



DRIVING BUSINESS SUCCESS

Issue 1 Volume 18 January 2022

PLUS:

THE NEXT BIG THING

CPAs share their views on the trends accountants should look out for in 2022

GREATER BAY AREA

How companies and accounting firms can develop in the Greater Bay Area

SECOND OPINIONS

How can Hong Kong maintain its status as an international IPO hub?



THE BIG RETHINK

Loretta Fong CPA
(practising), the Institute's
President, on what will
be a critical year for the
Hong Kong profession



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“As the President in the 49th year of our Institute, I aim to lay a good foundation so that we can celebrate our 50th anniversary, our golden anniversary, from a position of strength.”



Dear members,

I am thrilled to have been elected as President of the Hong Kong Institute of CPAs. 2022 is a critical year for the Institute – it's a year where we have to rethink what we do, reposition ourselves as a body, rebuild our image in society, and reinforce our members' trust in us.

The regulatory reform this year will transform the Institute. We will work hard with the Financial Services and the Treasury Bureau and the Financial Reporting Council to ensure that the reform is implemented smoothly and efficiently, so that the profession can be confident in the new regime.

The reform is a good opportunity to reposition the Institute, to refocus on supporting members with more technical matters, and provide a new level of support and have more flexibility in what we do. Although the Institute will be changing, we will still remain the profession's voice in Hong Kong, and Hong Kong's voice on the international stage, reflecting the views of our members to government and standard setting bodies. On the international stage, the development of the International Sustainability Standards Board under the IFRS Foundation will provide the profession the opportunity to contribute to this important area.

Our Qualification Programme (QP) has trained generations of accountants for over 20 years. After the Capstone was sat for the first time in the December 2021 examination session, the new QP, which reflects our key stakeholders' demands

for what they need from professional accountants, is fully introduced. The QP will be training the future generation of Hong Kong's accountants in the technical and soft skills necessary for success.

In order to reposition the Institute, the Council must work closely with the various committees, working groups and advisory panels to ensure that our strategic initiatives are implemented efficiently. We must clearly communicate in order to develop and implement our plans that support the profession.

As the President in the 49th year of our Institute, I aim to lay a good foundation so that we can celebrate our 50th anniversary, our golden anniversary, from a position of strength.

You can read more about me, and my plans for the year ahead in my interview with *A Plus* on page 8.

Advocating for a better future for Hong Kong and improvements to the business regime is an important task that the Institute undertakes.

In mid-January, we held a media briefing on our budget submission for 2022-23. Under the theme “Building a Sustainable Future for Hong Kong, its Economy and Community,” the submission includes more than 40 measures, both immediate and longer-term. These are aimed at maintaining the city's competitive edge, ensuring a sustainable tax system, rolling out relief measures to help businesses and citizens ride through these challenging times,

and helping Hong Kong achieve the goal of carbon neutrality by 2050. You can find the submission on the Institute's website, and there will be a budget response after the financial secretary delivers his budget next month.

As professional accountants we all know the importance of maintaining work-life balance. Yoga is important to me and what keeps me balanced. I've been practicing yoga for over 10 years now, and find that it helps me to de-stress after a busy day and stay fit and healthy. It allows me to calm down and have a moment of clarity, refreshing my mind and enabling me to concentrate again on my work. To encourage members to give this activity a go, I helped to lead an e-seminar in mid-January organized by the Sports and Recreation Committee on some simple yoga poses that I find help me to relax my tight muscles and ease pain in your neck, shoulders and back after a long working day.

I recorded a video to celebrate the Chinese New Year, and set out the Institute's tasks for the year ahead. You can find it via the Institute's website and YouTube channel. The year of the tiger will be a transformative year for the Institute. During my presidency, I intend to imbue in the Institute the attributes of the tiger: power, determination and adaption, so that we can succeed.

With Chinese New Year just ahead, I wish you all safe times, good health, and prosperity.

Loretta Fong CPA (practising)
President

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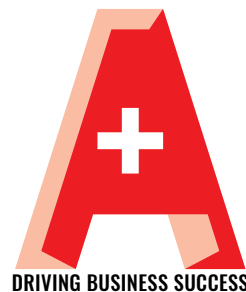
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About our name

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 releases proposals for 2022-23 budget



From left: Eugene Yeung CPA, Convenor of Budget Proposals Sub-Committee, Institute President Loretta Fong CPA (practising); and Sarah Chan FCPA, Chairman of the Taxation Faculty Executive Committee.

The Institute released its tax policy and proposals for the Hong Kong government's 2022-23 budget. Under the theme "Building a Sustainable Future for Hong Kong, its Economy and Community," the proposals include more than 40 immediate and longer-term measures. These are aimed at maintaining the city's competitive edge, ensuring a sustainable tax system, rolling out relief measures to help businesses and citizens ride through these challenging times, and helping Hong Kong achieve the goal of carbon neutrality.

The Institute estimates that the fiscal deficit for 2021/22 will reach HK\$25.2 billion. This is significantly less than the government's original estimation of over HK\$100 billion, as a result of better-than-expected economic performance in the second half of 2021 and robust land sales, which indicates that developers have an optimistic outlook for the property market in the coming few years. Fiscal reserves are expected to stand at HK\$902.6 billion at 31 March 2022.

"Despite these positive signs, the situation remains very uncertain," says

Loretta Fong CPA (practising), Institute President. "Our proposals recommend that the government adopt a number of specific short-term relief measures, while, at the same time, enhancing the Hong Kong economy by promoting digital transformation, and building on the opportunities presented by the development of the Greater Bay Area. More also needs to be done to maintain our competitive edge and build a sustainable future."

The full budget proposal is available on the Institute's website.

New committee appointments

The appointments to the new term of the Institute's committees and panels to support the activities of the Council have been finalized. Learn about the committees and their composition for the year ahead through the "Committees" section of the Institute's website.

Net zero commitment and ESG Information Centre

The Institute has joined 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 within their own organizations, as well as provide an enabling environment for their membership to do the same.

As part of our net zero efforts, a new ESG Information Centre is now available on the Institute's website to provide members with regular updates on the latest market development and thought leadership. The Institute has also appointed a Sustainability Lead and formed a task force to develop our net zero pathway going forward. Stay tuned for our further support and development on ESG matters.

Code of ethics webpage

The Institute has launched a new webpage on the Code of Ethics for Professional Accountants to help members uphold professionalism. The page includes links to educational material, and other relevant information. Visit now via the Institute's website.

Minutes of the 49th AGM

The minutes from the Institute's 49th annual general meeting (AGM) held on 9 December 2021 are now available for members to read.

Council meeting minutes

The abridged minutes from the December 2021 Council meeting are now available for members to read. They can be found in the "Members' area" of the Institute's website.

Blessings for the year of the tiger

The Institute wishes you and your family, friends and colleagues a prosperous and fruitful year of the tiger. Visit the celebration webpage to watch greeting videos featuring the President, and download some *e-fai chun* to deliver blessings.

Resolution by agreement

Chung Koon Shing, Patrick CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of professional competence and due care under sections 100.5(c) and 130 (for the 2013 to 2018 audits) and sections 110.1 A1(c) and R113.1 under Chapter A (for the 2019 audit) of the Code of Ethics for Professional Accountants.

Chung was the honorary auditor of an entity registered under the Trade Unions Ordinance (Cap. 332). He issued an unmodified auditor's report on the statement of account of the entity for each of the seven years ended 31 August 2013 to 2019. However, the audit procedures performed by Chung were deficient in that he did not (i) evaluate how the limited extent of the audit work performed on the entity's receipts and expenditures met the statutory requirements; (ii) adequately analyse the nature of the receipts to support his conclusion that the entity was exempted from profits tax; and (iii) obtain an adequate understanding of the internal controls related to the entity's recording of its receipts and expenses. Furthermore, Chung failed to specify the accounting framework under which the statement of account had been prepared, and the auditing and assurance standards under which the engagement had been conducted.

As a result, Chung failed to (a) design and perform audit procedures to obtain sufficient appropriate audit evidence in accordance with Hong Kong Standard on Auditing (HKSA) 500 *Audit Evidence*; (b) obtain an understanding of the client, its environment and internal controls in accordance with HKSA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*; and (c) prepare sufficient audit documentation to support his audit conclusion in accordance with HKSA 230 *Audit Documentation*.

When considering the sanctions to be imposed against Chung, the Institute took into account the circumstances of this case, including the mitigating circumstances of Chung.

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

1. Chung acknowledges the facts of the case and areas of non-compliance with professional standards;

2. Chung be reprimanded; and
3. Chung pays costs of the Institute of HK\$15,000.

Disciplinary finding

Wong Ho Yuen, Gary CPA (practising) and Chan Lap Chi CPA (practising)

Complaint: Failure or neglect by Wong to observe, maintain or otherwise apply HKSA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 230 *Audit Documentation*, HKSA 500 *Audit Evidence*, and HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*. Failure or neglect by Chan to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.

Wong was the engagement director and Chan was the engagement quality control reviewer in an audit carried out by Confucius International CPA Limited on the consolidated financial statements of a Hong Kong listed company and its subsidiaries for the year ended 31 December 2018. The audit was selected for review as part of the Institute's practice review.

The practice reviewer identified significant deficiencies in the audit procedures carried out by the audit team on impairment assessment of the company's intangible assets, comprising technological know-how, a distribution vending system, and deferred development costs for patents. Chan failed to perform an adequate engagement quality control review of the significant judgements made and conclusions reached by the audit team in the impairment assessment.

Decisions and reasons: The Disciplinary Committee reprimanded Wong and Chan. In addition, the committee ordered Wong and Chan to pay penalties of HK\$100,000 and HK\$50,000 respectively, and to pay costs of the disciplinary proceedings of HK\$104,394. When making its decision, the committee took into consideration the particulars in support of the complaints, the agreed mitigating factors, and the conduct of Wong and Chan throughout the proceedings.

