex and more complex firms.

Len Jui, Deputy Chair of the IAASB and Head of Public Policy and Regulatory Affairs at KPMG China, suggests a

good place for firms to start is to look at their existing system of quality control, and match it to the objectives of HKSQM 1 to identify what is new. Lo adds: “Policies or procedures under the existing quality control manual that are only partially meeting the HKSQM 1 requirements should be enhanced in order to meet the new requirements. Firms should then add requirements that are not in their existing quality control manual in order to comply.”

Michelle Chu CPA (practising), Assurance Director, Moore Hong Kong, suggests firms should set up a task force to design and implement the new quality management system. “The task force should involve members from different departments. Mapping between your firm’s existing quality control manual and the new requirements under the HKSQMs,” she says.

Leadership also has a key role to play, particularly in SMPs. Lo explains that the new standard regards the firm as a whole, and while it may have different business lines with different management, the project must be driven from the top.

Jui points out that leaders at SMPs also tend to be more hands-on due to their simpler management structure. “It is likely the leaderships of the SMPs will be directly involved in all aspects of implementation of system of quality management at each component level,” he says.

## Assessing risk

A key part of implementing HKSQM 1 involves identifying risks and putting in place a response to mitigate them. “The risks are factors, both internal

**“It is likely the leaderships of the SMPs will be directly involved in all aspects of implementation of system of quality management at each component level.”**

and external, that may prevent firms from meeting the quality objectives,” Lo explains. He gives the example of a firm auditing a client in the mining industry having to make sure it has enough experienced partners or staff to perform the engagement. Having identified this risk, the response might be to hire more experienced staff or engage external parties.

Chu adds that firms should also be aware that the definition of a quality risk under HKSQM 1 is a risk that has a reasonable possibility of occurring and which, either individually or in combination with other risks, could adversely affect the achievement of one or more quality objectives. “In the risk assessment process, a firm should think about its nature and characteristics and how they may prevent the firm from achieving the established quality objectives. These include conditions, events, circumstances, actions and engagements, which are critical to the firm,” she says.

Chu adds that it is important for SMPs to think about the size of their firm, its structure and its number of locations, as well as whether processes are centralized or decentralized, and whether service delivery centres or other external resources are used, when identifying risks.



*HKSQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and HKSQM 2 Engagement Quality Reviews take effect from 15 December 2022. The standards encourage firms to adopt a robust and proactive approach to quality management. Read more about the standards in the March 2021 issue of A Plus.*

**“Some practitioners may consider it as one-time compliance project, which contradicts the spirit of the HKSQM 1 and the regulatory expectations.”**

### Potential challenges

Lo thinks one of the main pitfalls SMPs may run into when setting up their quality management systems is failing to establish the quality objectives their system needs to achieve at the outset. They must also ensure the quality risks they identify relate to these objectives.

“Another pitfall is that the responses designed do not reduce the likelihood of a related quality risk occurring to an acceptably low level because the responses are not properly designed, implemented or operated efficiently,” he says. Lo adds that to overcome these potential challenges, firms should test their new policies and procedures before the new standards come into force.

Jui agrees: “The key challenge for the SMPs will be identifying quality objectives at the front end of the implementation. This is something we have heard from SMPs in other regions of the world, and it is expected to be the same challenge in the Hong Kong and Mainland markets.”

Lo warns that having sufficient resources could be an issue for SMPs, due to the upfront investment in training or hiring that may be required to conduct the risk assessment at the start of the implementation process, as well as to perform ongoing monitoring and remediation procedures once the system is in place. “Competency and capability is the one area that firms large and small are struggling with. It is important for the firm’s leadership to have a plan to address this challenge

rather than just reassign staff from elsewhere in the firm to take on the system of quality management implementation,” Jui says.

“Another challenge I often hear about for SMPs is in monitoring, and having the appropriate objectivity to perform monitoring activities, which also comes back to human resources.”

He adds that initial feedback on HKSQM 2 suggest SMPs may also face more challenges than larger firms in identifying qualified EQRs. As a result, Jui says it is important for SMPs to think about who will be assigned to these roles and responsibilities, and how firms will build up their competence and capabilities.

Chu points out that while there are service providers in the market who can help firms design policies and procedures that comply with the new standards, they are unlikely to understand the firm as well as the leadership team, who will ultimately be responsible and accountable for the framework. “They may provide insights and you can adopt some of their suggestions, but you still have to establish your own quality objectives, identify the risks and design the response in accordance with your firm’s own structure, business line and the environment it faces,” she says.

Chu also reminds SMPs that preparing for the new standards is not a one-off exercise, as HKSQM 1 must be re-evaluated at least once a year, and more frequently if the firm’s operations or the business environment changes. She gives

the example of COVID-19 travel restrictions, which have meant Hong Kong firms auditing Mainland entities have not been able to go onsite. “If there are similar cases in the future, the policies and procedures will have to be updated. The process is very dynamic,” she says.

Jui agrees: “I would like to stress that quality management system implementation is a continuous improvement process and requirement. Some practitioners may consider it as one-time compliance project, which contradicts the spirit of the HKSQM 1 and the regulatory expectations.”

### No time to lose

SMPs are urged to start preparing for the new standards as soon as possible. Lo says: “This project is a big one. The bigger the firm, the more involvement is required to prepare for the new quality management system. Firms have to start preparing and planning now.”

He suggests firms should consider taking a phased approach to implementing the new requirements, trialling some of the additional requirements during the first quarter of 2022 and adding additional ones during the second quarter, before refining policies and procedures based on the trial results in the third quarter.

Chu adds that as the implementation of the new quality management system will likely add to the workload of staff, they may require additional support, while SMPs may also need to invest in





technology and other resources to help them develop the system.

The Institute has set up a resources webpage to help firms prepare for the new standards. It includes two guides, the IAASB ISQM 1 *First-Time Implementation Guide* and the IAASB ISQM 2

**“This project is a big one. The bigger the firm, the more involvement is required to prepare for the new quality management system.”**

*First-Time Implementation Guide*, which detail the basic requirements of the new standards, and include examples from business situations that firms can reference to help them develop their own quality management systems. There is also guidance from the Institute’s Auditing and Assurance Standards Committee.

The IAASB has also issued factsheets on the standards and introductory videos providing overviews of each standard, which are available in English, French, Mandarin and Spanish. In addition, it has created a four-part webinar series

taking a deep dive into ISQM 1.

Meanwhile, the Institute is currently working on a revised version of its Quality Management Manual to assist members in designing and implementing their own quality management system.

Joy adds that to help SMPs understand HKSQM 1, the Institute is also arranging a series of webinars in Cantonese during the first half of 2022. “The Institute, through its various events and publications, has been alerting members to start the implementation process as early as possible.”



**PROFILE**

Clement Kwok FCPA





# ROOM TO GROW

Growing a luxury hotel group during a pandemic is not impossible, says Clement Kwok FCPA, Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited. He tells **Jeremy Chan** how he has navigated the company through the ongoing COVID-19 crisis, and how he built a culture of fairness and transparency within the group, which led to a loyal team dedicated to seeing it through any challenge

Photography by Calvin Sit

**C**lement Kwok FCPA is used to handling crises. Since joining The Hongkong and Shanghai Hotels, Limited in 2002 as Managing Director and Chief Executive Officer, he has steered the hotel group through numerous challenges. Events such as the severe acute respiratory syndrome outbreak in 2003, the Global Financial Crisis from 2007 to 2009, the Tōhoku earthquake and tsunami in Japan in 2011, and the 2019 Hong Kong protests, he says, always come with a domino effect, and with it, fewer travellers and a drop in hotel bookings. “We’re in a business that’s very susceptible to shocks in the world,” says Kwok. “I always say: ‘when the world sneezes, we’re the ones who catch the flu.’”

But these experiences have given Kwok the business acumen, foresight and confidence to lay the necessary financial and operational groundwork to ensure the business is able to

withstand any potential shocks. Over the last two years, he’s been leading the hotel group through its biggest challenge to date – the COVID-19 pandemic.

Indeed, the pandemic continues to pose challenges for global tourism. According to the *United Nations World Tourism Organization World Tourism Barometer* published last month, the pandemic is expected to cost the global tourism industry close to US\$2 trillion in lost revenue this year. The figure, which is roughly the same amount lost in 2020, makes the tourism sector one of the hardest hit sectors by the pandemic. The report warned that uneven vaccination rates around the world, along with the emergence of the Omicron COVID-19 variant discovered last month, will add complexities to the industry’s recovery.

The global travel decline has led to severe losses in Hong Kong’s tourism industry, which has long been a strategic pillar industry in



## PROFILE

Clement Kwok FCPA

Since becoming Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited in 2002, Clement Kwok FCPA has led the construction and developments of five of the group's hotels.



the city, given its significant contribution to the local economy. This is according to *Analysing Hong Kong's inbound tourism: The impact of the COVID-19 pandemic*, a paper released last month by the International Association of Traffic and Safety Sciences. The city had broad international appeal before the pandemic and social unrest, the study notes, attracting 65.1 million tourists in 2018. It also reported that the tourism industry accounted for 5 percent of Hong Kong's gross domestic product in 2018 and employed a quarter of a million people that year. Given the reliance on tourism, the paper says, the coronavirus pandemic has led to major impacts on Hong Kong's economy, especially in related sectors such as retailing, catering, and hotel services.

Despite the impact, Kwok says that long-term planning, and developing a business built on always putting customers, employees and service first, has helped the hotel group to weather the storm. "We are owners and

operators of very high quality assets," explains Kwok, referring to their diverse portfolio of luxury hotels, commercial properties, clubs and services across Asia, Europe and North America. "This means that we are looking into the long term. You can't invest in projects like these with a short-term horizon, so we make investments where we are assessing a return over 20, 30 or even 50 years. You need to have the staying power, the willpower and the ability to maintain all of this."

The Hongkong and Shanghai Hotels, Limited was incorporated in 1866. It is the owner and operator of some of the world's finest luxury hotels under The Peninsula brand, with The Peninsula Hong Kong, built in 1928, as its flagship and others in Manila, New York, Beijing, Beverly Hills, Bangkok, Chicago, Tokyo, Shanghai and Paris. The company, one of the first companies to be listed on the Hong Kong Stock Exchange, also owns tourism assets including The Peak Tram and The Peak Tower, and real estate such as The Repulse Bay

Complex and St. John's Building in Hong Kong. Outside of Hong Kong, the group owns real estate such as The Landmark in Ho Chi Minh City, 21 avenue Kléber in Paris, and Quail Lodge & Golf Club in California.

As CEO, Kwok makes key decisions related to the group's operations and developments within its Group Management Board, which he chairs. "These decisions cover everything in the company, from financial, marketing and legal matters, to project developments," he elaborates. The Group Management Board is composed of himself, the chief operating officer for their hotels, the group director for their non-hotel properties, the chief financial officer, the head of legal, two group general managers, the head office support function for operations, the group head of human resources and the group head of tech. "I see myself as a conductor of an orchestra. Of course, you have people with different specialties – some people play the violin, some play the double bass – but they

all have to be conducted or led by somebody. That's the role I play."

Kwok has led the development of five of the group's hotels over the past two decades. He founded, negotiated and led the construction of hotels including The Peninsula Tokyo, The Peninsula Shanghai, The Peninsula Paris, and is currently working on hotels in London and Istanbul. "Five hotels may not seem like a lot in almost 20 years, but it is when you take into consideration our attention to detail and the level to which we are designing these hotels. We are essentially creating each one to potentially be among the best hotels in the world. We're not just slapping on our name on the door of somebody else's hotel – these are completely built and financed by us."

### Growing amid uncertainty

With properties spread across three continents, Kwok says the pandemic has affected each and every location, with its hotels in Paris, Tokyo, Bangkok, Manila and Hong Kong continuing to bear the brunt. Though many cities have loosened restrictions or begun to allow fully vaccinated travellers from overseas, Hong Kong's ever-changing travel restrictions and strict quarantine measures, coupled with the uncertainty surrounding the coronavirus itself, continue to pose challenges for the group.