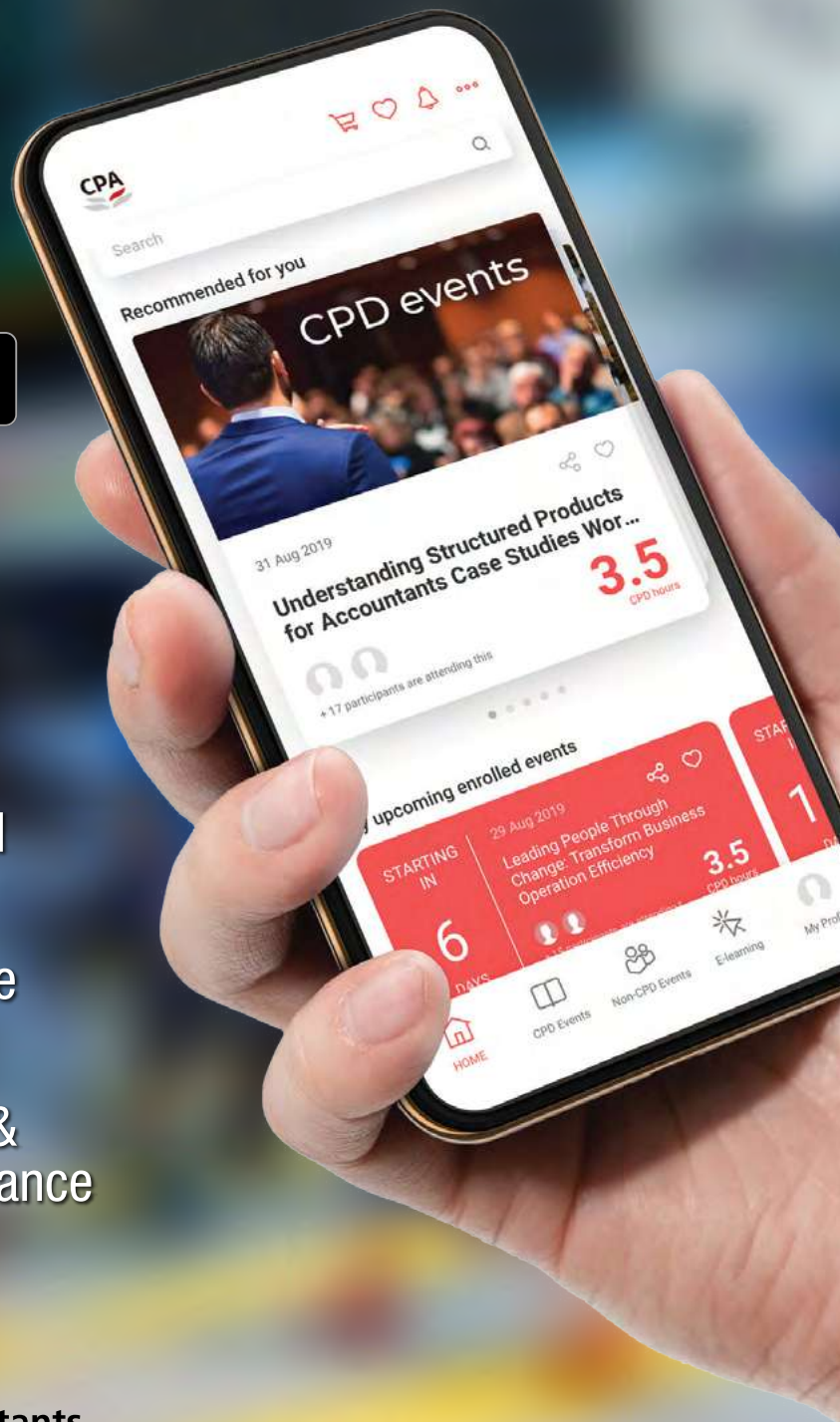
Details of the resolution by agreement and disciplinary finding are available on the Institute's website.

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6.4%

What Paul Chan FCPA, Hong Kong's Financial Secretary, said he estimated Hong Kong's gross domestic product (GDP) growth figure in 2021 to reach. This follows 18 months of recession. Chan said 2022 could follow a positive trajectory, but that the pandemic still posed a significant threat.

Guidelines for Effective Audit Committees - Selection, Appointment and Reappointment of Auditors

Title of the first of a new publication series by the Financial Reporting Council that provides practical guidelines for audit committees to achieving audit quality. More details on *Technical News* on page 37.

Chapter 18B

Where the new rules from the Hong Kong Stock Exchange specifically relating to SPACs are set out. The new rules took effect on 1 January. Retail investors will be barred from investing in SPACs. More details on *Technical News* on page 39.



Asia's first special purpose acquisition company (SPAC) finished 1 percent higher on its first day of trading in Singapore on 20 January. Vertex Technology Acquisition Corporation said it aims to acquire at least one company within two years of listing, with a focus on fintech, artificial intelligence and cybersecurity.

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The number of billionaires and millionaires that signed an open letter sent to leaders at the virtually held World Economic Forum in Davos. Signatories including Nick Hanauer, an early investor in Amazon, called for more wealth taxes globally, saying the ultra wealthy should pay more to help world economies recover from the pandemic.

75%

How much lower than forecast the Hong Kong government's fiscal deficit is estimated to be, according to the Hong Kong Institute of CPAs' tax policy and budget proposals for 2022-23. The Institute estimated that the deficit for 2021/22 would be HK\$25.2 billion, well below the HK\$101.6 billion forecast set out in February 2021.

25-50%

The salary premium job candidates with environmental, social and governance (ESG) expertise can command in Hong Kong and Mainland China, according to recruitment firms. Companies are increasingly being compelled by regulators and investors to add ESG metrics to their disclosures.

8.1%

Mainland China's GDP growth in 2021, beating the government's own 6% target. However, growth in the fourth quarter (4%, year on year) slowed significantly to an 18 month low. Observers expect continued uncertainty around the real estate market to be a significant drag in the first quarter of this year.

China Merchants Bank

The parent of the first company to file an application to list a SPAC in Hong Kong. In its filing, Aquila Acquisition Corporation said the SPAC aims to acquire "a technology-enabled company in 'new economy' sectors (such as green energy, life sciences, and advanced technology and manufacturing) in Asia, with a focus on China."

PROFILE

Loretta Fong CPA (practising)

LEADING A NEW ERA

It's time to chart a new course for the Hong Kong Institute of CPAs, says Loretta Fong CPA (practising). The Institute's President tells [Jeremy Chan](#) how she plans to lead the Institute through regulatory reform, and why focusing on the development of members, especially younger members, will be key to strengthening the profession both locally and globally

Photography by Calvin Sit

When Loretta Fong CPA (practising) was a secondary school student, becoming an accountant one day was the furthest thing from her mind. She ended up studying for a popular business administration degree in university, but after balancing her first balance sheet during an accounting module, something clicked. "It was very satisfying, and I found it to be more practical than other modules I was studying at the time," she says. Fong then switched to studying accounting, and joined Arthur Andersen, which later merged with PwC in Hong Kong in 2002, right after graduating. "I didn't think twice about entering a Big Four firm. I knew that laying a solid foundation and getting a professional qualification would be necessary after studying accounting for so many years, and before moving into something else if I wanted to – but I didn't."

Fong has witnessed how the profession has changed over the years, with firms expanding their service offering in response to



PROFILE

Loretta Fong CPA (practising)

Loretta Fong CPA (practising) has played an active role in the Institute, having served as a member of the Corporate Finance Committee from 2012 to 2016, the Auditing and Assurance Standards Committee since 2015, and on the Council since 2017.



client demand and new technology, and with the growth of accounting specialisms. Now, as the Hong Kong Institute of CPAs' President, Fong is using this insight to lead the organization through a transitional period, with changes soon taking place to its responsibilities, and to help all Institute members take advantage of future opportunities. "I am thrilled to be elected," says Fong. "This year is a critical year for the Institute; it's the year of rethink. The Institute needs to reposition itself, rebuild its image and reinforce members' trust in us."

New direction, new objectives

For Fong, navigating the regulatory reform of the profession and ensuring a smooth transition of powers to the Financial Reporting Council (FRC) will be top of her mind. The reform of the regulatory regime of the accounting profession was first announced on 8 June 2021, and the Financial Reporting Council (Amendment) Bill was passed by the Legislative Council

on 22 October 2021, signalling the shift of powers from the Institute to the FRC later this year. The move, which will see the FRC be renamed the Accounting and Financial Reporting Council, will see the FRC responsible for the issuance of practising certificates, registration of practice units, carrying out practice reviews, inspections and investigations, and imposing disciplinary penalties on CPAs, practice units and public interest entity auditors.

Fong views the reform as a way for the Institute to reorient itself, and play a bigger role in supporting its members. "Historically, our hands have been tied," says Fong, explaining that the Institute's role as a regulator has made it challenging to provide detailed technical support as it posed a "threat of self-review."

Before becoming President, Fong has played an active role within the Institute, having served as a member of various committees since 2012, including the Corporate Finance Committee from 2012 to

2016, the Auditing and Assurance Standards Committee since 2015, and on the Council since 2017. "I've put forth suggestions with regards to helping our members. The feedback I've received has usually been 'we can't help to that extent because we are also regulators who are regulating them.' With the reform, the Institute can provide more support to our members and give them more specific advice."

Fong notes that change is not just driven by the reform. "Helping our small and medium practitioners (SMPs) to upskill and to digitalize has been on the agenda for a while now," she notes. "We hope to take a big leap forward and really help SMPs to digitalize, such as through the digitalization of audit processes, and further continuing professional development programmes."

Fong is well aware that some members may be worried about the changing regulatory regime, and emphasizes that the Institute will communicate closely with them on the matter to allay any concerns. "I understand that small practitioners

might be especially anxious as they may be unsure of the benchmarks the FRC is going to use. With this in mind, more communication needs to happen with these small practitioners in a transparent manner – not just from us, but also from the FRC – so members can understand what is going to take place this year,” she says, adding that dialogue about the changes is also needed with non-practitioners.

As President, Fong will focus on ensuring all arrangements will be in place in time for the transition of powers later in the year. “Everything will need to be finalized by summer, so we only have half a year to make arrangements and publicize them to members. The speed in which this transition is happening will be a challenge,” she explains, pointing out that meetings and discussions are taking place between the Institute and the FRC. “However, details still need to be worked out in terms of how the transfer will take place operationally. This needs to happen quite quickly.”

The Institute, she stresses, will continue to play a key role in the profession following the transfer of powers. The Institute will maintain important responsibilities, including registering CPAs, and setting professional examinations and continuing professional development requirements. It will also retain its role as a standard setter, setting ethical, financial reporting, and auditing and assurance standards. According to a survey of members and Qualification Programme (QP) students the Institute carried out in July 2021, respondents indicated that they believe the Institute should continue representing the views of the profession and ensure that its professional development programmes match changing practices and expectations.

“It is important that the Institute stays focused in these areas and provide value to our members,”

she says, noting that the Institute will continue to administer the QP, participate in the international space in reflecting the views of Hong Kong accountants in standard setting, and provide local guidance for practitioners.

Fong is confident that the QP, which held its Capstone level for the first time in the December 2021 examination session, will continue to attract both fresh graduates and young professionals and nurture them into full-fledged accountants. “I am delighted with the rollout of the new QP. It’s a reflection of what our key stakeholders demand from our members,” she says. “QP graduates are trained to not only be proficient in accounting, but also in finance and other disciplines, and to have an analytical mindset, which will prepare them to survive in the business world.”

Another one of Fong’s key objectives will be to forge better connections between the Council and the committees, with the aim of ensuring the Institute meets both short-term and long-term goals. “We have had three- or five-year plans in the past. How we execute these plans and communicate all ideas to our committees has to be done more effectively; there needs to be more collaboration,” she says.

Council members, Fong notes, should participate in various committees, and vice versa. “This is something I’m really hoping for. We have a number of committees for various initiatives, and these committees may or may not be led by Council members. We need more committee chairmen or committee vice-chairmen participating in our Council meetings,” she says, adding that increased communication between both Council and committee members would help to align goals and implement new plans.