"If you look at Hong Kong's tourist arrival numbers, they're essentially non-existent. You basically have to be a Hong Kong resident to even enter the city," he explains. "No one's going to do a three-week quarantine to go on holiday. Business people might enter, but only if it's absolutely essential. So our Hong Kong business is among the most affected because of the city's measures." The group's business has, however, shown recovery this year amid increased domestic travel in Mainland China and in the United States. "Our hotels in the U.S. are doing well, because there are few restrictions in place," adds Kwok. "But then, we see higher COVID-19

cases over there. So there's no right or wrong at this point."

Despite the ongoing challenges, The Peninsula Hong Kong saw 8 percent growth in revenue compared to same period last year, according to the group's interim results for the six months ended 30 June 2021. Kwok attributes to this its hardworking staff, proper financial planning and its brand name. "Firstly, with our history and reputation, most Hongkongers know The Peninsula or have some sort of attachment to it. The idea of having a staycation at our hotel is still appealing to many people," notes Kwok, adding that their food and beverage business has been strong because of its eight restaurants, and its retail shops, which continue to attract customers.

Kwok says their hotel's staff members' combined efforts, perseverance and loyalty to the hotel, in spite of the current business environment, has played a big part in their stability. "Our resilience really comes from our staff, who have continued working very hard to offer service to the highest of levels for the staycation business," he says. "We as employers make a conscious effort to treat them well, so it is their sense of belonging and trust in The Peninsula that has made them want to stay."

Indeed, Kwok considers improving upon the values, practices and culture within the company to be one of his biggest achievements. "We always try to be as fair and as transparent as possible in the way our people make decisions and the way in which we do things. I feel that this fairness and transparency has pervaded through the organization," he explains. So when it comes to addressing employee-related issues, Kwok says the hotel ensures staff members are carefully heard and have a voice. "Fairness is making sure that when it comes to solving an issue or making a decision, that you obtain as much information as you can and hear both sides of the story. Often, if there are two sides that don't agree, we put them together at the same table and give them both a fair hearing,"

**"We make investments where we are assessing a return over 20, 30 or even 50 years. You need to have the staying power, the willpower and the ability to maintain all of this."**

he says. "People must see that you're a fair person yourself; that you're able to make fair judgements that are free of bias. This is important when running a company or in running anything."

The right financial planning, Kwok adds, has helped the group throughout the pandemic. "We'd been saving our resources for future growth," he says. "We had a lot of capital on our balance sheet and many of our investors were asking for extra dividends or to return some capital to them. But we chose to keep that capital for use in the company. This turned out to be the right move."

Despite the preparations and forecasts, Kwok says the sheer scale of the pandemic, and how it continues to unfold, was beyond what they could have prepared for. "I don't think anyone in the world before COVID-19 did any downsize sensitivity analyses to the extent of what has occurred – you don't normally do a downsize scenario based on losing more than half of your global income," he notes. "However, we have always had a conservative capital structure. We kept this because of who we are – we want to maintain a conservative balance sheet."

This preparation has also allowed them to continue the construction of its two new hotels. "The extent of this COVID shock is unbelievable, quite frankly, but we're still growing, and we're now focusing on London and Istanbul. At the same time, we're maintaining more than adequate funding despite the current situation. I'm proud of this."



The Hongkong and Shanghai Hotels, Limited was incorporated in 1866. It is the owner and operator of some of the world's finest luxury hotels under The Peninsula brand, with The Peninsula Hong Kong, built in 1928, as its flagship and others in Manila, New York, Beijing, Beverly Hills, Bangkok, Chicago, Tokyo, Shanghai and Paris. The group is currently building hotels in London and Istanbul.

### A financial foundation

Kwok began his career at Price Waterhouse in the United Kingdom in 1980, where he trained as an auditor for four years.

The role, he notes, provided him with well-needed exposure. “There aren’t many opportunities to work with so many different companies in such a short space of time as a fresh graduate,” he says. “During my first few years as an auditor, I must have visited more than 20 companies.” His training also taught him about the importance of being a responsible professional. “The experience you receive as an accountant or auditor really teaches you to pay a lot of attention to detail, to be reliable, and to always deliver everything to a high standard,” Kwok adds. “Whatever field you’re in, these skills will always stand you in good stead.”

He then moved to the investment banking sector, joining Barclays de Zoete Wedd in 1984, before returning to Hong Kong in 1986 to work at Schroders Asia. He was introduced to the world of initial public offerings and acquisitions, and learned how to plan ahead and make decisions. “The nature of auditing involves looking backwards. We’re testing systems to ensure that controls are in place. The information you’re getting is mainly backward-looking – information such as the accounts; things that have already happened,” explains Kwok. “When you step into the world of investment banking, you are handling deals that are current. Your client might come along and say they want to list their company on a stock exchange, acquire, or dispose of another company. So my time as a banker gave me exposure into deals being done and being part of making decisions on the go.”

Kwok then brought his experience to MTR Corporation Limited, joining as finance director in 1996. During his six years there, he gained an understanding on the importance of corporate management. “MTR Corporation is a very well-managed company with

very good internal practices and corporate governance. The MTR Corporation had a good corporate management model, which taught me a lot,” he says, noting how he had to manage multiple ongoing projects. “They have major project divisions; they build infrastructure such as tunnels and bridges. So for me, understanding their procedures for contracting, tendering and managing projects was a great learning experience.”

He credits his CPA skills and solid financial grounding for providing him with the know-how to guide the growth of a luxury hotel and property group. “Finance is such a fundamental part of business. As a CPA, you have the necessary skills to understand accounts and process financial transactions. You can apply these skills, along with your work experience, to running a business and making business decisions.”

But to become a successful CEO, Kwok adds, requires a combination of hard skills, communication skills and strength of character, acquired and refined over many years of experience. “A leader is someone who has good judgement, is able to make decisions well, is fair, is able to influence people, and communicate. They have to be someone who can stick their necks out and take positions on things and still have people respect and support them,” he explains. “There’s no course that teaches people how to become a CEO; it is something that is born out of your own personal aspirations and the way that you develop yourself personally. Everything you do becomes a part of it – the people you talk to, the people you choose to be around and what you learn when you meet people. But you should have the confidence in yourself, especially in your grounding as a CPA. You have both technical skills and work experience.”

The key to success also involves staying active and excellent time management, which is reflected in what Kwok does outside of work. “I’m a very active person, so I do everything from scuba diving, skiing

**“There’s no course that teaches people how to become a CEO; it is something that is born out of your own personal aspirations and the way that you develop yourself personally.”**

and golf. As you can see by my golf balls over there, I love the sport,” Kwok laughs, pointing to more than a hundred white and yellow golf balls neatly stacked in rows behind a countertop full of trophies in his office. He stresses the importance of maintaining a good work-life balance despite a busy schedule. “I try to fill up every minute of every day. When I go to sleep at night, I like to think about what I did and what I achieved that day. It’s important to maximize your time.”

### Giving only the best

Kwok remains sanguine that the company’s business will continue to grow and that the industry will make an even stronger recovery as soon as local travel restrictions are relaxed. “So far, we have seen that the rebound has been very strong in places where the restrictions have been removed. We are very confident that people’s desire to travel remains the same,” he highlights.

Though this might mean less frequent trips compared with pre-pandemic times, he notes that there is a great demand for luxury holidays, and with it, a demand for high-end luxury hotels. “The basic principles of luxury don’t really change,” he says. “Things like personalization, high quality service, knowing our customer, and space – simply because space is luxurious. There will always be a desire for a super luxury product like ours. So it’s important for us to continue offering our services and products to the highest standards.”







Kwok began his career as an auditor at Price Waterhouse in the United Kingdom in 1980. He then worked in investment banking and then as finance director of MTR Corporation Limited before taking on his current role.

## CORPORATE GOVERNANCE

The Best Corporate Governance and ESG Awards



(Clockwise) Tori Cowley, Group Chief Communications Officer of Hong Kong Exchanges and Clearing Limited; David Simmonds, Group General Counsel, Chief Administrative Officer and Company Secretary, at CLP Holdings Limited, and Sarah Chapman, Global Chief Sustainability Officer at Manulife Financial Corporation.



# SETTING THE RIGHT TONE

This year, the Institute's flagship awards returned with a new name and a new focus. Four awardees of the revamped Best Corporate Governance and ESG Awards tell [Jeremy Chan](#) about the importance of integrating both corporate governance and environmental, social and governance practices into their operations and strategies, and why companies must get started on their ESG journey

**S**ustainability has to be at the heart of every organization. This will protect the interests of stakeholders and ensure the healthy growth and longevity of a business, notes David Simmonds, Group General Counsel, Chief Administrative Officer and Company Secretary, at CLP Holdings Limited. "Our integrated approach to sustainability strengthens our ability to manage the business in the long-term interests of all our stakeholders," he says.

The energy company is one of 29 awardees of this year's Best Corporate Governance and ESG Awards. Previously known as the Best Corporate Governance Awards (BCGA), the awards were renamed and refocused this year to reflect the growing importance of environmental, social and governance (ESG) reporting and practices for different companies and organizations, and their investors and stakeholders. The awards aim to encourage companies to focus on both corporate governance and ESG, and to integrate these two aspects into their strategies and operations to support their long-term sustainability, as well as establish benchmarks of overall sustainability, corporate governance and ESG best practice in Hong Kong.

Also introduced was a new highest category of awards – the Most Sustainable Companies/Organizations (MSCO) Awards. The new category aims to reflect "sustainability" in its broadest sense and not merely focus on ESG. It recognizes companies and public sector organizations that are deeply committed to operating in a transparent, accountable and socially-responsible manner. It also commends organizations that have taken corporate governance and ESG considerations into account in their vision, strategies, investments, risk management and internal controls, stakeholder engagements, and communications.

## Tone from the top

CLP won the Platinum award in the Hang Seng Index Category of the MSCO Awards. Simmonds is pleased with the achievement and attributes it to their company-wide focus on ESG. "CLP is honoured by the award from the Hong Kong Institute of CPAs. Sustainability is at the core of our business strategy, and we have been an early mover on integrating ESG management into our operations," he says. Indeed, CLP won the Outstanding Achievement Award in 2020, having won an award every year since the



## CORPORATE GOVERNANCE

The Best Corporate Governance and ESG Awards

**“Sustainability is at the core of our business strategy, and we have been an early mover on integrating ESG management into our operations.”**

BCGA was first launched in 2000, and a Sustainability and Social Responsibility Reporting Award each year since 2011.

Echoing the name of the awards, Simmonds says the company has always ensured that sustainability is embedded within their corporate governance structure, from board-level committees, to management-level group functions, and business units. “The board of directors has overall responsibility for CLP’s sustainability approach,” he explains. “The support of the senior leadership underpins our efforts to integrate sustainability into our business, enabling us to focus on key strategic priorities including decarbonization and digitalization.”

Tori Cowley, Group Chief Communications Officer of Hong Kong Exchanges and Clearing Limited (HKEX), which received the Gold award in the Hang Seng Index Category of the MSCO Awards, says companies can ensure stakeholders’ expectations are met by setting the right ESG strategy from the top. “We are witnessing a fast-evolving ESG landscape, with increasingly high expectations from shareholders, employees, and other stakeholders,” she says. “With growing scrutiny on how ESG factors affect a company’s performance and value, investors and stakeholders are becoming ever more focused on the potential financial and reputational impact of good ESG management. Importantly, the market is now taking a much more proactive approach to monitoring a company’s ESG performance and practices.”

Cowley adds that HKEX’s status as an international exchange operator, market regulator, and

public company ensures that they look to lead by example. “We see ourselves as a change agent,” she notes. “As a regulator, we seek to continually enhance Hong Kong’s ESG regulatory framework and education to ensure investor and stakeholder expectations are in-line with international best practices. And as a corporate and exchange operator, we look to promote sustainability in all that we do – across our business, our operations, and our markets.

“HKEX’s board and senior management place good corporate governance and strong ESG management at the heart of our activities,” Cowley says. She adds that factors such as board composition and diversity, independence of non-executive directors, corporate sustainability initiatives, environmental considerations, philanthropy, community engagement, and external communications, are overseen by HKEX’s Executive Management Team and through the Board of Directors. Committees such as its Nomination and Governance Committee, and the Corporate Social Responsibility Committee, are both chaired by the HKEX Chairman.

This direction from the board pervades the organization. Cowley says that at the executive level, there is a corporate social responsibility (CSR) working group, comprised

of senior management drawn from across the business, which provides insight, advice and support for implementing the exchange’s broad CSR programme. She notes that CSR performance forms part of the exchange’s scorecard for evaluating the performance of the group’s employees.