Building trust

Fong also notes the importance of the Institute’s image in society,

“Everything will need to be finalized by summer, so we only have half a year to make arrangements and publicize them to members. The speed in which this transition is happening will be a challenge.”

and wants to enhance society’s trust towards the profession. “As President, I really hope to rebuild society’s image of accountants by showing what accountants are capable of and how we contribute,” she says. Having a better online presence, she says, will be key to achieving this goal. “People rely a lot on social media these days, so we need to do more in this area.”

Increased awareness of members and the important roles they play in society, she adds, will also help to reinforce their trust. “The public has to understand how accountants serve society. I haven’t seen enough member engagement in the past, so I really want to do more with respect to that,” Fong says, highlighting that there is a need for the Institute to communicate to the public that CPAs specialize in a wide range of fields beyond accounting. “Over 80 percent of our members are non-practising certificate holders and they contribute to society in many different ways. Members may not even be working on accounting-related tasks anymore, which goes to show how versatile and valuable to society our members are. Accountants should be proud of the fact that they are part of the Institute.”

Fong is proud that the Institute is globally recognized, and stresses that its international recognition



Loretta Fong’s focus areas for this year include: navigating the regulatory reform of the profession; building better connections between the Council and the committees; enhancing the image of the accounting profession in society; reinforcing trust with members; developing the careers of young members; promoting sustainability; and enhancing the Institute’s relationship with the Mainland and other overseas accounting institutes.

also needs to be communicated in order to build a stronger sense of belonging among members. “The Institute is, without a doubt, well known. I’ve participated in international standard setting board meetings, and they indeed always seek comments from Hong Kong as the city is an international financial centre, and a bridge between Mainland China and the west. Our comments are always very valuable,” explains Fong. She points out that the Institute has representatives within committees under the International Federation of Accountants (IFAC), such as past president Johnson Kong, who has represented Hong Kong in its Small and Medium Practices Advisory Group since 2017. “However, I believe that more can be done to promote our responses to international papers and consultations, for example. I don’t think that we have made this too evident to our members. More communication is needed to show how we have been interacting internationally with the IFAC board or other international standard setters. The Institute also needs to stay focused and continue reflecting our members’ views in the international arena.”

Nurturing the next generation

The Institute needs to continue its efforts in nurturing its younger demographic, notes Fong. According to data from the Institute’s *Annual Report 2021*, more than 60 percent, or around 24,600 members, are at or under the age of 44. “The Institute has a big role to play in helping members, and young members are essential for the future development of Hong Kong and the Greater Bay Area (GBA),” notes Fong. She praises the Institute’s specialist training programmes in financial controllership, insolvency, taxation, business valuation and forensic accounting, noting that they have nurtured hundreds of

CPAs, who have graduated from those programmes and then gone on to specialize in those respective fields. “Helping our young members to specialize, whether in audit or other fields, is particularly important.”

Fong hopes to help young members by making sure they receive tailor-made career advice. “I propose providing young members with customized training advice, through aptitude tests for example, to identify areas where they need to improve and then design training programmes for them – this will greatly help them to improve. This is one thing I have in mind.”

Fong also hopes to introduce programmes that help CPAs add value to global business trends, such as sustainability, for example, by delivering accreditation programmes in partnership with other bodies. “Environmental, social and governance (ESG) matters have been receiving tremendous attention recently, and enhancing our members’ capabilities in ESG by designing an ESG training programme, could be one of our key focuses this year,” she says.

And the next specialization

With the spotlight on ESG, Fong is confident the profession will continue leading the way when it comes to promoting sustainability among companies, and supporting accountants in providing ESG assurance. “The Institute is a forerunner in this aspect; we have been holding our Best Corporate Governance Awards since 2000, and last year, we introduced the ESG Awards, which recognize companies that are outstanding in this initiative,” she says.

In December 2021, the Institute issued *ESG Assurance in Hong Kong: A snapshot of the situation*, a study on the current ESG assurance landscape in Hong Kong with information on the percentage of companies with ESG assurance, the standards and benchmarks being used, and the

assurers of ESG reports. “Based on that report, less than 5 percent of listed entities are providing ESG assurance reports, out of which less than 50 percent of those are issued by CPAs,” notes Fong, emphasizing that the credibility of such reports is becoming more important to stakeholders. The Institute issued circulars such as Auditing and Assurance Technical Bulletin (AATB) 5 *Environmental, Social and Governance Assurance Reporting* in December 2020, which was revised in August 2021, and issued AATB 6 *Non-Authoritative Guidance on Applying HKSAE 3000 (Revised) to Extended External Reporting Assurance Engagements*, also in August 2021, to help CPAs with ESG assurance work. “We need to promote the importance of ESG assurance to the public and the investors, and to train our CPAs to provide such services.”

In November 2021, the Institute joined together with 13 other accounting bodies of The Prince of Wales’s Accounting for Sustainability Project Accounting Bodies Network and publicly pledged to achieve net zero greenhouse gas emissions. “It is important that we practice what we preach,” says Fong, noting that the commitment matters to the profession, Hong Kong and the planet itself. “It’s essential for us to make this commitment to be a good corporate citizen. By signing this commitment, we demonstrate to others that we are committed to net zero.”

“The Institute has a big role to play in helping members, and young members are essential for the future development of Hong Kong and the Greater Bay Area.”

Opportunities next door

Fong is also hoping for possible quarantine-free cross-border travel between Mainland China and Hong Kong this year. This, she says, will allow for business opportunities and cross-border audit engagements to take place in person, and for the Institute to resume dialogue with its counterparts on the Mainland. “The demand for CPAs in Mainland China is huge,” notes Fong. “There are approximately 300,000 CPAs under the Chinese Institute of Certified Public Accountants out of the 1.4 billion people in the Mainland, while there are over 47,000 members of the Institute. There are a lot of opportunities across the border, and many companies within the GBA – an area whereby the gross domestic product is one of the highest in various regions within China – are demanding CPAs for their business expansion.” A fully-open border will also facilitate talent and knowledge transfers with other cities in the GBA, Fong adds. “Our young accountants here in Hong Kong are very willing to travel, and if they could, they’d be able to witness the business opportunities in the GBA first hand.”

Laying a bedrock for success

Outside of her professional life, Fong enjoys slowing down and seeking a sense of calm through her favourite hobby – yoga. “Practicing yoga is part of my life – I’ve been practicing for over 10 years,” she says. “Some of the poses are very challenging, so that helps me to not think about work at all. I always feel so refreshed after practicing.” She also enjoyed travelling before the pandemic, and appreciates how her work as an auditor brought her to places she’d never even imagined visiting. “Auditing gave me the opportunity to travel to many places in the world and learn so much during my trips. I’ve been to Israel, India, and Myanmar for

work, to name a few.”

Her passion for her work continues to drive her as a partner at the firm. “Accounting is in many ways an art rather than a science; there could be many possibilities and alternatives in the accounting treatment for transactions, but there’s always a best option after considering all the facts and circumstances. I could be very technical, while at the same time very practical. I enjoy arriving at a solution after the consideration of many aspects.”

Above all, she is committed to fulfilling her role as President,

and is equally intent on laying the right groundwork to ensure a prosperous future for the profession. “This is the year we strengthen our members’ trust,” she says. “As the President of the Institute, together with the leadership team, I would like to lay a good foundation for the Institute to celebrate its 50th year of establishment. I’d like our members to be proud of being an Institute member, and attract people outside Hong Kong to be CPAs under the Institute, for it’s a recognition of their credibility and high standards of professionalism.”

Fong is Partner in PwC’s Entrepreneurial Group of the Assurance Division in Hong Kong.



TAKING THE FUTURE INTO ACCOUNT

Much has changed within the accounting profession since the start of the COVID-19 pandemic. With employees seeking work flexibility and firms having to find new ways to retain staff and offer value to clients, organizations have had to embrace change in order to stay relevant. **Jeremy Chan** finds out how companies and firms have continued to maintain efficiency despite difficulties, and how challenges within the last few years have driven trends that accountants must pay attention to in order to thrive

Illustrations by Ester Zirilli

It was only three years ago that Linkers CPA would arrange physical copies of each invoice to be painstakingly typed out, addressed and mailed to each of their clients. It was inefficient and used up time that could have been spent on other tasks, recalls Rex Leung FCPA (practising), Partner at the firm.

But ever since switching to a cloud platform to manage invoices, balance sheets and income statements, Leung and his firm's staff have never looked back. "A lot of routine, clerical work has now been digitalized. This has helped to save so much time," he says.

Of course, the changes are not unique to Leung's practice or even just accounting firms. This report looks at how shifts to cloud services, remote working, outsourcing staff, expertise in data analytics and environmental, social and governance (ESG), and a greater focus on advisory services, have grown in importance over recent years – driven by the pandemic and ever-changing technology – and how they are expected to further shape the profession both in practice and in business this year and beyond.

Working in the cloud

In Hong Kong, 82 percent of businesses intend to keep long-term remote working options in place, according to a study conducted by Censuswide, an independent research agency, which surveyed 1,055 business decision-makers. The study also found that cloud solutions have made it possible for businesses to continue remote work, with 76 percent of businesses noting that they have sped up plans to move all data to a cloud-based model.

The switch to cloud accounting solutions, Leung says, has not only increased productivity, but made it possible for staff to continue working remotely yet efficiently. The general ease of use and convenience of cloud platforms has also made clients more receptive towards adoption, he adds. "Since more tasks are done via cloud platforms now, our clients' administrative staff can easily scan receipts to the cloud, for example, for us to perform bank reconciliations. This bank data is automatically synchronized to the cloud," he says.

Leung notes that the team used to visit their clients' office and using software such as Microsoft Excel or other standalone software to finish off bookkeeping



or month-end closing or vouching tasks. “Vouching, management accounts, income statements and balance sheets are now automatically updated in real-time,” he says, adding that the firm also uses DocuSign, a programme that allows organizations to manage electronic agreements and sign electronically on different devices. “Our staff have been very efficient in getting this work done for our clients, particularly for those not based in Hong Kong.”

Small and medium practices (SMPs) should make use of digital solutions not just for clients but also to attract employees. “There are now fewer accounting graduates entering the market and the profession,” Leung says. “So we have to think of relatively modern approaches to performing audits, or think out of the box to work smart in terms of running our practice.”

In addition to cloud accounting, companies have also increased their reliance on other cloud services to stay connected during the pandemic. Stephen Lo FCPA, Chief Financial Officer of Prenetics, a genetics and diagnostic health testing company, says shifting to cloud solutions has helped the company to continue working remotely and also expand.

“The growth of the company has been quite substantial – we’ve grown from 100 employees from the start of the pandemic to around 800 people today,” he says, noting that the company uses Amazon Web Services, a subsidiary of Amazon.com, Inc, which provides cloud computing platforms and application programming interfaces. “We use the cloud for back-end solutions. It provides us with scalability, data security, comfort, and ease of access,” Lo says. “We wouldn’t have been able to scale so quickly if not for these cloud solutions.”