To ensure the company is able to meet the expectations of stakeholders and the evolving business and market landscape, policies are reviewed regularly in order to enhance governance standards. Cowley says HKEX also provides ongoing training through webinars and initiatives to reinforce a strong culture of compliance and risk management, as well as CSR awareness, at all levels of the organization.

Sarah Chapman, Global Chief Sustainability Officer at Manulife Financial Corporation, says the company uses both a top-down and bottom-up approach to integrate corporate governance and ESG into its performance. “If you think about properly integrating ESG into your performance, it has to be done from the board and executive level. For us, it’s important that this is embedded in people’s jobs across the organization,” she explains. Manulife Financial Corporation received an ESG Special Mention in the Non-Hang Seng Index (Large Market Capitalization) Category.

She notes that the company



CLP Holdings Limited won the Platinum award in the Hang Seng Index Category of the Most Sustainable Companies/Organizations (MSCO) Awards.

has a Corporate Governance and Nominating Committee that specifically oversees ESG-related strategies. Manulife has also developed an Executive Sustainability Council, composed of Chapman and nine members of the Executive Leadership Team, who meet at least on a monthly basis. The meetings, she adds, allow them to review strategic ESG initiatives such as the company's climate action plan and diversity, equality and inclusion focus, and discuss progress. "Below that we've got our Sustainability Centre of Expertise, which is a culmination of 60 professionals across the organization from all areas of the business, including all geographies, that comes to together to drive the agenda forwards."

To educate professionals across the organization on corporate governance and ESG, Chapman notes that the company has developed an internal curriculum and certification process for their investment professionals to get certified on ESG integration. "What's most important is for people to understand how to integrate ESG themselves into the organization," she adds.

Having an ESG steering committee led by the board can greatly help and guide companies towards executing their sustainability strategies, notes Nikki Ng, Group General Manager of Sino Group. "Our ESG Steering Committee, chaired by our deputy

chairman and comprised of key executives representing the group's significant business units, is in place to oversee the group's management approach to sustainability, and to develop strategies and policies to guide the roadmaps and initiatives that advance the goals and targets," says Ng. Sino Land Company Limited under Sino Group also received an ESG Special Mention in the Non-Hang Seng Index (Large Market Capitalization) Category.

ESG is key to their business strategy, Ng notes, especially as a Hong Kong property developer. "At Sino, sustainability is central to our business operations as we seek to create value for stakeholders and make business a driver of sustainability for a better future. We uphold ESG and sustainability at all levels of operations," says Ng. The company does its part by pushing for more energy-efficient designs, harnessing renewable energy, reducing waste and carbon emissions, leveraging technology, and advocating green living at their properties.

ESG initiatives are part of the organization's "Creating Better Lifescapes" vision, which sees the company focused on three key pillars: green living, community spirit and innovative design. "It

defines our sustainability strategy and guides us in creating shared value for all our stakeholders," Ng explains. "With robust governance measures and our three key pillars, this strategy ensures we address sustainability issues that are material to our business."

It is also crucial for a company's ESG practices to be reflected in their supply chain, Ng highlights. "On the supply chain, the group is guided by a set of policies and guidelines that outlines our approach to various sustainability issues." They note that the company has a sustainable procurement policy in place, which integrates environmental considerations into contractor or supplier selection, procurement processes and activities. "These risk assessment mechanisms ensure new and existing suppliers follow sustainable practices in their business," Ng says.

## Material matters

While the judges were able to give out a number of MSCO awards, no Diamond awards, the top level, were awarded this year. The judges noted in their *Best Corporate Governance and ESG Awards 2021 Judges' Report* that while regular awardees have been enhancing their corporate governance and ESG practices, the

**"As a regulator, we seek to continually enhance Hong Kong's ESG regulatory framework and education to ensure investor and stakeholder expectations are in-line with international best practices."**





## CORPORATE GOVERNANCE

The Best Corporate Governance and ESG Awards



**“We’ve increased the number of social KPIs this year and have been receiving external assurance on that data to guarantee that it’s met the highest possible standard.”**

general consensus among the judges is that more could be done. This includes speeding up the board refreshment process, enhancing independent leadership in the board room, establishing quantitative key performance indicators (KPIs) under different ESG initiatives, and improving the disclosure of these KPIs embedded in remuneration.

To ensure a good start, Chapman says it is key for a company’s board to understand their KPIs, as this sets high standards and aids in setting company-wide strategies and goals. While KPIs can be established internally, Manulife chose to seek external help. “We seek external assurance for a large number of our environmental and social KPIs,” she notes. “We’ve increased the number of social KPIs this year and have been receiving external assurance on that data to guarantee that it’s met the highest possible standard.”

Periodic assessments of KPIs, Simmonds adds, will help companies to stay on track. “We regard materiality as fundamental to our ESG reporting,” he says. “The materiality assessment process conducted regularly by CLP ensures we are

focusing on topics that are most relevant as our business and operating environment evolve.” This, in turn, will benefit the reporting process and ensure the transparency and accuracy of information when it is communicated to stakeholders. “Transparent and meaningful reporting is key, as we need regular engagement and communication with our stakeholders to provide updates on our sustainability efforts, and increasingly for investors who are integrating ESG considerations into their decision-making.”

Cowley says companies should seek both internal and external insight from stakeholders. “At HKEX, we regularly conduct internal reviews to benchmark our current governance and ESG approach against the market and best practice,” she says. “We also engage externally with stakeholders to ensure that we are successfully evaluating our approach to such areas as governance, sustainability, investor communications, and our brand. This helps us to evaluate our performance and identify areas for improvement.”

### Better reporting

There is currently a variety of

ESG reporting frameworks for companies to choose from, including The Global Reporting Initiative, The Sustainability Accounting Standards Board (SASB), the Carbon Disclosure Project, the Task Force on Climate-related Financial Disclosures (TCFD), and the International Integrated Reporting Framework.

“The challenge that many organizations face is that there aren’t consistent standards for the ways that you report this type of information,” Chapman explains.

Last month, the IFRS Foundation announced the formation of the International Sustainability Standards Board (ISSB) at the United Nations Climate Change Conference 2021 (COP26), marking a step forward towards a global set of ESG standards. The ISSB has pledged to develop standards that result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and financial markets. It will build on the work of existing reporting initiatives including the Climate Disclosure Standards Board, the TCFD, the Value Reporting Foundation’s International Integrated Reporting



**“At Sino, sustainability is central to our business operations as we seek to create value for stakeholders and make business a driver of sustainability for a better future.”**

Framework and SASB Standards, and the World Economic Forum’s Stakeholder Capitalism Metrics, to become the global standard-setter for sustainability disclosures for the financial markets. On 16 December, it was announced that Emmanuel Faber, the former chief executive officer of Danone, a multinational food products corporation, will take the helm of the ISSB on 1 January 2022.

This presents a paradigm shift in ESG reporting, adds Chapman, who welcomes the move, and notes it will not only enhance consistency, but further drive the notion of sustainability and ESG disclosures among companies worldwide. “I believe that the creation of the ISSB will help to develop global standards that will bring about disclosures, as well as disclosure requirements, to facilitate consistent and comparable reporting by companies across jurisdictions,” she says. “This, in turn, will help direct capital to long-term, resilient businesses in this transition to a low-carbon, socially-responsible economy.” Simmonds agrees: “The formation of the ISSB during the recent COP26 climate summit was a welcome step that will support the development of high-quality sustainability disclosure standards.”

But until the first climate standards come into effect in the second half of 2022 – and until companies transition to reporting their ESG practices using the ISSB’s standards – companies must make a conscious effort to be as lucid as possible in their disclosures, or seek help if they are unsure, Chapman



highlights. “Organizations have to take it upon themselves to enhance their disclosures and be transparent about the progress they are making. The process of going through both internal and external assurance is extremely helpful. Building this governance structure into the way organizations track their progress into their ESG journey is key.”

### The road ahead

Accountants have an increasingly important role to play in helping companies throughout their ESG journey. “There are multiple areas by which the accounting profession is highly engaged in ESG issues, such as from a risk management perspective and how those risks could have an effect on the finances,” says Chapman. “Accountants are critical stakeholders on this ESG journey and will be increasingly so as we see more standards and regulations. The accounting profession will be playing an even more important role in moving these goals forward.”

Simmonds concurs: “the accounting profession was closely involved in the ISSB’s inauguration and will continue to play a key role in ensuring the availability of consistent financial data to facilitate the global transition to a low-carbon economy.”

The awardees acknowledge that becoming a truly sustainable

organization is a continuous journey. “Our focus on sustainability reflects the need to think long-term as we plan large infrastructure investments with multi-decade lifecycles,” Simmonds says, noting that as one of CLP’s key priorities, decarbonization will require the coordinated efforts of all of their stakeholders, including their investors, customers, and the broader community. “We need access to long-term sources of capital for infrastructure projects in the energy transition, while continuing to keep the energy supply reliable and affordable and reliable as we decarbonize.”

A company’s board plays a vital role in driving good corporate governance and ESG practices, Cowley notes, making it crucial for board members to stay ahead of evolving trends. “We arrange ongoing training to help our Board of Directors and our Executive Management Team to keep up-to-date on current issues in areas such as ESG practices, regulatory compliance, and risk management. And we regularly test our progress through our benchmarking programme,” she says. “Corporate governance and ESG performance has become a proxy for a company’s resilience and risk management capabilities – it undoubtedly enhances the long-term value of a business.”



The Institute’s Best Corporate Governance Awards launched in 2000, when there were only three categories, in which diamond, platinum and gold awards, could be given out, with overall one grand award.



# SECOND OPINIONS: WHAT DO CHINA'S NEW DATA SECURITY LAWS MEAN FOR COMPANIES?

**“Converting data into value in a secure and ethical manner is the business imperative of the next decade.”**



**KRISTINE CHUNG**  
PARTNER, RISK ASSURANCE,  
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Data has become an important asset for many businesses. Converting data into value in a secure and ethical manner is the business imperative of the next decade. While it presents a huge opportunity for business to use data to drive business initiatives and strategies, it comes with great compliance challenges to keep data practices in check.

Recently, there has been a number of enforcement actions including cybersecurity reviews against multiple companies, especially Internet companies that have access to a wide range of consumer data in Mainland China. The regulator has issued multiple important laws in the data space, such as the Cybersecurity Law, Data Security Law (DSL) and the Personal Information Protection Law (PIPL), to become the cornerstones for Mainland China's data sovereignty.

These laws aim to cover wide-ranging data processing activities in Mainland China and create binding compliance obligations for these activities. Its extraterritorial effect impacts companies that offer products or services that involve processing personal data from the Mainland, even if they have no business presence there.

The following new key requirements impacts how the accounting profession assess business risk along the data value chain and lifecycle.

**Data localization:** Companies that meet the criteria for critical information infrastructure operator (CIIO) or process large volumes of Mainland Chinese personal data are subject to data localization requirements.

**Cross-border data transfers:** To transfer personal data outside of Mainland China, apart from requiring multi-level consent from the individual, security risk assessment and implementing security measures to safeguard the data is required. Cross-border data transfer compliance will become more complex and time-consuming as it relates not only to transfers within a corporate group, but also to the compliance between companies and their foreign suppliers, customers, investors and other relevant third parties, and certain business arrangements will also need to be adjusted in accordance with the law.

**Data processing agreement:** The data processor should submit the agreement or other legal document entered into between the data processor and the overseas recipient when applying for a security assessment. Such an agreement is required to include information such as the purpose, method and scope of the transfer, the requirements on the overseas storage of the data concerned, the obligations and liabilities of the overseas recipient and the dispute resolution mechanism.

**Data responsible person:** For foreign companies with no business presence in the Mainland, a representative or special agency will need to be appointed to oversee the company's data compliance.

Although the new data security laws may become a critical turning point for many companies, it is an important step to strengthen the protection of personal data. Regulators will stay active in enforcing the laws against non-compliance. It is essential for companies to start formulating and update their data management strategies for the Mainland China market.



**SIMON HUI**  
PARTNER,  
BAKER MCKENZIE

Mainland China has strengthened its commitment to protect personal information by adopting the new PIPL, which gives data subjects the power to control and determine how, with whom and for what purposes their personal information can be shared, analysed or handled.