A demand for flexible and remote work is set to continue for both companies and firms this year. In



October 2021, PwC in the United States announced that 40,000 professionals would be able to work virtually outside of the office. Up until the policy shift, the firm had planned to offer a hybrid work model, in which staff would have to work in the office a few days a week.

Because of the lack of personal touch that comes with remote work, companies should find ways to reinforce their corporate mission to employees and also make an effort to bond, even if this means catching up over a video call, Lo notes. “Employees also value working in a company with a great culture and

with a strong team. It’s not just about the work itself or being able to work remotely, but whether there are lots of opportunities for growth within the company, and whether the company is

“We have to think of relatively modern approaches to performing audits, or think out of the box to work smart in terms of running our practice.”

“Through technology, we’ve been able to continue working with each other, despite not being able to meet in person.”

doing something meaningful,” he says. “If the work being done at the company doesn’t echo its vision, it’s not going to work for them.” Staff who follow a hybrid work arrangement, Lo adds, should also schedule time to bond with colleagues at work or after work. “It can be hard to achieve this human touch through remote work,” he says. “I enjoy human interaction, and it’s important to have colleagues you can eat with or have drinks with after work.”

Kane Wu CPA, Co-founder of ThinkCol, an artificial intelligence (AI) consultancy, agrees that technology has allowed for business continuity and that remote work will continue to be a trend long after the pandemic subsides. “Through technology, we’ve been able to continue working with each other, despite not being able to meet in person,” he says. “Because of COVID, people have realized that with technology, it’s possible to get things done, especially those who work in professional services or accounting firms. As long as people are able to check off their checklists, I don’t see why we can’t work from home.”

Seeking talent from afar

With companies around the world having seen that remote work really works, many are also now outsourcing staff or functions of the company or firm. Outsourcing staff, notes Sabrina Khan CPA, Chief Financial Officer of Aptorum Group Limited, a pharmaceutical company, is one way for companies to save on cost and resources. “We partially outsource functions in

research and development to contract research organizations (CROs),” she says. “We outsource on a project-by-project basis. So after one project, we can hire another team or another CRO to work for us. So we don’t have to maintain this team full-time ourselves and don’t have to shoulder the costs long-term.”

She notes the company also outsourced an accounting team in the United Kingdom to help with tax matters. “We needed help understanding the U.K. tax system since we weren’t too familiar with it, so we outsourced our U.K. accounting function. This helped us to meet tax deadlines and meet regulatory requirements.”

Leung of Linkers CPA believes outsourcing staff will continue being a trend in the years to come. He notes that he has seen an uptick in their clients, comprised of small- and medium-sized listed companies and multinational corporations, looking to outsource their accounting, compliance and internal control functions to his firm. “Some clients have told us that it’s been difficult to hire or retain accountants,” he says, noting that reasons range from a lack of flexibility to wanting to cut costs. “This created opportunities for us to promote our outsourcing services, such as in finance and human resources. Clients view it as a good alternative when it comes to keeping the ball rolling and saving costs at the same time.”

To help his clients gain as much value as possible, Leung often suggests outsourcing the entire finance function to the firm. “We would propose to clients: if they choose to outsource the finance function, we’ll pull together a full team to serve them for the same price of hiring one full-time accountant,” he explains. “The CFO would help two to four hours a month; the financial controller would put in five to 10 hours; the finance manager would do 16 to 20

hours; and the accountant would work 40 hours, for example. This enables us to provide the highest quality of service at the best price for them. This kind of finance outsourcing is gaining popularity or is sought after by the market or clients, who have been very open to this idea.”

Providing insights from data

Wu says accountants who have skills in AI are also in increasingly great demand. “Both AI and machine learning will play a bigger role in accounting and auditing, for example, in anti-money laundering and detecting anomalies in a system. It will allow accountants to analyse transactions to predict the cash flow of a company to see how well or poorly they will perform in the future,” he elaborates. “We can also create models to see how certain crises will affect the company.”

Skills in data analytics will also help accountants to identify fraud within a company’s transactions. “With transaction data, you can use big data to analyse the amount of money paid as well as the names of people and organizations to see if there are any patterns or anomalies,” says Wu, adding that by using text data, one can create a visualization or map to better understand how companies have been using money to verify any claims.

With ESG reporting on the rise locally and globally, Wu says accountants with data analytics and AI expertise will be able to analyse ESG data. “We can use data analytics to visualize ESG data, see how well the company is doing, and compare their data with other companies,” he says.

Accountants will also be more relied on to guide companies towards meeting their sustainability goals. “A few years ago, listed companies were only meeting the minimum requirements as per the Listing Rules of the Hong Kong



In Hong Kong, 82 percent of businesses intend to keep long-term remote working options in place, according to a study conducted by Censuswide, an independent research agency, which surveyed 1,055 business decision-makers.

“In the past, a company’s worth was mainly measured by its financial statements – how much money they made, and what their expenses were. What people failed to consider was the ‘cost’ of their profit.”

Exchanges and Clearing (HKEX) for their ESG reporting,” adds Leung, who says that the firm has been receiving more enquiries on ESG reporting since 2020, when the HKEX’s ESG reporting rules required listed companies to disclose significant climate-related issues that have impacted or are likely to impact the company.

Adding to advisory

Demand for ESG advisory will increase, Leung says, and notes that firms should start familiarizing themselves with the latest ESG reporting requirements. “The goal of achieving net zero by 2050 and meeting some interim targets by 2030 has created some awareness in the market,” he adds. “SMPs need to be aware of this and start preparing, especially if they advise listed companies.”

Lo of Prenetics agrees, pointing out that the reporting landscape for companies has transformed over the years. “In the past, a company’s worth was mainly measured by its financial statements – how much money they made, and what their expenses were. What people failed to consider was the ‘cost’ of their profit,” he explains. “And that cost was measured in monetary terms – expense items, depreciation, amortization – when there’d been a social and environmental cost all along.”

Demand for advisory, in general, has seen an increase over the past

two years, adds Leung of Linkers CPA, with the trend likely to continue. “Because of this economic climate, a lot of our clients have been asking us to provide them with solutions,” he says, pointing out that the firm has been providing advisory for internal control, ESG reporting, and pre-initial public offering consulting.

Getting in on the transactions

An ability to advise clients on cryptocurrency and monitor transactions taking place through a blockchain will also give accountants an edge. In September 2021, El Salvador became the first country to accept Bitcoin as legal tender, prompting businesses to accept the digital coins as payment wherever possible and millions of citizens to download the government’s new digital wallet app. The move, according to *El Salvador’s law: a meaningful test for Bitcoin*, a report by PwC issued in October 2021, is “the first domino to fall in broader global adoption.”

With global adoption of cryptocurrency increasing – over 880 percent in 2021 according to software company Chainalysis, Inc. – accountants have the opportunity to take advantage of a niche but growing market.

There is currently no specific accounting standard in relation to how cryptocurrency should be accounted for, leaving auditors to refer to applying existing standards. “Things aren’t so clear right now, and some people are very worried about it,” Khan of Aptorum says. “Accountants will need to be able to understand cryptocurrency and the accounting standards surrounding them, the rules and how they are created and regulated. This will provide more assurance to investors and greatly help the development of the industry as a whole.”

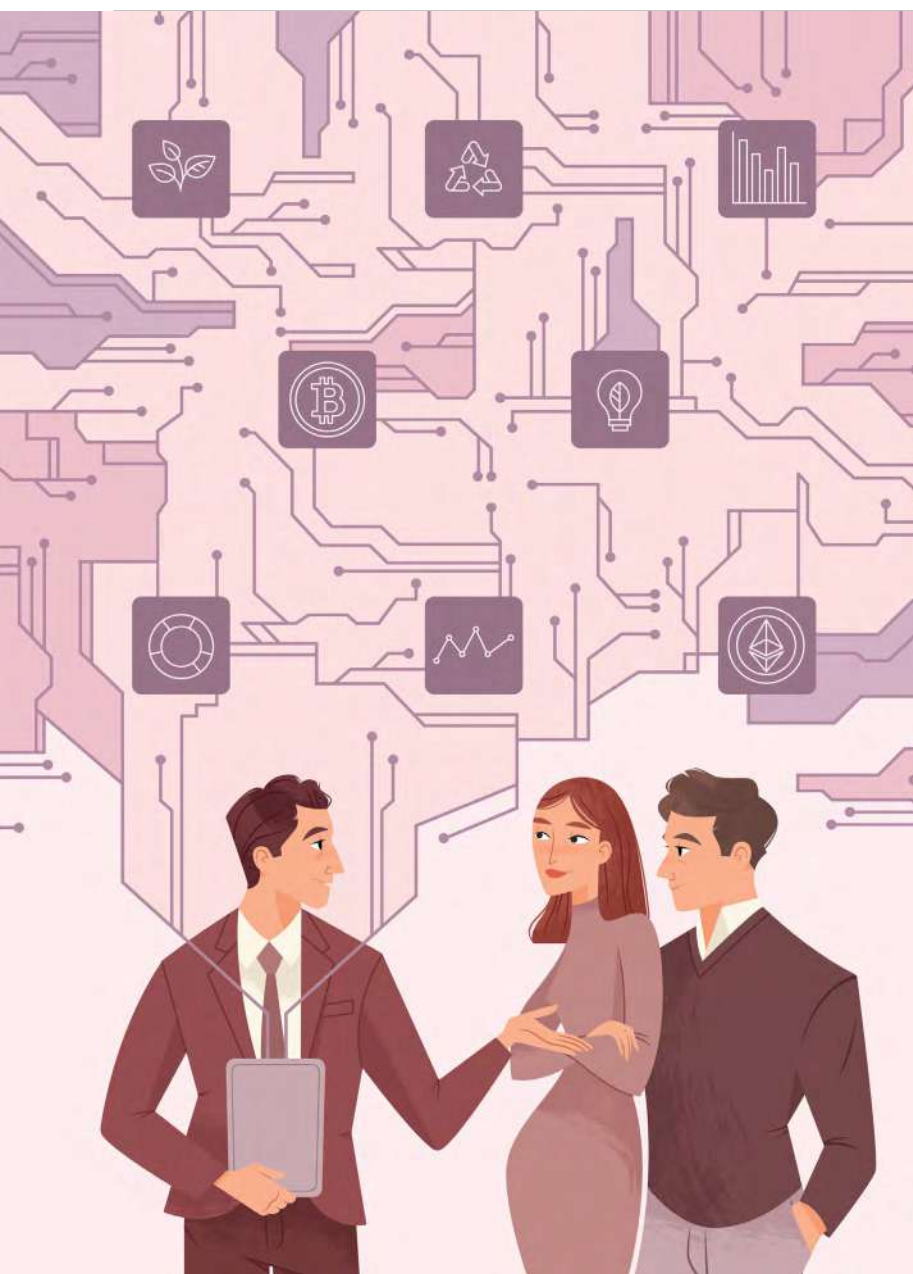
Expertise in cryptocurrency,

blockchain and data analytics will indeed future-proof accountants, adds Wu. “More institutions are showing an interest in or getting into blockchain, so it’s important for accountants to understand how to analyse it,” he says. “A lot of people are now talking about on-chain analytics, which is data science and data analytics, but with blockchain. It’s one of the hottest fields right now.” Though on-chain analytics may seem complex at first, accountants can make use of its nature to look closely at transactions, notes Wu, who is starting a new on-chain analytics branch at his company to tap into rising demand from clients. “With blockchain, you can try to hide your money, but at the same time, there is transparency. All wallets are transparent; you can always see where money is going.”

Leung concurs, adding that his firm has been serving more clients who provide blockchain advisory or conduct transactions using cryptocurrency. “I suggest practitioners to familiarize themselves and do research on the matter, especially about its impact on audit,” he says.

One related area gaining interest among investors and clients, Leung adds, is non-fungible tokens (NFTs), a non-interchangeable unit of data stored on a blockchain that provides a public certificate of authenticity or proof of ownership of photos, videos, and audio recordings. “This ‘NFT wave’ is on its way,” he says. “By doing more research on new topics such

“Accountants will need to be able to understand cryptocurrency and the accounting standards surrounding them, the rules and how they are created and regulated.”



as NFTs, practitioners will be able to seize opportunities and find new ways to help their clients.”

Lo adds that because the fundamental technology used to drive NFTs is blockchain, the market has grown rapidly in recent years. “By understanding these underlying trends and transformation surrounding blockchain and providing insight, accountants are able to steer organizations.”

Leading transformation

Looking ahead, it is up to accountants to find ways to

increase efficiency within their organizations, and help lead digital transformation. “It’s important that we continue growing with and working with our clients, especially in this current economic environment,” says Leung. “Knowing how to drive efficiency will be most important this year. Also, knowing how to retain talent. This is key to delivering services of a high quality to our clients.”

In order to maximize productivity and effectiveness, accountants must step away from traditional and manual methods, says Wu. “There is just more and more data to go

through nowadays. The sizes are huge; there could be hundreds of gigabytes, and you can’t just analyse this amount of data using old methods. It’s important to understand data analytics, the tools available, and how to use them in business.”

Ultimately, accountants have to start viewing themselves as transformation leaders, highlights Lo. “Accountants need to ensure they are continuously transforming themselves, the team, and fundamentally, the organization. This is because transformation is difficult, and it will continue to remain a challenge, given the pace of change that’s happening,” he says.

Though it can be easy to get caught in a day-to-day work routine, Lo advises accountants to take a step back, and try to look at the bigger picture of their organization. “When I was a junior accountant, I was only focused on finishing my work as soon and as quickly as possible. But I later realized that it would’ve been more beneficial if I’d taken a step

back and found ways to provide insight to my supervisors.”

This, he says, will be key for accountants to add value in whichever field they choose to specialize in. “I should’ve asked myself ‘what kind of insights can I get out of this?’ or ‘is this something I can automate?’ or ‘what tasks can I do differently in order to free up my time and spend time doing more analytical work to provide business insight?’ This is something that will become increasingly important, especially as the pace of digital disruption increases.”



GREATER BAY AREA

Business strategy

Even while the border remains closed, the Greater Bay Area offers major opportunities to Hong Kong-based companies and accounting firms. **Nicky Burrridge** finds out what the areas of potential growth are and how businesses should position themselves to take full advantage

Illustrations by Gianfranco Bonadies





POSITIONED FOR GREATER SUCCESS

Last year, Thomas Wong FCPA (practising), Partner at CW CPA, found himself sourcing a shipping container for one of his clients based in Latin America. The client conducted business in the Greater Bay Area (GBA) but was unable to travel there due to border closures. It is one example of how he has pivoted his firm to increase the services he offers to clients in the GBA, transforming CW CPA from a traditional accounting firm to a business partner and consultancy.

The development of the GBA offers significant opportunities to Hong Kong-based companies and accounting firms, even while the border remains closed. Petrina Tam CPA, Convenor of the GBA Working Group, at the Hong Kong General Chamber of Commerce (HKGCC), points out that with a population of 86 million and combined gross domestic product of US\$1.7 trillion, the GBA represents a huge market for Hong Kong businesses. She adds that with a total area 50 times that of Hong Kong, local businesses can also utilize a larger pool of resources, such as land and labour, two areas in which the city faces bottlenecks. “Amid the current atmosphere of international protectionism and trade uncertainty, the GBA plan could serve as a timely haven for Hong Kong businesses to diversify their markets,” she says.

Diverse opportunities

In the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*, published in 2019, the Constitutional and Mainland Affairs Bureau identifies 12 key sectors, including innovation and technology, financial services, and professional services, that will benefit from the region’s ongoing development.

Maggie Lee CPA (practising), Head of Capital Markets Development, KPMG China, thinks these sectors offer the biggest opportunities to Hong Kong companies. She points out that in a regular survey conducted by KPMG, in cooperation with HKGCC and HSBC, respondents consistently expect the innovation and technology, financial services, and trade and logistics sectors to see the strongest growth in the GBA.

She adds that the restructuring of the industrial chain, and enhancing of Mainland China’s competitiveness in innovation and smart manufacturing are also a key areas of opportunity in the GBA.

In view of the pandemic, Tam thinks sectors that require minimal face-to-face interaction will continue to outperform in 2022. She considers the outlook to be particularly strong for the financial services sector following the launch



of the southbound leg of Bond Connect between Mainland China and Hong Kong, the start of the Wealth Management Connect Scheme and the announcement of the expansion of the Qianhai Economic Cooperation Zone in Shenzhen. Hong Kong is also well-placed to serve as a hub for family offices, she adds.

In addition, she expects technology companies, such as those involved in 5G, the metaverse, artificial intelligence and blockchain to have significant opportunities going forward.

Edward Au FCPA (practising), Vice-President of the Hong Kong Institute of CPAs, and Southern Region Managing Partner at Deloitte China, has identified four key areas for opportunities in 2022, namely financial services,

professional services, technology and e-commerce. For professional services firms he thinks opportunities will be created by the growing number of successful entrepreneurs in the GBA looking to do initial public offerings (IPOs) or raise funds, as well as an increased need for regulatory advisory services.

Agnes Chan FCPA, Managing Partner, Hong Kong & Macau, EY, thinks sectors such as finance, technology, health and infrastructure will benefit most from the GBA development. She also expects accounting firms to be well positioned, pointing out: "Hong Kong's world-class accounting profession has a competitive edge to cope with the rapid development of the GBA. Many high-quality technology

start-ups have started expanding in the GBA, presenting a huge demand for financing, IPO services and related accounting services." She thinks the expansion of the Qianhai Economic Cooperation Zone and the development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin will also increase demand for the services provided by CPAs, adding that they can also support the development strategy of the GBA in terms of implementation, interconnection and integration.

Rebecca Wong CPA, PwC China Tax and Business Advisory Partner, agrees that the recent announcement of the expansion of the Qianhai Economic Cooperation Zone creates new opportunities for Hong Kong-based businesses. She adds that environmental, social

and governance (ESG) is also a hot topic in Mainland China following the introduction of the 2060 net zero carbon target, creating opportunities for accounting firms to not only guide companies on ESG reporting, but also help to evaluate ESG investments and green finance.

She points out that with Shenzhen hoping to pilot a digital currency in Mainland China, and Guangzhou promoting the digital economy, there will be opportunities for legal and accounting firms to provide new services in this area.

Thomas Wong says firms, particularly small and medium practices (SMPs), have a significant opportunity to position themselves as partners and consultants for overseas companies that want to expand into the GBA. “We have helped a lot of people set up a holding company in Hong Kong for their Mainland China company, as well as doing year-end audits for the Hong Kong company and the Mainland China company. We offer a one-stop service.”

He adds that the pandemic has also created a lot of opportunities for accounting firms to offer consultancy services and be more involved in their clients’ business operations. “There are still a lot of foreign companies that are either looking at Mainland China as a consumer market or are sourcing from there, but because of the pandemic, they cannot travel to China to visit factories or undertake

negotiations. Integrity, honesty and creditability are the hallmark of accountants, so we are branching out into new services in this area to help them,” he says.

Thomas Wong explains that 40 of the 95 staff at CW CPA are based in the GBA, helping overseas companies enter the market or expand there. “I have seen a continuous growth in inquiries from overseas, including from the United States, United Kingdom, Europe and South America. The GBA has been my growth area in the past two years,” he says.

He adds that overseas companies like working with SMPs because partners at the firms can make themselves more available. He adds that his firm has also developed a niche catering to companies from Spanish and Portuguese speaking countries, even publishing a regular newsletter in these languages.

Impact of border closures

Unsurprisingly, the current travel restrictions have impacted many companies’ plans to expand in the GBA. “For many companies, successful implementation of their plans requires high levels of labour mobility within the region where senior staff are able to travel and work conveniently across the various GBA cities,” Tam explains.

Although technology has helped to reduce some of the geographic barriers, it cannot replace visits. Au notes that while planning or preparation work can be done virtually, “travel is necessary to drive execution and growth at the later stage.”

Lee points out that video conferencing is also no substitute for the face-to-face contact needed to build connections with other companies, clients, regulators and government bodies. “Conducting on-site visits to different GBA cities is always important to have for the personal experience and to understand the environment, development, local market and people. It allows you to formulate

the right strategy in the GBA,” she says.

As a result, she suggests companies wanting to enter the GBA should plan to visit the nine Mainland cities as soon as the border reopens. “You cannot underestimate the importance of site visits when managing an operation over a different jurisdiction, particularly with the increasing focus on corporate governance. Big corporations need to take a look at the existing operations and make changes where necessary,” she says.

Rebecca Wong agrees: “Many people have not experienced the latest business environment in the GBA, such as the new buildings, industry parks and incubators. People still need to have face-to-face meeting and shake hands for big deals. For some industries, it is important to meet government officials to discuss matters, and people need to travel to meet, network with, and understand their team and business partners.”

But for Thomas Wong, the lack of travel has actually created more opportunities for his firm. “Even though the border is closed, business still needs to continue. We have seen a lot of restructuring projects, expansions, and relocations. This sort of business activity continues to go on and we can help with that,” he says.

Ongoing challenges

Alongside the challenges created by the travel restrictions, companies expanding in the GBA also face other issues, offering further opportunities for firms. Chan says when EY asked businesses at its Synergize GBA Forum 2021 what they considered to be the most challenging aspects of GBA expansion, 39 percent cited capturing business opportunities, while 25 percent said securing government support and 20 percent said understanding GBA policies.