In the context of compliance investigations, typical activities can include accessing and analysing employees' personal information. The investigation team may also want to engage external professional assistance or share such information with head offices located outside Mainland China. Under the PIPL, these activities require general or specific consent from the data subject, which may not be feasible in light of the sensitive and confidential nature of an investigation. The new PIPL obligations, therefore, have created practical challenges for businesses seeking to conduct an internal investigation as part of their corporate compliance or internal controls programme.

Examples of activities involving personal information include collecting employees' personal information (e.g. education and work history), reviewing records of work emails related to potential non-compliant matters or incidents, and using information provided by whistleblowers; obtaining sensitive information of employees, such as bank accounts, expense and reimbursement records and their location during relevant periods; and accessing and processing personal information of third parties, such as business partners and customers.

Once an investigation has commenced, obtaining express consent from an individual who is under investigation to provide

personal information becomes challenging. In addition to the express consent mentioned, Article 13 of the PIPL also establishes six grounds which exempt the requirement for express consent for processing personal information. Three exemptions are relevant to compliance investigations. However, we consider that these exemptions contain certain limitations.

Based on the current rules, it may be difficult in practical terms to delineate the boundary between when express consent from the data subject may be required in an internal investigation, and when the exemptions can be invoked. A company conducting an investigation will need to be aware of the limitations under the exemptions and should not fully rely on these grounds to overcome the restrictions imposed by the PIPL. Failing to address these issues in advance may impact the credibility of an investigation or, in a worst case scenario, lead to the inability to continue the investigation.



**KAREENA TEH**  
PARTNER,  
LC LAWYERS LLP

Mainland China's DSL and the PIPL came into effect on 1 September and 1 November 2021, respectively. They have far-reaching implications for accounting firms, particularly those operating in or performing services for Mainland-based clients. Care needs to be taken to comply with the DSL and the PIPL in transferring data out of and processing personal data of persons in the Mainland.

A key issue to consider is whether your firm or your Mainland clients are CIIOs. Additional requirements apply to CIIOs.

Under the DSL, which controls data transfer, CIIOs have to store important data (broadly defined as data closely related to national security, economic development or public interest) collected and produced in the Mainland within the Mainland. Such data will have to be reviewed in the Mainland. If the data has to be transferred overseas for review, a security assessment will first have to be undertaken.

Under the PIPL, which controls the processing of personal data of persons in the Mainland, CIIOs and personal information processors (PIP) processing personal data collected or produced in the Mainland over certain thresholds prescribed by the Cyberspace Administration of China (CAC) have to store such data in the Mainland. A PIP that wishes to transfer such data outside the Mainland must either pass the security assessment, obtain certification from a professional institution in accordance with the CAC's regulations, or enter into a standard contract with the overseas recipient specifying their respective rights and obligations. Additionally, they must obtain the specific consent of the persons concerned and inform them of certain specified information, including the identity and contact details of the recipient, the purpose and method of processing etc.

Extra care should also be exercised when dealing with data requests from foreign judicial or enforcement authorities. The DSL and the PIPL prohibit providing data and/or personal data stored in the Mainland to any foreign judicial or enforcement authorities without the approval of relevant Mainland authorities.

There are other DSL and PIPL requirements that may have implications. Accounting firms should assess whether their Mainland operations, data access and transfer arrangements with their Mainland clients comply with all the requirements.

**"A key issue to consider is whether your firm or your Mainland clients are critical information infrastructure operators."**



Yam, Partner, and Yuen, Of Counsel at Kennedys, on practical steps to take when dealing with stressful yet important regulatory investigations



## How to handle regulatory and law enforcement investigations

**S**o you get asked by a regulator or law enforcement agency to attend an interview and answer questions or to produce documents. Or they simply turn up at your office or your home to seize documents and devices, or to arrest you.

A million things run through your head. Why are they asking me for things? What have I done wrong? What have my employees or clients done wrong? Did I fail to pick up signs that things were amiss with the clients for whom I act? Might the investigation become public? Might my reputation suffer? Might I lose my right to practice as an accountant? Might I be fined? Might I be sued? Might I even go to jail?

At moments like this, the key is to take a moment to calm down and, depending on your firm's set up, immediately contact either your firm's risk management or in-house legal team, or your external lawyers. Hopefully they will not just cite legislation and case law at you about the powers of regulators and law enforcement agencies, when what you need instead is a steer on what to do next.

We will also steer clear of legal babble here. While word limits prevent us from providing a comprehensive practical guide on handling investigations, here are a few high level things to know or to think about asking your lawyers if you get caught up in an investigation.

### Why me?

Regulators or law enforcement agencies would seek things from you if they think you might be a potential wrongdoer in what they are investigating, or have documents or information that may be relevant to their investigation into others, such as your clients. This is relevant when it comes to answering questions on whether you are subject to an investigation for the purpose of regulatory licences, applications or renewals.

However, this distinction does not matter much when it comes to the need to respond carefully to an investigation. The reality is that one can change from being a person assisting in an investigation to being a person under investigation (or vice versa) during the course of an investigation.

### Can I say "no"? Should I say "no"?

If a regulator or law enforcement agency asks you to answer questions or provide documents, the answer to whether you can or should refuse to comply is "it can be complicated."

For example, regulators can typically compel (i) the production

of documents by written notice or by search warrant; and (ii) individuals to attend interviews and answer questions. Law enforcement agencies can typically compel (i) the production of documents by search warrant; and (ii) individuals arrested by them to sit down for interviews.

However, there are a range of full or partial exceptions to these powers. Such exceptions include documents or information where legal professional privilege or privilege against self-incrimination applies, or where acting in compliance of a regulator's or law enforcement agency's exercise of powers could lead to the breaching of non-Hong Kong laws. Depending on the situation in an investigation, consideration will need to be given to whether to rely on such exceptions.

Conversely, regulators and law enforcement agencies might sometimes try and seek voluntary assistance from you. They might ask for information over the phone or through non-legally enforceable letters or emails, or they might request a voluntary interview. Legally, you can refuse them. Indeed, there are times when there might be breaches of duties of confidentiality to third parties such as clients.

But what if refusing such requests for voluntary assistance might have consequences for longer term regulatory relationships, or might create publicity issues? Do you still refuse to give assistance then? Or are there ways where you can ultimately give such assistance, whether voluntarily or by legal compulsion? These issues all need to be thought through as they arise.

### Not everything is about the law

So far, so complicated. But it actually gets even more complicated than that, as not everything about handling investigations is merely about the law or how to deal with regulators and law enforcement agencies. Issues involving publicity, human resources, or even individual medical or financial needs, as well as family, workplace and client relationships can all come into play, and they in turn could create secondary legal issues that require handling.

Investigations can be a nuisance for those who are being investigated or otherwise asked to assist. They are often messy, and are sometimes painful to handle. Nonetheless, they are almost invariably important, and handling them badly can lead to damaged reputations, reprimands, lawsuits, fines or even jail. It is vital that you take investigations seriously, and consider seeking professional advice as early as possible.

**"If a regulator or law enforcement agency asks you to answer questions or provide documents, the answer to whether you can or should refuse to comply is 'it can be complicated.'"**

An overview of the Institute's survey report on long working hours in the profession, and how the Institute is helping to address the issue



## Long working hours in the profession: alleviating the issue

**D**espite efforts to try to draw more attention to employees' mental and physical health, Hong Kong has long been one of the top overworked cities in the world. Work-life balance has been a challenging issue for many professionals, including accountants, working in the city's competitive business environment, and the topic of working hours has been widely discussed within the accounting profession.

To assess and evaluate overtime prevalence in the profession, the Institute's Long Working Hours Steering Group conducted a survey in August to learn about the working conditions, the reasons for working overtime, as well as thoughts on effective ways to manage the issue in the profession from its members and Qualification Programme (QP) students.

The survey received 1,160 responses from Institute members and QP students. Key findings of the survey report include the following:

- Slightly over half of respondents were seeking to change their roles over the next 12 months. The longer the working hours of individuals, the more likely they were to be seeking to change roles.
- Salary and benefits was the top choice reason for both staying and wishing to leave. However, work-life balance was the most selected overall reason for leaving.
- Over three quarters of respondents worked 11 or more hours of overtime a week.
- Management and staff thought the main reasons for overtime were workload and tight reporting deadlines.
- Over 60 percent of respondents thought that overtime was a common issue among different professions in Hong Kong. Junior staff and those working in audit and assurance were the most likely to see this as an issue solely in the accounting profession.
- Recruiting more staff, streamlining work processes, and better planning and communications were the three most commonly selected ways to alleviate the issue of overtime.

Looking specifically at how, according to the report, junior staff and those working in audit and assurance are more

likely to view long working hours as a problem unique to the profession, this suggests there are different expectations for juniors, or not enough staff to handle projects.

### Recommended actions

While there is no single best way to deal with the issue of long working hours, the report suggests three areas that should be explored by management and the profession.

A shortage of labour is seen as the major cause of overtime in the profession. Organizations should consider how they can increase the number of suitably qualified employees they have to work on projects, while promoting work-life balance for their staff.

Organizations should also consider enhancing efficiency, streamlining their operations and deploying suitable technologies to support employees. Management should also consider the ways it can enhance project planning and internal communications.

Support and training should be offered to both staff and management on soft skills including leadership and communication, project and people management, and change and crisis management, all with the aim of increasing resilience and adaptability.

The Institute is supporting the profession through a number of activities. These include:

- Attracting talents with the new QP and engagement activities such as the HKICPA Accounting and Business Management Case Competition.
- Offering recruitment support to employers through the HKICPA Source platform.
- Offering training support in skills that are vital for the future, including soft skills, digital transformation, and practice management.
- Working on digitalizing the *Audit Practice Manual* to incorporate it in audit management software.
- Offering merchandise discounts on a wide range of software that can help practitioners to work more efficiently.
- Promoting work-life balance through the 15 sports and recreational interest groups.
- Supporting young members through the efforts of the Young Members Committee.

**“Salary and benefits was the top choice reason for both staying and wishing to leave. However, work-life balance was the most selected overall reason for leaving.”**

## FIVE QUESTIONS

PAIB & PAIP

**What have been the three biggest lessons in your career so far?** They're related to what I call the three Ps. The first is "people."

Dealing with different people through good interpersonal skills is important, particularly when you work in the finance function of a non-profit. There are six schools under the academy, representing different art forms, and we have to communicate with each of them regularly on the financial resources available and manage their expectations. The second "P" is "problem-solving." It's important to see challenges as a learning experience. The last one is "passion." If you're not passionate about your role or the industry you're in, then you won't be proactive. I have to be proactive, which means planning ahead and being committed to the academy's mission of promoting arts and culture in Hong Kong.

**What attracted you to the role?**

Before joining the academy in 2015, I was working as head of human resources for a non-governmental organization. I was looking through the *South China Morning Post*, checking that our job ad was there, then I spotted the job ad for bursar at The Hong Kong Academy for Performing Arts. I was interested in it so, just to see what would happen, I sent my CV. During the interview, I told the director that I didn't know anything about the performing arts, but he said I had passion and that's what matters. Now I love classical music. One piece that I remember deeply captivating me was *The Swan*, composed by Camille Saint-Saëns, and performed by Professor Ray Wang, an internationally renowned cellist, in 2017 at Hong Kong City Hall. Since hearing that, I've been in love with the sound of the cello.

**In what ways has your CPA qualification helped you in your career?** It has helped me significantly. During job



## FIVE QUESTIONS FOR PAIB

### Bernice Chan CPA

is Assistant Deputy Director and Chief Financial Officer at The Hong Kong Academy for Performing Arts, a leading tertiary institution for the performing arts in Asia. She shares how the pandemic pushed her out of her comfort zone

interviews, my qualification conveyed a message of trust. Those hiring knew that I have the competency and training needed for the job, and a high standard of professionalism. I think the branding of the Hong Kong Institute of CPAs is very important for every member.

**In what ways did you help the institution deal with the pandemic?**

Last year, as well as being CFO, I had to deal with the campus facilities management and the infection control measures. There were many small things that we had to stay on top of. I remember looking for masks became a 24-hour job because Hong Kong was struggling with a mask shortage, and my department had to make sure we had enough for staff and students when they returned to school. The challenge was less about managing the financial resources to support this unexpected situation, but more about the simultaneous decisions I had to make on logistics, remote access to computers and IT security.

**How do you view Hong Kong's current performing arts landscape?**

What I've learned from the six schools is that Hong Kong really is a dynamic and diverse cultural city. There's this unique intersection between eastern and western culture here that you don't find elsewhere. At the academy, we have Chinese opera, which is completely taught in Cantonese or Mandarin, and we have classical music, which is taught in English. Hong Kong, however, is not so much known for its arts. It's not that we don't have the talent, it's just that it's not being put under the spotlight. Students in our junior programme are so good that the world's top music schools, like The Juilliard School and The Curtis Institute of Music, offer them full scholarships. I think we can do more to let people know that our students are on that level.



### What have been the three biggest lessons in your career so far?

Firstly, make time to exercise. It's important to have a good work-life balance, so I usually spare some time for running on the weekends. Secondly, learn how to build relationships. Whether it's with a colleague, a big client or a friend, each relationship you build with another person adds another beam of support to what you're building for yourself. Though there's much you can create by working alone, success often comes when you create and work with your network of colleagues, clients and friends. Thirdly, always think positively. Not every day is a good day, however the difficult days can just be another way to grow in both your career and life in general. Focusing on the positives rather than the negatives can help turn the situation around.

### What do you like most about specializing in assurance?

The exposure. As an auditor, I have the opportunity to work with multinational corporations across different industries, and this provides me with unique insights into business. I get to understand the factors driving business performance, assess inherent risks, apply critical thinking, and provide our one-stop services to our clients in Hong Kong, Mainland China, and globally.

### How has technology changed audit in recent years?

Technology such as data analytics has enabled auditors to extract and analyse large volumes of data. This has helped us to better understand our clients, identify audit and business risks, and improve the coverage of audit procedures. We now have the ability to sort and examine available raw



## FIVE QUESTIONS FOR PAIP

### Bryan Lai FCPA (practising)

Assurance Director at Moore, is passionate about providing added value to clients. He shares what he enjoys about working in assurance, how tools such as data analytics are helping auditors like himself in the field, and why it's important to learn how to build connections

data to identify anomalies more efficiently. We can obtain audit evidence and use it to verify the existence, completeness and accuracy of assertions. We can also analyse our client's business and compare it to industry trends. Our clients are often impressed when we provide them with a business analysis, performed during the course of our audit.

### In what ways has your CPA skills helped you in your career?

Although assurance has its roots in accounting, it is just the beginning. In addition to accounting skills, we also need to have strong communication and critical thinking skills, and business acumen. As a director in our firm, I need to make timely decisions and provide advice in different circumstances, and my CPA skills have helped me to communicate with executives from our client bases in many industries and answer requests from various professional parties. Communication skills are essential. As an auditor, you need to deal with different clients in all types of situations. Strong communication skills can help you to clearly convey ideas, thoughts and suggestions during meetings, presentations and negotiations with audit clients and also your teammates. With good business acumen, I'm able to ask the right questions and give suggestions to our client, which shows we understand their industry and how the organization functions.

### What is one piece of advice you have for young members working in firms?

Invest in yourself. Never stop learning and be willing to embrace change, especially in today's rapidly transforming digital and commercial world. This is the key to success.

# Taxation Faculty webinar: Latest developments on BEPS 2.0 and the E.U. grey list – What do they mean for Hong Kong businesses?

What to expect from a live webinar on the latest developments relating to Hong Kong's inclusion in the European Union's non-cooperative grey list, Base Erosion and Profit Shifting 2.0, and how businesses can navigate evolving tax challenges in the new year



The Hong Kong Institute of CPAs' Taxation Faculty helps raise the profile of the taxation profession in Hong Kong and provides a stronger voice for members working in this field and also offers a platform for the further development of high-quality tax services. Members and non-members are welcome to join the Taxation Faculty.

**A** new year will bring new tax challenges for Hong Kong as the international tax landscape continues to evolve, and Hong Kong must determine how its territorial source principle of taxation can be maintained while responding to them.

Agreement on the new taxation rules to be introduced through the Organization for Economic Cooperation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) 2.0 project were set out in a statement issued by the OECD in October. The statement sets out the additional agreed components of the Pillar One and Pillar Two rules and more importantly, a detailed implementation plan for both pillars with an aim of bringing Pillar One and Pillar Two into effect in 2023. In addition, the detailed model Global Anti-Base Erosion Proposal rules under Pillar Two were published on 20 December.

As well as working on implementing the BEPS 2.0 project, Hong Kong has found itself (along with Malaysia) added to the European Union's watch list of non-cooperative jurisdictions for tax purposes in October. The E.U.'s decision is based on its review of Hong Kong's offshore or territorial tax regime and its major concern is the non-taxation of foreign sourced passive income under the offshore regime, particularly in the form of interest or royalties where the income recipient has no substantial economic activity. Hong Kong has committed to making the necessary changes to the relevant tax legislation by the end of 2022, a move that may have an impact on some multinational companies and foreign enterprises in Hong Kong. Those changes will take effect on 1 January 2023.

## About the webinar

The webinar "Latest developments on BEPS 2.0 and the E.U. grey list – What do they mean for Hong Kong businesses?" will take place on 20 January at 6:00 p.m., and aims to explore the implications of these two global tax

developments on businesses and their financing structures. It will be chaired by the Convenor, Taxation Faculty's Budget Proposals 2022/23 Sub-committee, Eugene Yeung CPA, Partner, Business Tax Advisory at KPMG China. He will lead the two speakers, Patrick Cheung, Partner, Global Transfer Pricing, Hong Kong, and Anita Tsang CPA, Director, Tax Policy and Knowledge Management, at KPMG China in their discussions on the international developments and how they may affect Hong Kong.

Their discussions will highlight the latest developments of the BEPS 2.0 project, covering both Pillars One and Two, introduce the background leading to the inclusion of Hong Kong on the E.U.'s grey list and the E.U.'s concerns, discuss the potential changes to the Hong Kong tax system driven by these developments, with reference to the approaches taken by Singapore and Malaysia, and discuss how businesses in Hong Kong may be impacted by all these changes and what actions are required for affected businesses.

## About the speaker

The Hong Kong Institute of CPAs' Taxation Faculty brings together the tax activities and programmes run by the Institute: primarily the technical, advocacy and liaison work as well as member services such as seminars, networking events, and an e-newsletter.

The Taxation Faculty helps raise the profile of the taxation profession in Hong Kong and provides a stronger voice for members working in this field. It also offers a platform for the further development of high-quality tax services under the Institute. The faculty also lends support to other Institute initiatives, such as the professional diplomas in taxation.

Members and non-members are welcome to join the Taxation Faculty and attend seminars at a discounted rate. More information can be found on the Institute's website.

# What's next for the IASB work plan?

## An overview of the Institute's response to the IASB's *Third Agenda Consultation*

In September, the Institute's Standard Setting Department responded to the International Accounting Standards Board's (IASB) request for information (RFI) on its *Third Agenda Consultation*. The RFI sought views on the strategic direction and balance of the IASB's activities, the financial reporting issues it should prioritize and the criteria for adding projects to its work plan for 2022 to 2026. This article highlights our response to the RFI. The full response is available on our website.

### Strategic direction and balance of the IASB's activities

We consider that the IASB should leave its current level of focus for each main activity unchanged, given its resources will remain substantially unchanged from 2022 to 2026. In addition, we do not consider that the IASB should undertake any other activities within the current scope of its work.

### Criteria for assessing the priority of financial reporting issues

We recommend that the IASB clarify how they prioritize a project if it interacts with other projects on the work plan. For example, does more interaction with other projects mean a higher or lower priority will be set? We suggest that the IASB should be cautious of repeatedly deferring important issues in financial reporting on the basis that the issue interacts with other projects, as this has the potential of resulting in significant issues being unaddressed for many years.

### Financial reporting issues that could be added to the IASB's work plan

Our outreach has identified four problematic accounting topics in Hong Kong: (i) commodity transactions, (ii) cryptocurrencies and related

transactions, (iii) intangible assets, and (iv) variable and contingent consideration. We recommend three high priority projects to address issues in these areas. We understand the scope of any project that would be added to the IASB's work plan is yet to be determined. As some of the three projects prioritized by us are related to each other, e.g. cryptocurrencies and intangible assets, we suggest that the IASB should seek synergies and consider where projects can be conducted in parallel.

### Develop a standard to set out accounting requirements for a range of non-financial tangible or intangible assets held solely for investment purposes

We note commodity transactions, in particular commodity loans, are quite common in Hong Kong. Application questions are arising and diversity in practice is observed as no specific reporting standard governs such transactions. Hence there is a need to develop requirements for common types of commodity transactions, for example, commodity loans. Furthermore, it is worth setting out the range of non-financial tangible or intangible assets to which the proposed commodity loan requirements would apply.

Given the increasing prevalence of cryptocurrency transactions, we believe there is a need for more robust accounting requirements that faithfully represent the underlying transactions. We believe that accounting for cryptocurrencies under International Accounting Standard (IAS) 2 *Inventories* or IAS 38 *Intangible Assets* may not provide relevant information when these items are held for speculative or investment purposes. Alternatively, the IASB may consider amending the scope of International Financial Reporting Standard (IFRS) 9 *Financial Instruments* to include cryptocurrencies. However, as existing standards like IFRS 9 were not

written to specifically address crypto-related issues, such an application may only be a short-term fix.

In light of the above, we consider that a standard that sets out accounting requirements for a range of non-financial tangible or intangible assets held solely for investment purposes is needed.

### Undertake a comprehensive review of IAS 38, including the recognition and measurement requirements

IAS 38 was published almost two decades ago and does not adequately address common transactions encountered now in this knowledge-based era, where there are frequent and material transactions involving information technologies and intellectual properties.

As such, we believe a fundamental review of IAS 38 is warranted in terms of: (i) scope, e.g. how to cope with new types of intangibles both unrecognized (e.g. internally generated intangibles) and recognized (e.g. crypto and polluting permits), (ii) recognition and measurement, and (iii) disclosure requirements.

### Specify the accounting for transactions that involve variable or contingent consideration

This has been a growing issue for quite some time (e.g. transactions involving performance-linked purchase prices for assets) which currently lacks clear requirements. Our respondents observed diversity in practice, for example, initial accounting – when and at what amount, subsequent accounting – capitalized or charged/credited to profit or loss. We believe that targeted changes to the relevant standards would be a quick fix.