Rebecca Wong thinks one

“You cannot underestimate the importance of site visits when managing an operation over a different jurisdiction, particularly with the increasing focus on corporate governance.”

of the biggest challenges is understanding the three different legal, tax and regulatory systems in use in the GBA. “If companies have no experience in the Mainland, they should take professional advice on how to design their investment structure, prepare their business model, manage cross-border fund flows and evaluate the options available.”

She says in the past two to three years, she has seen an increase in the number of enquiries from both Hong Kong and overseas clients asking PwC to conduct a set up study on the corporate structures, and to evaluate potential locations and opportunities available in the GBA.

Lee from KPMG says a significant challenge for companies is keeping up to date with changes to the tax and regulatory environment. “There are new announcements almost every day. It is quite challenging for corporates to digest, which is why professionals always play a role.”

Au adds: “One of the biggest challenges we see at Deloitte is for companies to transform their organization and talent structure in order to capture the available opportunities. To overcome these challenges, companies need to fully understand the opportunities available and how best to capture them.”

Going forward, he would like to see further policy measures to make it quicker to launch businesses or products in the GBA, such as simplifying or streamlining administrative processes, and expediting the rollout of remote account openings within the GBA. “Policies that facilitate the sharing of data and information between Hong Kong and other cities in the GBA to ease the controls on logistics or customs, and the expansion of cross-border businesses would also be

beneficial,” he says.

Tam would like to see increased mobility of foreign talent within the GBA. She explains that the HKGCC has proposed the introduction of a GBA Card, a visa system modelled on the APEC Business Travel Card Scheme, to enable business travellers to move between the GBA cities more easily.

Meanwhile, Rebecca Wong would like to see the introduction of simplified customs procedures to facilitate the import of materials or prototype from one side of the border to the other, and to make it more efficient for technology companies to exchange technology and perform product testing.

Careful positioning

Tam points out that with strong growth anticipated in the GBA in the years ahead, it is vital that companies position themselves correctly to take full advantage of the opportunities. “Strategies are likely to involve focusing on the value they can bring to the region and having a deeper understanding of the GBA as a market,” she says.

Tam adds that companies should start by drawing up a detailed investment plan, analysing their motivation for

investing in the region and identifying which GBA policies most align with their core business interests. She adds that accounting firms should focus on evolving trends, such as ESG, as well as IT initiatives including digital products, digital transformation, and cybersecurity.

Au suggests both companies and accounting firms need to have a clear understanding of whether they consider the GBA as a market, or a platform for entering Mainland China, or both. He adds that they should also have an innovative mindset with adequate technology resources, whether in-house or through being part of a wider ecosystem, while corporates should have a good understanding of the core competencies and the competitive edge of the key industries in the GBA cities.

He also suggests they should pay attention to their organizational structure, to ensure they have adequate coverage for the opportunities they have identified, as well as access to the talent they need. “Accounting firms should form an alliance or strategic partnership with local professionals in the GBA to provide integrated advisory services to help clients’ investment and expansion plans in China,” he adds.

Chan says EY already has nearly 6,000 staff in the GBA, with offices in Hong Kong, Guangzhou, Macau and Shenzhen and it will shortly be opening a Qianhai office, which will focus on digital technology. She explains that its positioning in the GBA has four key themes. Firstly, it aims to act as a bridge bringing its professional services and strong international connectivity to the GBA. Secondly, it acts as a catalyst supporting the GBA’s development, such as through assisting with cross-boundary

“Accounting firms should form an alliance or strategic partnership with local professionals in the GBA to provide integrated advisory services to help clients’ investment and expansion plans in China.”



investments, family offices and fintech applications. In addition, it has helped more than 200 GBA companies to go global. “We will tap into the advantages of each location and help clients expand their business global footprints,” Chan says. The third focus is digitization, with EY assisting clients with digital transformation and putting in place digital tools and services that enable collaboration and enhance their efficiency. Last but not least, it focuses on employees: “EY leaders continue to leverage our cross-disciplinary networks, integrating our growing talent pool among GBA cities and facilitating talent flow,” she says.

Rebecca Wong thinks Hong Kong companies and accounting firms should leverage on Hong Kong’s role as a super-connector between Mainland China and the world. “Companies and firms in Hong Kong are very good at understanding the international market, as well as Chinese culture.”

She adds that Hong Kong companies should also position themselves to benefit from Mainland China’s Dual Circulation policy, which embraces changes in the global market and in technology, and strengthens the growth of domestic consumption, particularly when consumers are expecting more in quality and personalization in the areas of lifestyle products and services. “Hong Kong companies can bring their international expertise and creativity to the market, observe unique customer needs and offer niche solutions.”

She also stresses the importance of choosing the right location for enterprises and talent to be based within the GBA, and suggests companies should do a location study looking at both the business opportunities available, as well as the incentives offered and the specific industry focus of each of the nine GBA cities in Mainland China.

Lee thinks companies should think in terms of cross-sector

collaboration when positioning themselves in the GBA, with a particular focus on technology. She gives the example of retail companies using technology to find new business opportunities, and to improve operational and supply chain efficiency. “Technology will play a key role in years to come,” she says.

Lee adds that firms that do not have offices there should consider forming alliances with counterparts in the GBA for knowledge sharing and exchange, and also gaining an employment base.

While Tam cautions that companies should take a long-term view on the opportunities, she adds: “The GBA is potentially the most significant development to impact Hong Kong’s business environment for decades to come.”

Chan agrees: “The more active the GBA market is, the more demand for accounting and professional services from local and foreign businesses.”



In the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*, published in 2019, the Constitutional and Mainland Affairs Bureau identifies 12 key sectors that will benefit from the region’s ongoing development, including innovation and technology, financial services, and professional services.



SECOND OPINIONS: HOW CAN HONG KONG MAINTAIN ITS STATUS AS AN INTERNATIONAL INITIAL PUBLIC OFFERING HUB?



EDWARD AU FCPA (PRACTISING)

VICE-PRESIDENT OF THE HONG KONG INSTITUTE OF CPAS AND SOUTHERN REGION MANAGING PARTNER, DELOITTE CHINA

As a world city, Hong Kong's vibrancy and energy – and resilience – is unmatched. Its capital market shares these qualities.

In the past few years, the Hong Kong Stock Exchange (HKEX) has transformed its listing regime to accept companies with weighted voting rights (WVR) structures and pre-revenue biotech stocks, and created a concessionary route for secondary listings of companies already on qualified exchanges overseas. Most recently, the HKEX introduced a listing framework for special purpose acquisition companies (SPACs). It is also working on a platform that is set to launch before the end of this year, which will streamline and digitalize initial public offering (IPO) settlement to improve efficiency and reduce risk. These efforts have already produced some outstanding results and landmark moments.

Given the future of every capital market hinges on whether it can accommodate new economy companies, and with all the aforesaid enhancements, Hong Kong's listings infrastructure is almost on a par with that of the United States, which led the world in IPO volume and value in 2021. However, to ensure Hong Kong remains a leading international IPO hub, it will need to continue to innovate.

The SPAC regime creates an ideal opportunity to do this. Currently, it allows only professional investors to subscribe for and trade in a SPAC's shares before its de-SPAC transaction – which dissolves the SPAC and creates a regular publicly-listed entity – is completed. This tiered regime is an opportunity to expand the types of innovative product offerings in the market before they are introduced to retail investors, which is good for investor protection.

It would also strike a balance between upholding retail investors' interest and deepening the market by increasing its appeal to the ever-evolving classes and demands of investors, while aligning with the development goal under Mainland China's 14th Five-Year Plan of making Hong Kong an international hub for innovation and technology.

Investor education would be vital to these efforts, and should be improved and expanded in line with market developments. It is equally important to expand the mutual market access to Mainland China to increase market connectivity and allow more investors, in particular those from the Greater Bay Area, to participate. Hong Kong has the most successful Stock Connect scheme with Mainland China and this gives it an edge in appealing to more international listings.

“To ensure Hong Kong remains a leading international IPO hub, it will need to continue to innovate.”



KIN YUNG CPA

DIRECTOR AT CCB INTERNATIONAL CAPITAL LIMITED AND MEMBER OF THE INSTITUTE'S CORPORATE FINANCE COMMITTEE

Hong Kong's IPO market has ranked number one in the world in seven of the 12 years from 2009 to 2020. However, the competition among international financial centres is cutthroat, and there is still a lot of effort to be made in order to maintain the city's leading position as an international IPO hub.

First and foremost, we should promote and encourage market diversification. Today, Hong Kong stock market heavily relies on Mainland China for its pipeline of the IPO candidates. In 2021, we recorded a drop in both IPO fundraising amount and number of deals, in part due to Mainland companies listing on A-share markets instead. Indeed, we noted that Mainland stock exchanges reported record high fundraising last year.

Secondly, our regulations should keep moving with the times. In the past few years, our regulators have already made great efforts on this, and the result has been thrilling. For example, since 2018, we have launched new listing rule chapters to attract new listings. Pre-revenue biotech firms (under Chapter 18A) and innovative companies with WVR (under Chapter 8A) have been attracted to list on our markets. The HKEX has also made secondary listings (under Chapter 19C) on our markets easier. Hong Kong is now the world's second largest funding hub for biotech companies.

“Maintaining a liquid and efficient post-IPO secondary market is another key issue.”

Going forward, we are expecting more and more new regimes to launch for us to keep up with the market trend and maintain competitiveness as a fundraising hub. In December 2021, we launched a SPAC listing regime. SPACs have been the hottest fundraising trend for start-ups in the recent two years. However, our key competitor, Singapore, published rules for SPAC listing in September 2021, and the first SPAC was listed on Singapore Exchange.

Besides attracting quality IPO candidates to the Hong Kong market, maintaining a liquid and efficient post-IPO secondary market is another key issue. The Stock Connect scheme launched since 2014, a collaboration between the Hong Kong, Shanghai and Shenzhen Stock Exchanges, provides the opportunity for Mainland China's investors to trade stocks listed in Hong Kong. This is an important incentive for overseas companies to list in Hong Kong in order to gain access to Mainland capital. In the future, besides attracting investors from Mainland China, we should also diversify the investors' base to maintain Hong Kong's open and highly liquid and deep stock market.

Finally, we can further enhance the attractiveness of the Hong Kong stock market by reducing the regulatory burden for listing. This does not mean lowering standards, but streamlining the regulatory processes to a suitable level and promoting the right balance between safeguarding the market and efficiency.



C. Y. WONG CPA

DIRECTOR, CORPORATE FINANCE, OCBC BANK AND MEMBER OF THE INSTITUTE'S CORPORATE FINANCE COMMITTEE

Hong Kong has been the gateway for international investment to access the Mainland China market since it opened up. After Tsingtao Brewery successfully listed on the HKEX in 1993, the HKEX became the choice of Mainland corporates to access foreign equity funding. With *TIME* magazine recognizing Hong Kong as one of the three most remarkable international cities together with New York and London in 2008, describing them as “Nylonkong,” Hong Kong cemented its position as a leading international capital market in the Asia-Pacific region.

However, if we take a closer look at the composition of the listed companies in HKEX, it is not difficult to conclude that the Hong Kong market is overly China-focused. The stock exchange had admitted that the Hong Kong IPO market has “significant and growing dependence on the Mainland” where China-related IPOs accounted for 60 percent and 91 percent of the total number of IPOs and funds raised respectively in 2011 to 2016, and the international companies that listed on HKEX “tended to have strong linkages with China.”

To maintain, or further develop, our international status, we must move swiftly to make the Hong Kong market truly international or risk being left behind when the entire world is innovating.

Unlike the U.S. market, retail investors represent a significant portion of the investor base in Hong Kong market. However, as retail investors tend to favour familiar household names, the IPOs of quality companies with little presence in the Greater China region are always overlooked and have negatively impacted the valuation of these companies. With the geopolitical tension rising significantly in recent years, it is widely expected that a number of U.S.-listed Chinese issuers will come to list in Hong Kong, and we should grab this opportunity to bring their international investors to the Hong Kong market. Once those investors are committed to the Hong Kong market, efforts should be made to attract them to look into other IPO investment opportunities and diversify the Hong Kong investor base. By offering better valuation to companies, Hong Kong could compete with other international markets in attracting quality companies to list in HKEX, and thereby create a virtuous cycle for the Hong Kong IPO market.

What's equally important is that the regulators must crack down on patriarchal leadership. The Hong Kong regulators should focus on ensuring the market is fair and efficient, and leave it up to investors to decide what is a safe investment.

“We must move swiftly to make the Hong Kong market truly international.”

The Senior Director, Disputes and Investigations, at Alvarez & Marsal shares her views on what companies should be aware of when working with forensic accountants throughout a fraud investigation or in connection with a legal dispute



How to work with forensic accountants

Companies often seek the assistance of forensic accountants in the areas of fraud prevention, detection, investigation and deterrence, as well as providing accounting analysis suitable for use in legal proceedings. Forensic accountants help to discover the facts. They can unravel complex financial transactions, identify discrepancies in financial statements that require further clarification, uncover hidden assets, detect potential fraud schemes, prepare business valuations, and quantify economic losses and damages. Regardless of the capacity in which they are engaged, some steps can be taken when working with forensic accountants to maximize the benefits of their work.

Early involvement

There is often a misconception that hiring a forensic accountant early may incur more costs. That is not necessarily the case. The early involvement of forensic accountants can help to save time and expense by identifying and narrowing down the appropriate areas and documents for discovery and review at an early stage; considering the most efficient ways of gathering, securing and organizing the necessary documents and evidence; formulating an appropriate work plan to ensure the necessary work is carried out effectively; carrying out the required analysis so that the clearest possible understanding of the true financial position is achieved; and allowing for optimum resource planning so that the work can be carried out in a cost-efficient manner.

The early involvement of forensic accountants also allows for a preliminary investigation or review to be carried out. This can help the client better understand the facts and circumstances around the matter, the possible financial exposures, and consider what the opposing side may do so that the client can better prepare its strategies for dealing with the matter at an earlier stage.

The additional time also allows the forensic accountants to sift through and assess the materials provided more carefully, which can lead to further information being revealed or hidden assets being uncovered.

Clear instructions

It is common for forensic accountants to be engaged via a client's legal advisors. The advantage of this is that it allows the work carried out to be subject to legal privilege. In any event, whether the forensic accountants will be engaged by the client directly or through its legal advisors, it is important that complete and detailed instructions are provided to the forensic accountants and that they are adequately briefed in respect to the background of the matter, the issues which require their analysis or investigation and the requirements around their work, including the timeframe,

and format of their deliverables. This allows for better planning, case management and cost control by the forensic accountants.

Maintain communication channels

No two frauds or disputes are the same. It is therefore important to work closely with the forensic accountants from the very beginning so that a tailored work plan that is best suited to the client's situation can be formulated. A line of communication should be arranged between the forensic accountants and the relevant accounting or finance staff so that they can familiarize themselves with and gain access to the required accounting information in a timely manner. Regular ongoing communication with the forensic accountants is also necessary as the matter proceeds. This allows the work plan to evolve as the work progresses and new information or findings are uncovered.

Information sharing

Providing as much relevant information and documentation as possible assists the forensic accountants in conducting their work effectively and efficiently, allows analyses to be conducted more accurately and may reveal weaknesses or vulnerabilities in the case.

The relevant information to be provided to forensic accountants includes not only that related to financial matters such as financial statements, management accounts, general ledgers, contracts/agreements and correspondence, but also relevant legal documents such as copies of pleadings, affidavits and witness statements. Not only will these provide a more in-depth understanding of the matter to the forensic accountants, but also by understanding how the case is to be presented, the forensic accountants can present their work in a way that can best integrate into the case.

Having the information in a suitable format (for example, management accounts in native format) can help reduce the time required by the forensic accountants to locate relevant facts.

Importance of independence

Even the best investigation work or expert analysis will be tainted if there is any issue relating to the independence of the forensic accountants. The forensic accountants should be independent – i.e. no financial or personal relationships and any indirect association with the parties involved should be carefully considered. It is therefore important for the client to provide as much information as it can around the parties involved and other individuals or entities relevant to the matter to the forensic accountants so that any potential conflict issues can be addressed as early as possible.

The timely involvement of forensic accountants and facilitating their work through open communication and access to information help to uncover the facts and achieve the best results.

The Chief Executive Officer of Business Environment Council on how companies can embrace the sustainability disclosure trend to build climate resilience



Post-COP26 sustainability disclosure trend

The Glasgow Climate Pact was finally struck at the 2021 United Nations Climate Change Conference (COP26) after two weeks of meetings and events, negotiations, deliberations and last-minute drama.

There are mixed reactions to the outcome. Notably, the pact's agreement to "phase down" rather than "phase out" coal has agitated many. Yet, many welcomed the reaffirmed recognition of the importance of keeping 1.5 degrees within reach, and an agreed framework under the pact to bridge the gaps between ambition and a 1.5-degree future. The key to success is to convert pledges into actions, and to galvanize support from corporates and other stakeholders in transitioning to a net-zero world at speed and at scale. As part of the agreement, countries will meet again next year to pledge even deeper emission cuts and more ambitious targets. More resources will be put together to help developing countries and vulnerable communities adapt to climate change.

Other than new climate commitments during COP26 was the announcement by the International Financial Reporting Standards (IFRS) Foundation of the formation of the International Sustainability Standards Board (ISSB) to develop a global baseline of sustainability disclosures primarily for financial markets. This potential "game-changer" in sustainability reporting aims to provide investors with information about companies' sustainability-related risks and opportunities, and climate-related financial disclosures to help them make informed decisions.

What does this new development of sustainability disclosure standard mean for the evolution and efficacy of environmental, social and governance (ESG) reporting? ESG refers to a number of non-financial factors about a company that can sometimes prove material for investors and other stakeholders. At first, ESG reporting from a financial perspective or a risk angle was not a common practice among corporates and, with very few reporting guides or frameworks on sustainability-related financial disclosures, the financial information that was disclosed varied significantly. However, with time, ESG disclosures increasingly attracted the attention of investors. This influenced corporates to disclose the associated risk impact and financial aspects in more structured reports but the variation of disclosed information persists. We expect that the IFRS Foundation's lead in driving convergence to a single internationally accepted reporting standard will facilitate a consistent approach to supporting the connection between financial and non-financial reporting.

Following the framework

The Business Environment Council has observed that this trend is consistent with the dynamic ESG development in the Hong Kong market over the years. Though we are still waiting to see the outcomes of the ISSB, we have already witnessed a convergence in one particular area, namely climate-related disclosures. As investors pay more attention to climate issues, internationally

recognized frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD) have become increasingly popular as it effectively guides corporates to disclose their management approach, strategy, risk management and targets in dealing with climate challenges. Under the TCFD guidance, corporates have started to establish board-level committees and climate policies as the overarching management approach. To strategically tackle climate issues, companies have undertaken climate risk assessments to identify key climate risks, which would significantly impact their business performance. Furthermore, some companies conducted a scenario analysis – a "deep-dive" to understand company-specific climate transition risks. The scenario analysis would help companies navigate the potential effects of future climate scenarios. It serves as a tool for key decision makers to enhance critical strategic thinking and subsequently build climate resilience within the company.

The Stock Exchange of Hong Kong's updated ESG Reporting Guide clearly took notes from the TCFD with the introduction of new climate-related key performance indicators, emissions targets and more direct board involvement in governing ESG. In addition, the TCFD framework has strong backing from the Securities and Futures Commission and the Hong Kong Monetary Authority through the Green and Sustainable Finance Cross-Agency Steering Group. In announcing the mandatory TCFD-aligned climate-related disclosures to financial institutions by 2025 at the latest, the steering group is forcing financial institutions to consider climate change during capital allocation. They will need to understand the climate aspects of every loan, investment, and other products and services. This means that companies will be fielding an increasing number of relevant questions in the coming years. Through this announcement, the steering group has essentially mandated TCFD-aligned disclosures to all companies in Hong Kong.

Building cross-team commitment

Our Sustainability and ESG Advisory Team has been working with clients from various sectors such as utilities, manufacturing and insurance to conduct climate risk assessment and disclosures enhancement. Through this experience, we have found that report disclosure is only a fraction of the work being done to enhance corporates' climate resilience. It would require synergies between departments across the organization to drive climate strategy under a robust sustainability governance structure. We have observed that there is an increasing need from corporates for awareness training and capacity building, especially with issues around climate change. This is an indication that corporates are recognizing the value of sustainable development and the risks that they may face if material ESG issues are not adequately addressed.

From COP26 to sustainability disclosures, we are at a pivotal moment to further drive climate actions as well as the transition to internationally recognized, coherent, comprehensive and assured non-financial reporting that is as robust as financial reporting.

FIVE QUESTIONS

PAIB & PAIP

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

Firstly, it would be knowing how to motivate your team and influence the people around you. Be humble and acknowledge that you may not know everything, and find ways to work effectively with your team. One person may only move a small rock, but a group of people can move a bigger rock. Motivating your team to move in the same direction is critical for success. The second lesson would be “keep it simple.” Sometimes when we work, we create unnecessary steps or processes that can overcomplicate things. So I always ask myself, “do I really need this process?” To have an entrepreneurial mindset means managing the business like it’s your own. That would be the third lesson. With this mindset, you will be more committed and serious about the work. This attitude has been important throughout my career.

What attracted you to the industry?

I never really thought about working in the retail fashion industry, it was all a coincidence. But I love the industry. Seeing the products go from design, sourcing, production, delivery, warehousing, retailing and to the customers is very interesting and fulfilling. Tory Burch is 17 years old and is still a fast growing brand. It’s an exciting, purpose-led brand with beautiful products made by passionate designers. I remember thinking, “That’s a team I want to be a part of.” And of course, I was attracted to its growth potential in Asia. Tory Burch Far East is the brand’s Asia holding company. It purchases all the goods and sells to the subsidiaries in Asia.