*This article was contributed by Anthony Wong CPA, Associate Director, the Institute's Standard Setting Department.*

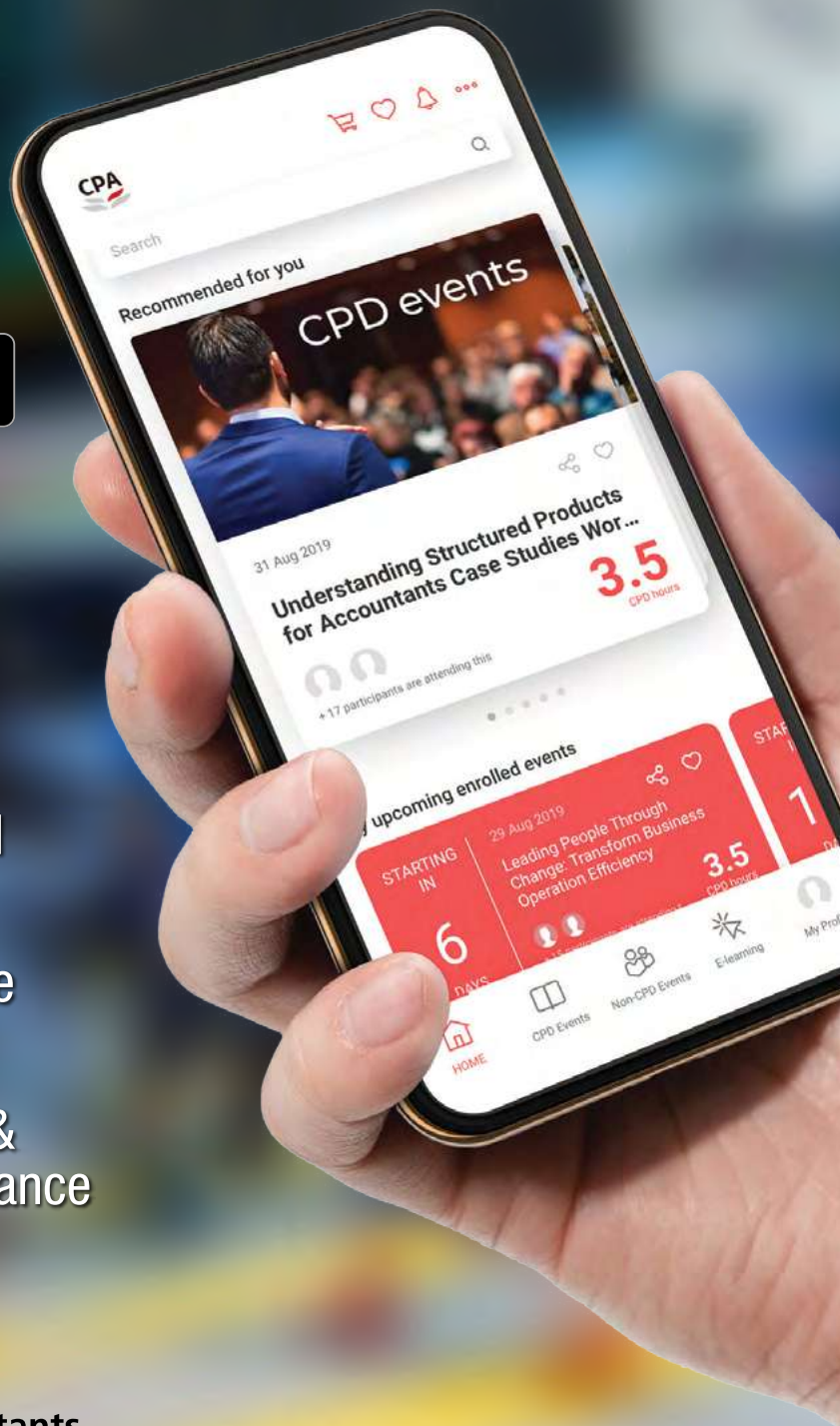


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**Certified Public Accountants**  
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# Blockchain and taxation

## Part two of blockchain series: An overview of recent developments in cryptocurrency exchanges and taxation

During the COVID-19 pandemic, blockchain technology has gained a lot of attention over its use in vaccine passports and contact tracing systems. "Two major objections to a COVID-19 passport — privacy and security — are dealt with by putting the data on a blockchain ledger. It's nearly impossible to fake data on a blockchain, and users' information can be stored securely since information can't be modified and third parties neither enter nor destroy the data," according to George Connolly, the President of OneLedger Technology Inc., overseeing the successful development of the OnePass vaccine passport.

Indeed, blockchain has unique features: a distributed database without control by a single party; peer-to-peer transmission; irreversibility of records; and pseudo-anonymity. Blockchain, with these features, is also the technological framework behind the transactions of cryptocurrencies, such as Bitcoin, Ethereum, Ripple and Litecoin. The Financial Action Task Force defines "cryptocurrency" as "a math-based, decentralized convertible virtual currency that is protected by cryptography, i.e. it incorporates principles of cryptography to implement a distributed, decentralized, secure information economy. Cryptocurrency relies on public and private keys to transfer value from one person (individual or entity) to another, and must be cryptographically signed each time it is transferred."

Cryptocurrencies traded on cryptocurrency exchanges are not "securities" under the Securities and Futures Ordinance as they are not subject to the authorization or prospectus registration provisions that apply to traditional offering of securities. They are more of an investment opportunity.

The taxation and compliance of transactions of these exchanges are of interest to tax professionals and regulators.

### Taxation

In Hong Kong, the Inland Revenue Department (IRD) Departmental Interpretation and Practice Note (DIPN)

No. 39 Profits Tax – Digital Economy, Electronic Commerce and Digital Assets was revised on March 2020 to focus on digital assets, including cryptocurrencies. According to the revised DIPN, "profits arising in or derived from Hong Kong from the initial coin offering (ICO) can be charged to profits tax in accordance with the general principles in section 14 [of the Inland Revenue Ordinance]."

Six "badges of trade" apply to determine whether digital assets are capital assets or trading stock. If digital assets, including cryptocurrencies, are bought (e.g. through an ICO or an exchange platform) for long-term investment purposes (i.e. capital in nature), any profits from disposal are not chargeable to profits tax. DIPN 39 states that all the circumstances in the case of cryptocurrency transactions should be considered to determine whether a trade is carrying on, including the degree and frequency of the activity, a business-like manner transaction and the purpose of making a profit. Generally, the market value of cryptocurrencies should accrue to reflect the amount of sales and purchases at the date of transactions regarding payments from customers or for the purchasing of goods and materials.

DIPN 39 clearly states that new cryptocurrencies arising from events undertaken in the course of a business are regarded as business revenues and assessed for profits tax accordingly. These events include "airdrops" – when a new cryptocurrency token is deposited directly into users' wallets and "forks" – when nodes of the newest version of a blockchain no longer accept the older version(s), which creates a permanent divergence from the previous version.

The Organization for Economic Cooperation and Development's *Tax Challenges Arising from Digitalization – Interim Report 2018* points out that cryptocurrencies and blockchain technology generally have tax evasion risks. To mitigate these risks, taxpayers of cryptocurrency trading are required to keep business records of income and expenditure for a period not less than seven years under section 51C of the

Inland Revenue Ordinance. The IRD may consider providing more detailed guidance to educate taxpayers about the taxation of cryptocurrency transactions, such as record keeping, as Her Majesty's Revenue and Customs in the United Kingdom does.

### Regulatory developments

Previously, not all cryptocurrency exchanges operating in Hong Kong were required to have Securities and Futures Commission (SFC) licences, leading to concerns over know-your-customer requirements, safe custody of assets, and anti-money laundering compliance. To address concerns, the SFC issued a position paper in November 2019 and the Financial Services and the Treasury Bureau (FSTB) conducted a public consultation in January 2021 regarding the regulation of cryptocurrency exchanges. The SFC and FSTB proposed a new regime where by both local and overseas exchanges (excluding peer-to-peer platforms) that operate regulated activities in Hong Kong, should apply for a licence and only offer services to professional investors, mainly to strengthen investor protection and address anti-money laundering concerns.

On 24 September, the People's Bank of China officially prohibited offering trading, token issuance and derivatives of cryptocurrencies, and announced that overseas cryptocurrency exchanges services in Mainland China are illegal. Subsequently, business operations of the cryptocurrency sector need to keep up with the evolving regulatory changes.

Tax professionals working in the cryptocurrency sector need to ensure the compliance of Inland Revenue Ordinance section 51C and DIPN 39 for both the businesses and customers as the industry evolves.

*This article was contributed by **Kang Li**, a Blockchain Project Consultant at GF Digital Technology Pty Ltd., and **Jim Wang**, a research staff at the Department of Accountancy of Hang Seng University of Hong Kong.*

# TECHNICAL NEWS

## The latest standards and technical developments

### Members' handbook

Update no. 266 relates to the issuance of Practice Note (PN) 850 (Revised 2021) *Reporting on Flag Days, General Charitable Fund-raising Activities and Solicitation of Signed Authorization Forms Covered by Public Subscription Permits issued by the Social Welfare Department*. Starting from 1 January 2022, the Social Welfare Department (SWD) will regulate the activity of seeking charitable donations through face-to-face solicitation of signed authorization forms (SSAF) in public places for charitable purposes. PN 850 (Revised) has been revised to provide guidance for auditors when reporting on SSAF. Changes are also made to the PN as a result of the amendments by the SWD on the wordings of permit conditions for flag days and general charitable fundraising activities.

### Financial reporting

#### Invitations to comment

The Institute is seeking comments on the International Accounting Standards Board (IASB) Exposure Draft ED/2021/9 *Non-current Liabilities with Covenants* by 11 February 2022. The proposed amendments to International Accounting Standard (IAS) 1 *Presentation of Financial Statements* aim to improve the information companies provide about long-term debt with covenants.

The Institute is also seeking comments on IASB Exposure Draft ED/2021/10 *Supplier Finance Arrangements* by 15 February 2022. The proposed amendments to IAS 7 *Statement of Cash Flows* and International Financial Reporting Standard (IFRS) 7 *Financial Instruments: Disclosures* aim to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities and cash flows.

#### Institute submission

The Institute has submitted its comment letter on the IFRS Interpretations

Committee tentative agenda decision *Demand Deposits with Restrictions on Use*.

#### IASB webcasts on proposed standard for subsidiaries without public accountability

A series of bite-size webcasts on Exposure Draft *Subsidiaries without Public Accountability: Disclosures* has been produced to explore the objective and scope of the project, proposed disclosures requirements, and structure and the application of the proposed standard.

#### IASB Research Forum 2021

The IASB recently held its Research Forum 2021 to discuss the latest accounting research that informs the IASB's standard-setting activities. Topics covered include financial instruments, disclosures about acquisitions and earnings per share. The audio recordings and presentation materials are now available.

#### IASB November podcast and updates

The IASB November podcast, with its chair and vice-chair highlighting the projects discussed during the November meeting, and a summary of the November meeting, are now available.

#### IFRS Interpretations Committee agenda decisions

The IFRS Interpretations Committee published two agenda decisions:

- Non-refundable value added tax on lease payments.
- Accounting for warrants that are classified as financial liabilities on initial recognition.

### Auditing and assurance

#### Institute's Auditing and Assurance Standards Committee meeting minutes

Minutes of the meeting held in October is now available.

#### New series of articles on preparing for the new quality management standards

To help practitioners prepare for the new quality management standards, the International Federation of Accountants (IFAC) has released a new publication series focusing on the three steps of the risk assessment process as required by 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*.

The first article of the series – *ISQM 1 quality objectives and quality risks* sets out the factors to be considered when performing the first two steps – establishing the quality objectives and identifying and assessing the quality risks which provide the basis for the design and implementation of the responses.

#### Revised standard for agreed-upon procedures engagements

An article by the IFAC highlights key changes to the revised agreed-upon procedures (AUP) standard, which is effective for AUP engagements for which the terms of engagement are agreed on or after 1 January 2022.

#### Using automated tools and techniques on audit planning

The Technology Working Group of the International Auditing and Assurance Standards Board released non-authoritative support material to help auditors understand how to plan an audit under International Standard on Auditing 300 *Planning an Audit of Financial Statements*, when using automated tools and techniques.

#### What makes a good audit?

This publication by the United Kingdom Financial Reporting Council explains the key elements that make up a good audit, particularly in the areas of risk assessment



and planning, execution of the audit, and completion and reporting.

### **ICAEW audit and assurance resources**

The ICAEW has the following materials that may be of interest to members:

- A webinar recording on practical tips to topical issues and areas for improvement in coming audits.
- A webinar recording focusing on risk identification and assessment and how this fits into a broader system of quality management required by ISQMs.
- *Audit and Beyond November 2021* for technical articles on key areas of audit focus under the COVID-19 pandemic, new quality management standards etc.

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

### **Opportunities for assurance on non-financial information**

In the recording of a webinar by CPA Australia, experts discuss views on the areas of assurance that are growing in demand and how auditors can upskill to be able to take advantage of these opportunities.

## **Sustainability**

### **Vision for high-quality sustainability assurance**

The IFAC has published its vision for high-quality assurance of sustainability information. It addresses the importance of global standards, regulation that supports decision-useful disclosure, and the value of an interconnected approach to sustainability and financial information reporting and assurance.

### **Sustainability information for small businesses: the opportunity for practitioners**

This report by the IFAC examines the

importance of readily available, relevant, and reliable sustainability information for achieving better-informed decisions, enhanced strategic and risk management, and more thorough and valuable reporting to external stakeholders. It also highlights a range of emerging services that practitioners can provide to their clients, including advisory services, reporting, agreed-upon procedures engagements, and assurance services.

### **HKEX publishes climate disclosures and corporate governance guidance**

The Hong Kong Exchanges and Clearing (HKEX) has recently published guidance on climate disclosures for listed issuers, and analysis of initial public offering applicants' corporate governance, and environmental, social and governance (ESG) practice disclosures in 2020/2021. The HKEX has also launched a centralized ESG education portal called ESG Academy to support listed companies in their sustainability journeys.

### **HKEX publishes net-zero guide for business and announces new ESG data display**

The HKEX has recently published guidance that introduces the essential steps for businesses to develop a pathway to net-zero. The HKEX has also introduced a new equities section on its online portal, Sustainable & Green Exchange, which displays ESG metrics of Hong Kong-listed companies.

### **Value Reporting Foundation publishes its Integrated Thinking Principles**

The Value Reporting Foundation has published Integrated Thinking Principles to provide a structured approach for considering how to create the right environment within an organization to introduce integrated thinking, and reviewing what may go wrong.

## **Corporate governance**

### **Institute conducts research into ESG assurance**

To understand the current situation of ESG assurance in Hong Kong, in parallel with the Best Corporate Governance and ESG Awards, the Institute conducted research on the ESG reporting of all the December 2020 year-end listed companies. The Institute found that, among the almost 1,900 companies included in the research, just under 5 percent of them had obtained external assurance and, in most cases, it was only a limited scope assurance. Among companies with large market capitalization, this figure increased to around 20 percent. For further details of the findings and other observations, read the full report available on the Institute's website.

## **Insolvency**

### **New ORO policy on unrealized assets**

The recently issued Official Receiver's Office (ORO) letter advises that with immediate effect when trustees apply to the court for their release from their trusteeship with unrealized assets, the trustees are required to provide to the Official Receiver full information of any unrealized assets and reasons why such assets cannot be realized.

Further details are contained in the letter and any questions on it may be addressed to Michael Cheung, Chief Insolvency Officer of the ORO, at 2867- 2515.

## **Corporate finance**

### **HKEX's consultation conclusions on reforms to enhance listing regime for overseas issuers**

On 19 November, HKEX released consultation conclusions on its proposals to enhance and streamline the listing



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regime for overseas issuers. In particular:

- One common set of core shareholder protection standards will apply to all issuers, providing the same level of protection to all investors;
- Greater China issuers without a weighted voting rights (WVR) structure can secondary list: (a) without demonstrating they are an “innovative company” and (b) with a lower minimum market capitalization at listing than currently required; and
- Grandfathered Greater China issuers and Non-Greater China issuers eligible for secondary listing with their existing WVR and/or variable interest entity (VIE) structures may opt for a dual primary listing.

Please refer to the press release for details.

Please also refer to the Institute's submission available on the Institute's website. While the Institute generally supported HKEX's proposals, the submission expressed some concerns about the implications of allowing eligible overseas issuers to dual primary list and retain their non-compliant WVR and/or VIE structures, even if they are de-listed from the exchange on which they have a primary listing.

## Taxation

### Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- Couple convicted of falsely claiming deductions of expenses of self-education and approved charitable donations.
- List of Qualifying Debt Instruments (as at September 2021).
- Stamp Duty statistics.

## Legislation and other initiatives

### Announcements by the government

Members may wish to be aware of the

following matters:

- The Hong Kong government's Green Bonds Offering.
- Public consultation on updating Hong Kong's copyright regime launched.
- Secretary for Financial Services and the Treasury responds to statement by U.S. Securities and Exchange Commission.
- Speech by Hong Kong Chief Executive at Hong Kong Quality Assurance Agency Symposium – Sustainable Finance and Climate Resilience.
- Speech by Financial Secretary at 2021 Hong Kong Chartered Tax Adviser Conference.
- Speech by Financial Secretary at Asian Insurance Forum 2021.
- Government tightens boarding and quarantine requirements for places with Omicron cases detected.
- Government announces “LeaveHomeSafe” mobile application arrangements in Cap. 599F premises and adjustment to catering business modes of operation.

### AML notices

The List of individuals and entities published under section 31 of the United Nations Sanctions (Yemen) Regulation 2019 (Cap. 537CI) and List of individuals and entities published under section 30 of the United Nations Sanctions (Yemen) Regulation 2019 (Cap. 537CI) were updated on 11 November. See the relevant United Nations Security Council (UNSC) press release.

The United Nations Sanctions (Mali) Regulation 2019 (Amendment) Regulation 2021 was gazetted on 23 November. Please also refer to United Nations Sanctions (Mali) Regulation 2019.

The list of terrorists and terrorist associates designated by the UNSC, published pursuant to the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575), was gazetted on 25 November. See the relevant UNSC press release.

The list of individuals, groups,

undertakings and entities published under section 25 of the United Nations Sanctions (ISIL and Al-Qaida) Regulation (Cap. 537CB) was updated on 25 November. See the relevant UNSC press release.

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

*Please refer to the full versions of Technical News on the Institute's website: [www.hkicpa.org.hk](http://www.hkicpa.org.hk)*



In a city like Hong Kong, notorious for its demanding work culture, some turn to extreme or more unusual sports for a much needed release. Four thrill-seeking CPAs talk to **Thomas Lo** about the activities they do to shake things up in their lives

# LIVING LIFE TO THE FULL





Rio Lam FCPA,  
Director of Acuity  
Transaction  
Services Ltd.,  
paragliding over  
Shek O.

**R**io Lam FCPA, Director of Acuity Transaction Services Ltd., will never forget how he felt when he saw paragliders soaring through the sky while hiking Dragon's Back, a trail in Shek O. "I wondered what it would be like to glide through the air, to swing, and to spiral down. I thought it would be incredible to view the landscape the way only birds see it," Lam says. Wanting to try it out himself, he signed up for a tandem flight and shortly after landing, knew that paragliding was the sport for him. "I could feel the strong wind blowing against my face as I moved upwards. All I could hear was the sound of wind and my heartbeat. It was a feeling full of joy and exhilaration," he recalls. "You have to try it to understand it."

Lam is one of many CPAs who take up adrenaline-pumping activities whenever they have the time. Despite carrying a larger risk than the average hike, some Institute members find that taking part in extreme or adventure sports help them both physically and mentally, and to maintain a healthy work-life balance.

### A childhood dream

"Flying, I believe, is a dream for everyone," says Lam. "But for me, it's a dream come true." His fascination with flying inspired him to attain his private plane license while he was living in Vancouver in 2007. He has been flying for 15 years and paragliding for five. After the tandem flight, Lam went through three months of courses to pass the P2 certification exam, allowing him to fly without the supervision of an instructor.

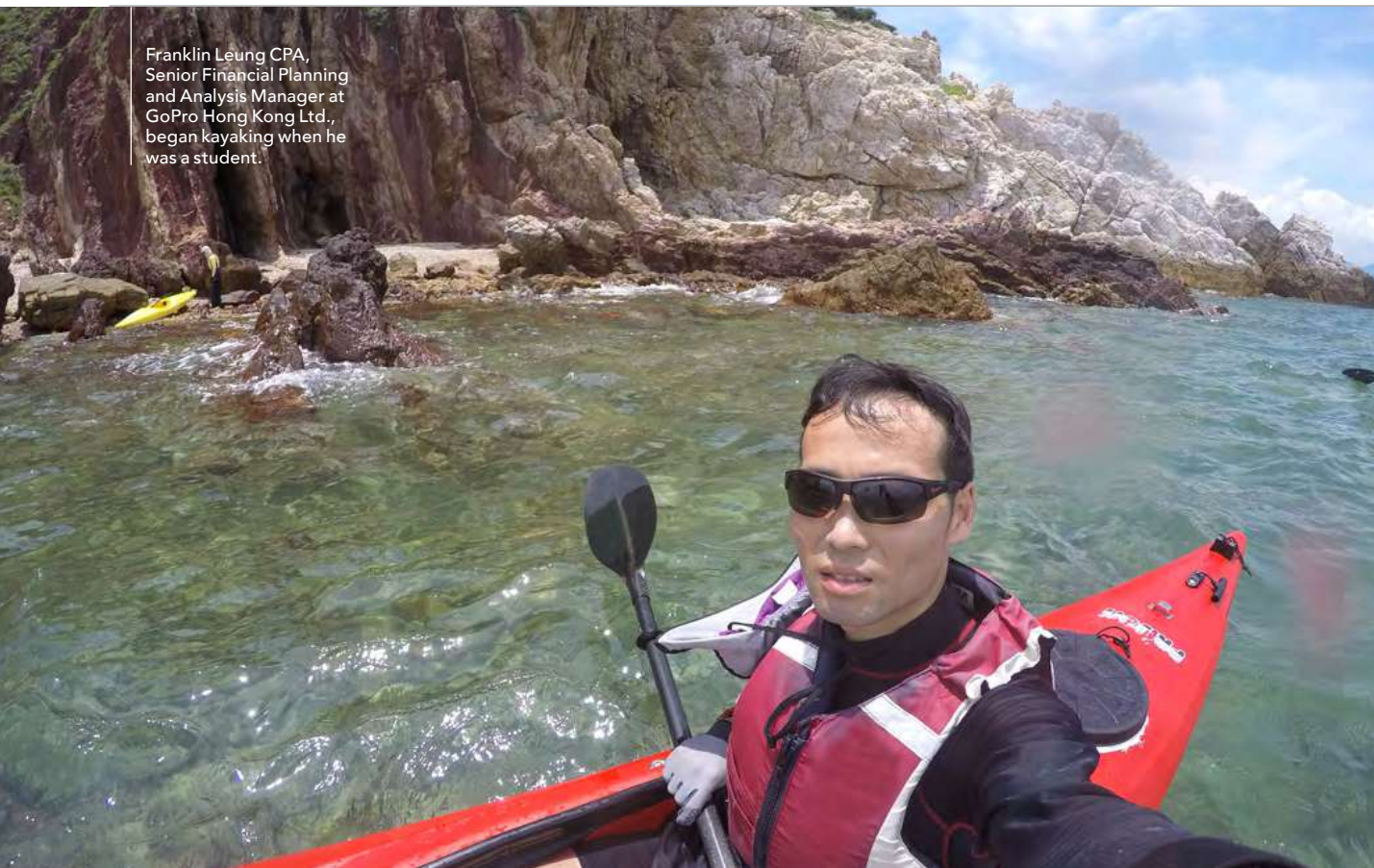
"Swimming, cycling, triathlons, sailing, rock climbing, scuba diving, racketball, badminton – I have done many different indoor and outdoor activities at different stages of my



## WORK AND LIFE

### Extreme sports

Franklin Leung CPA, Senior Financial Planning and Analysis Manager at GoPro Hong Kong Ltd., began kayaking when he was a student.



life. But now I only do running and paragliding – and paragliding is the best and most enjoyable. No other sport provides this level of speed, freedom and excitement,” Lam adds.

Paragliding is a derivative of parachuting but there are some key differences, Lam explains. “Unlike parachuting, it is common for us to fly for hours. We can control where we go, how fast, and how high we go,” he says.

The sport has taught Lam different lessons. “Being a paraglider requires patience – you have to wait for the right time to fly,” he explains. “Even if the observatory tells you it is the perfect day, it might not be the case and you have to go home. This happens more than you think. A bit like life, there are uncertainties and things do not

always go the way you expect.”

Lam also helps the less fortunate through paragliding. In August, he organized a tandem flight in south Lantau Island for a child with Duchenne muscular dystrophy, a disease that causes muscle degeneration. After watching an episode of *Hong Kong Connection*, a documentary produced by RTHK in 2020 introducing the disorder, Lam wanted to do something to help. He contacted the family in the documentary, who were more than happy to meet with him and allow their son to paraglide with Lam.

He then recruited some volunteers to help him carry the child and equipment up 400 meters to the take-off spot on a mountain and took to the skies. “When I heard him shouting in the air with such joy, all the hard work was worth it,” Lam recalls. “I can only do so much, so I did what I could do – give him the opportunity to fly.”

Paragliding, above all, offers Lam a moment of peace away from his hectic schedule. The adrenaline rush he gets from being

able to fly alongside eagles has kept on bringing him back to the sport all these years. “This is why I never get bored of paragliding,” he says, adding that he looks forward to furthering his passion for paragliding by obtaining his instructor qualification as soon as exams can safely be hosted.

#### Learning to stay positive

Franklin Leung CPA, Senior Financial Planning and Analysis Manager at GoPro Hong Kong Ltd., picked up kayaking again around seven years ago after he stopped for years, to pep up his life outside of work.

He learned how to kayak 30 years ago when he was a student, after taking courses and then deciding to qualify as an intermediate-level paddler. “I did it for a year or two, but stopped due to work commitments,” Leung explains.

According to the recommendations of the Hong Kong Canoe Union, which is Hong Kong’s only organization

**“Tell yourself: ‘I will get through it and I will come back stronger.’ That’s a must. It is all about staying positive in the worst situations.”**

**“No other sport provides this level of speed, freedom and excitement.”**



for canoeing and kayaking, every kayaking trip should have at least two to three people in case of an emergency. It also recommends kayaking with others who share similar levels of experience.

“Being a beginner is not a really enjoyable experience, as your back, abdominals and thighs can get sore after a session,” Leung adds.

Kayaking enthusiasts must keep an eye on the weather, Leung says. “I might have to deal with choppy waves or terrible weather along the way, but this has taught me that preparation is crucial. If you know that there are monsoon winds or a thunderstorm approaching ahead of time, you better know not to go kayaking,” he adds.

One trip from Clear Water Bay to Tung Lung Island was particularly challenging, he recalls. “The first half of the trip was great. I was effortlessly riding along with the wind and the waves. But the return trip was torture,” he elaborates. “I

paddled and only moved about one kilometre in an hour because of the winds. Every time I stopped, I drifted backwards. This experience taught me to plan ahead.”

Kayaking also builds one’s character, notes Leung. “When you go kayaking, you might think you are not strong enough, especially if you’re new to the sport. In situations like this, pick yourself up,” says Leung. “Tell yourself: ‘I will get through it and I will come back stronger.’ That’s a must. It is all about staying positive in the worst situations.”

### Catching waves

In the summer months, Katy Wong CPA, can usually be found aboard a flat board, taking in the sea and sun through one of the most popular water sports in Hong Kong.

Wong, Tax Manager at RSM Hong Kong, began wake surfing last year and has social media to thank for it. “My friends started

wake surfing and posted photos and videos on their social media, which got me interested,” she explains. She and her friends then started meeting up in Sai Kung to practice on the weekends.

Wake surfing, Wong says, can be difficult for beginners since surfers have to tread carefully on the surface of the water as the boat accelerates, leading many to fall early on or at the start. But she found it to be relatively easy. “I could stand up straight at my first attempt, while others might get it after seven to eight attempts,” she says, adding that her running habit may have helped. “My core and legs are strong, which is a good foundation for wake surfing.”

After learning how to skim across the water, one can then move on to learning a few trick moves, Wong says, that require strong core muscles and good balance. “I am still a beginner. I learned carving, board slides, and lip slides,” Wong explains, referring to basic skills

**“Learning how to maintain balance in both life and on the board, and fighting until you succeed are the precious lessons I learn from wake surfing.”**

Katy Wong CPA,  
Tax Manager at RSM  
Hong Kong, wake  
surfing in Sai Kung.



# A world of communications

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Ricky Hung CPA, First Vice President at China Construction Bank (Asia), participated in this month's Cross Harbour Race.

that new wake surfers can start with. "I am learning to perform the 360-degree turns and the Ollie, which is where a wake surfer jumps and stays in the air for a moment. I've always wanted to learn this one."

Wong is inspired by the skills of Jodi Grassman, a female professional wake surfer who has won the Masters Wakesurf Championships twice and the Pro Wakesurf World Championship four times. In her spare time, Wong enjoys learning techniques through Grassman's videos.

Wong's passion for the sport continues to drive her through each challenge, and also offers her important life lessons. "You won't get hurt even after falling a thousand times," she adds. "Learning how to maintain balance in both life and on the board, and fighting until you succeed are the precious lessons I learn from wake surfing."

Wake surfing also provides her with the opportunity to have deep conversations and create precious memories with her friends. It reminds her there is more to life

aside from work. "Those three to four hours we spend wake surfing together are always fun, and it's great sharing these moments with your close friends," she notes. "These are memories we can talk about over and over again."

### Finding inner peace

Since taking part in his first Cross Harbour Race in 2014, Ricky Hung CPA, First Vice President at China Construction Bank (Asia), has participated in the gruelling contest every year. "Without a goal, swimming gets boring easily. Applying for the race every year gives me a strong incentive to continuously improve on myself," Hung explains.

First held in 1906, the Cross Harbour Race has a long history in Hong Kong. Due to water quality issues, the race was suspended for 33 years up until 2011, when the race returned and drew thousands of swimmers worldwide to swim together in Victoria Harbour. The race intrigued Hung, who has always been a keen swimmer. "Swimming

across Victoria Harbour is normally prohibited by the law. So I thought 'why not?'" he says.

Hung, who took part in this month's Cross Harbour Race, wasn't too concerned with beating his previous records, but viewed the event as a way to work on his technique. "It's my sixth time competing, so not much can surprise me at this point. Instead, I wanted to refine my swimming skills," he says. "I used to complete the race with breaststroke, but this year I wanted to push myself. Hence, I switched to freestyle. It was exhausting, but worth the effort."

The Cross Harbour Race is physically demanding as swimmers have to swim approximately one kilometre. Factors such as the cold temperature of the water in the early hours and turbulence in open water can also be a challenge.

Hung usually trains twice a week. "I join the Institute's swimming classes on Thursday night from 8 to 9 p.m. A swimming session on Thursday night is what keeps me refreshed during the week," he explains. "If you only swim alone, you will never know how you can improve."

Being a father of two, Hung usually brings his children to swimming classes on Sunday mornings. "Most of the time, the three of us are with the elderly and are the first batch of swimmers at 6:30 a.m.," says Hung.

While his children are having their lessons, Hung trains by swimming in the next lane. "Neither the early hours nor time management pose any difficulty for me. The cold water is a real challenge for me to overcome," he adds. "It puts your willpower to the test."

For Hung, open water racing is mainly about competing with himself, noting that his Sunday morning swimming sessions have become a form of active meditation. "I find peace by focusing on my technique, breathing rhythm, and the efficiency of my movements," he says. "I gain clarity whenever I swim. It raises my energy levels and keeps me sharp at work."

**"Without a goal, swimming gets boring easily. Applying for the race every year gives me a strong incentive to continuously improve on myself."**



Hong Kong's terrain is hilly and mountainous. There are over 550 named peaks in the city and more than 700 kilometres of coastline, which offer ample opportunities to do a wide variety of extreme sports such as mountain biking, dirt biking, scuba diving, windsurfing, rock climbing, canyoneering and zip lining.





**YOUNG MEMBER OF THE MONTH**


Agnes Cheuk CPA

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# AGNES CHEUK CPA

Compliance Manager at  
Airwallex Hong Kong Ltd.





As Compliance Manager at Airwallex Hong Kong Ltd., Agnes Cheuk CPA ensures the global payments platform complies with relevant anti-money laundering regulations and advises management on the best steps to take. She tells *A Plus* how advisors like herself help to ensure the correct internal controls are in place and about the need for accountants to be proactive, lifelong learners

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

I'm a Compliance Manager at Airwallex Hong Kong Ltd., an international digital payments company. My responsibilities include designing and managing the company's risk management framework in compliance with anti-money laundering (AML) regulations, and communicating my recommendations to members of senior management. Things move very quickly in the fintech world, so it's important to stay on top of both AML and fintech updates.

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

The most challenging aspect of the role is knowing how to think out of the box in mitigating money laundering and terrorist financing risks with technology. The fintech industry is still relatively new compared with the traditional banking industry and its regulatory framework is undergoing changes. This means I need to reference common industry practices and take into account advice and regulatory expectations when making decisions and recommendations. The most rewarding aspect of the role is being able to provide compliance advice to senior management and seeing my suggestions make an impact.

**What inspired you to become an accountant?**

I was first introduced to accounting back in secondary school and inspired by my teacher. Though a lot of my classmates said it was "boring," I found it interesting because I wanted to understand how to look at a company's performance. I also learned that in the commercial world, a strong accounting background will help you to understand business, so I majored in accounting and finance at the Hong Kong University of Science and Technology. After graduating, I began my career at Deloitte as an auditor and attained my CPA qualification.

**Where do you see yourself in the next five to 10 years in your career? Which field do you plan on specializing in, and why?**

I've been working in AML for more than six years now and I want to continue doing so. Working in compliance is very different from working in accounting or auditing, which is more focused on analysing the financial performance of a company. In financial accounting, we look back and see the reasons for the company's performance. But in the compliance world, we look forward to see the compliance risks behind a company's processes and operations. I need to conduct compliance reviews of high-risk customers, related issues and review potentially suspicious cases for regulatory reporting and filing. By spotting and addressing red flags early on, we can help companies grow healthily and avoid regulatory enforcement. This is what I find interesting and why I want to stay in the field.

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

It would be the importance of having a professional scepticism mindset. Having worked on fraud cases in my previous roles, I learned that in order to be a good auditor, you can't just simply report what your clients have said; you need to maintain a level of curiosity and assess the credibility of a client's information. With a professional scepticism mindset, you're able to look at the financial performance of a company, design certain audit procedures and then reasonably audit those figures to ensure they are accurate and complete. Working in compliance doesn't make you an investigator; we act as a second line of defense within a company and try to close loopholes when they are identified. Having an effective line of defense will make it more difficult for criminals to launder criminal proceeds.

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

I remember learning about financial reporting, business assurance, taxation and corporate governance when I was a QP student. Back at Deloitte, I applied key fundamental concepts during audits, which I learned from the QP. But the most important lesson I learned from the programme was the need to be proactive. It's easy to fall into a routine at work and forget that we need to continue learning. The world is rapidly changing, so it's crucial for us as accountants to stay updated, especially when it comes to using new technologies on the job. My CPA training has broadened my horizons and allowed me to look at different companies' financial performance, especially in the AML world. Without this experience, I doubt I would be able to do so. The QP is ideal for fresh graduates as it equips them with expertise to stand out and also opens up a whole host of career possibilities.

## AFTER HOURS

As recommended by Institute members

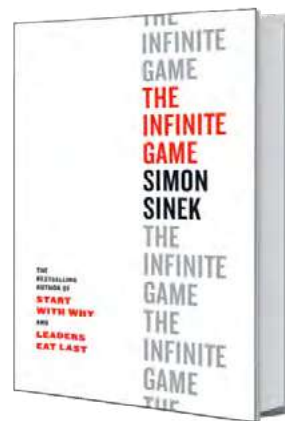


### Hike

“For a more ‘off the beaten path’ hike in Hong Kong, try the Wa Shan trail. The trail, also known as the ‘Great Wall of Hong Kong,’ is a 5.6 kilometre former military road in the northern New Territories. It connects Fu Tei Au in Sheung Shui to Ping Che Road in Fanling, and you’ll be treated to 360-degree views of Sheung Shui, Fanling and Shenzhen. Other highlights along the hike include a view of the PLA San Wai Camp, San Uk Ling Firing Ground and a large rock with four Chinese characters. It’s a relatively easy hike that can be completed in around three hours. To reach the starting point, take the 73K bus from Sheung Shui Station Bus Terminus and get off at Fu Tei Au.” – Gordon Liu FCPA, retired

### Read

“In the book *The Infinite Game*, author and inspirational speaker Simon Sinek argues that business is an infinite game, one in which competition comes and goes. He talks about treating business as an infinite game, with the focus on building a lasting company. This is especially true in today’s COVID era, where we see the market constantly shifting. Sinek provides a framework at the beginning of the book to help readers “shift” to having an “infinite” mindset. Instead of starting with “how,” Sinek says start with the pursuit of “why,” as this will provide you with a vision that creates purpose and inspiration for the future. The book is inspirational and definitely worth the read!” – Kevin Lai CPA, Head of Accounting at Richemont Asia Pacific Limited



### Listen

“I have been listening to some songs from Finneas O’Connell, an American singer-songwriter more commonly known as FINNEAS. I particularly like his song *Another Year*. It is a piano ballad and is his first Christmas song. Though the song was released on 1 December 2020, FINNEAS said in a statement he first wrote the song in December 2019, inspired by the uncertainty that laid ahead. He added: “Had I known anything I know now about how 2020 would go, I don’t think I would have changed a word. I hope wherever this song finds you, it brings you some small dose of comfort. The horizon is bright, I think.” – Summer Li CPA, Manager at Alvarez & Marsal (Disputes and Investigations)





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