FIVE QUESTIONS FOR PAIB

Allan Lam CPA

Finance Director at Tory Burch Far East on how his CPA skills and knowledge are helping the American fashion brand navigate the economic uncertainty of the COVID-19 pandemic

In what ways has your CPA qualification helped you in your career?

The CPA qualification is critical, and helps me keep my knowledge up to date, particularly on changing accounting rules and regulations. I oversee not only financial reporting, but also financial planning and analysis, taxation, treasury, internal control and company secretary related roles. These are all linked together and related to my CPA knowledge.

How do you think retailers and fashion brands can best navigate the post-COVID recovery period?

Be creative, and take advantage of technology, especially in promoting and selling products. During this COVID pandemic, we learned a lot when foot traffic was very low and stores were closed. We couldn’t just rely on brick and mortar stores and had to look for other alternatives. Brands should make use of social media and e-commerce platforms such as Instagram, Facebook, WeChat, Taobao just to name a few, as they are powerful for promoting products and can help the brand grow. They should also look at different ways of selling and how to quickly deliver the products to the customers.

What are critical focus areas for the finance function in the new year?

In the new year, we are focusing on enhancing our internal system, as well as streamlining and automating more processes. This is a good exercise and will allow us to take the opportunity to review what processes we really need. With the growth in business, we also will focus on making sure the team is well-structured and prepared for future expansion. We need to be ready for the challenges ahead.

What have been the three biggest lessons in your career so far? I learned the importance of listening to and dealing with the concerns and comments of varied interest groups from all over the globe and across all sectors when I worked as a practice fellow at the International Accounting Standards Board in its head office in London from 2006 to 2008. Secondly, I learned that through hard work and relentless research of the voluminous accounting standards, I could resolve financial reporting issues my clients faced and develop mutual trust. This was after I founded my firm about five years ago, specializing in financial reporting areas, and found it very challenging to market such “niche” services at the beginning. Lastly, one of the most memorable projects that I have worked on for my clients after I left a Big Four firm was a very large bond restructuring of a listed company in Hong Kong. It broadened my professional knowledge and work experience to cover not just financial reporting but also fundraising and bond restructuring.

What do you like most about specializing in financial reporting? I have specialized in dealing with financial reporting matters since I moved from being an audit senior to a technical accounting specialist at a Big Four firm. Throughout all these years, it’s been satisfying sharing my experience to help engagement teams in a Big Four firm, and now CPAs working in non-Big Four audit firms and in listed companies, to deal with complicated financial reporting and auditing issues. I want to help CPAs in Hong Kong, where regulators are expecting a high quality of work from auditors and listed companies, and in an environment where accounting standards are getting more voluminous and complex.



FIVE QUESTIONS FOR PAIP

Candy Fong CPA

Partner at Foremost Consultants Limited, left a Big Four firm to found a boutique accounting advisory firm. She shares what made her want to focus on helping clients navigate today’s complex financial reporting landscape

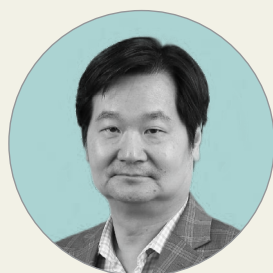
In what ways has your CPA qualification helped you in your career? It has been essential in helping to develop my career. Of course, there are other factors – I have honed my communication, presentation and analytical skills through my more than 20 years’ of experience as a CPA. I hope that the professionals I have worked with have benefitted from my knowledge and experience, and together all of us can help to build the confidence and aspirations of future accountants.

How do you view the future of corporate reporting? I have heard from many preparers that they find it difficult to “master” and see the underlying principles of recently issued accounting standards such as Hong Kong Financial Reporting Standard (HKFRS) 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 16 *Leases*. Also, I have seen that the number of pages of financial statements has been increasing, making it more difficult for users of financial statements to focus on areas that they should be focusing on. I think “boiler-plate” disclosures in financial statements of many corporates is another area the standard-setter should work on to improve the quality of financial reporting.

What is your general advice for dealing with common application issues of HKFRSs? I am a big fan of “practice makes perfect.” To equip themselves with more knowledge on how to deal with common application issues of HKFRSs, I recommend CPAs to attend more training programmes on HKFRSs, for example those hosted by the Institute. CPAs should also read regular accounting and financial reporting updates issued by the Institute or other regulators, which will help them understand what the common application issues are.

Running successful virtual board meetings

Seaman Kwok, speaker of an e-Series course “Virtual meetings for directors and members,” on the ways company directors and board members can bring validity to virtual board meetings



Seaman Kwok, Founder and Director of SK2 Corporate Services (HK) Limited, is a chartered secretary, chartered governance professional, professional accountant and certified tax advisor as well as a fellow member of The Hong Kong Institute of Directors. Kwok holds a professional diploma in company secretarialship, a bachelor's degree in arts and a post-graduate diploma in laws and has passed the Common Professional (Laws) Examinations of England and Wales. He has over 30 years' experience, including in corporate governance and company secretary matters with companies and reputable professional corporate services providers.

Board meetings are fundamental to the corporate governance system. They are the predominant way for directors and board members of a company to consider and approve matters affecting its operation and business. Moreover, every company incorporated in Hong Kong is required to hold its annual general meeting (AGM) within six months (for a public company and its group companies) or nine months (for a private company not being a subsidiary of a public company and a company limited by guarantee) after its preceding financial year end, at which its financial statements for that year must be laid before for its shareholders' consideration.

However, COVID has disrupted the usual schedules of many companies for holding their AGMs, and has made it very difficult for them, if not impossible, to comply with this requirement.

Case study

Headquartered and operating its construction business in Malaysia, a Cayman Islands-incorporated client having its preceding financial year end of 30 September 2019 published a notice to hold its AGM in a venue other than its offices in Malaysia on 31 March 2020.

On 16 March 2020, the Malaysian government announced the Movement Control Order, closing all private premises except those involved in essential services to curb the spread of COVID-19 in the country. The order originally effective from 18 to 31 March 2020, was twice extended to 14 April and 12 May 2020.

As the client's named company secretary, I acted as the communication channel among the client, the Hong Kong Stock Exchange (HKEX), and the client's legal advisor. Ultimately, thanks to the HKEX's grant of a waiver from strict compliance with the AGM requirement after my application on the client's behalf, I arranged for the holding of the client's postponed AGM on 2 June 2020 in compliance with the order, the Cayman Islands law and client's articles of association, which set the first precedent for all other listed companies in Hong Kong to follow subsequently.

Hybrid meetings

A hybrid of physical and virtual meetings at companies are now far more common in the current COVID-19 climate. Facilitators of virtual board meetings have a lot to pay attention to from the planning and design of the meeting, to how to manage the group dynamics. They should also acknowledge how good boardroom practices are even more necessary for virtual meetings than for face-to-face.

Virtual meetings must (i) be convened, constituted and held in strict compliance with relevant laws, rules, regulations and codes; and (ii) be well-structured and avoid unnecessary complexity. Therefore, good preparation is the key to the success of virtual meetings.

About the e-Series course

During an e-Series course entitled “Virtual meetings for directors and members,” I share my corporate governance, company secretarial and regulatory compliance knowledge, experience and insight with Institute members, board members, chief executive officers, company secretaries and those charged with corporate governance functions.

Participants of the course will be able to familiarize themselves with the definition of “meeting,” the various formats of meetings and the amendments to the laws governing the meetings of members of companies incorporated or registered in Hong Kong and elsewhere. They will be able to understand the benefits and major challenges of virtual board meetings, the ways to achieve the validity and enforceability of such meetings, as well as the matters that must be taken into consideration when convening and holding a proper and valid virtual meeting in compliance with the statutory and regulatory requirements. They will also know how to take adequate preventive measures to convene and hold a physical meeting in today's COVID-19 era, while the chairperson or the organizer of a virtual meeting will be equipped with appropriate techniques to run an orderly and effective virtual meeting.

A proposed IFRS with reduced disclosure requirements

An overview of the Institute's response to the IASB's exposure draft

Our *A Plus* September 2021 issue article provided an overview of the recent International Accounting Standards Board's (IASB) proposal – a new International Financial Reporting Standard (IFRS) that would permit eligible subsidiaries to apply reduced disclosure requirements when applying IFRSs in its financial statements.

In January, the Institute's Standard Setting Department responded to the IASB's Exposure Draft (ED) *Subsidiaries without Public Accountability: Disclosures*. This article highlights our response to the ED. The full response is available on our website.

Objective of the draft standard

We welcome the proposed new IFRS and consider that it would reduce costs for eligible subsidiaries to prepare their financial statements while maintaining the usefulness of financial statements for users.

Nevertheless, to help stakeholders better understand the effects of the draft standard and distinguish between different sets of accounting standards, we recommend that the IASB provide educational materials, such as a comparison of the disclosure requirements between IFRSs, the *IFRS for SMEs* standard and the draft standard, and illustrative financial statements, once the draft standard is finalized.

Scope of the draft standard

We understand that the draft standard is intended to address the cost-benefit considerations for a subset of small and medium entities (SMEs) – subsidiaries without public accountability. However, we consider that extending the scope of the draft standard to all SMEs without public accountability would enable more SMEs to benefit from the reduced disclosure requirements and would set a better direction for the evolution of the *IFRS for SMEs* standard. In addition, we do not see any reason for restricting the scope of the draft standard to subsidiaries when it has been developed based on the disclosure requirements in the *IFRS for SMEs* standard,

which was designed for SMEs regardless of whether they are a subsidiary or not. Accordingly, we recommend that the scope be extended to cover all SMEs without public accountability.

The draft standard uses the concept of "available for public use" (as in IFRS 10 *Consolidated Financial Statements*) when defining its scope. However, IFRS 10 and the draft standard do not provide any guidance on what the term means, for example, whether simply making the consolidated financial statements of the parent available upon request will meet the requirement or whether the parent must be a listed entity. While we understand that the term has been used for a long time and practice has evolved, we consider that the proposals in the ED are likely to put pressure on the definition of "available for public use." If the IASB were not to extend the scope to all SMEs and retain the criteria in relation to "available for public use," we suggest that the IASB consider providing clear guidance on this matter.

Approach to developing the draft standard

Overall, we do not disagree with using the disclosure requirements from the *IFRS for SMEs* standard as the starting point for developing the draft standard, rather than starting from the IFRSs. However, we observe that most eligible subsidiaries may already be using full IFRSs for reporting to their parents. Therefore, using IFRSs as the starting point and providing disclosure exemptions under each IFRS would be more preferable as it helps eligible subsidiaries understand and apply the draft standard more effectively and efficiently.

Some of our respondents noted that the IASB is currently undertaking two other projects, namely the *Second Comprehensive Review of the IFRS for SMEs Standard* and the *Disclosure Requirements in IFRS Standards – A Pilot Approach*. These two projects either have similar scope (entities without public accountability) or objective (address disclosure problems) as the draft standard. They questioned how these two

projects interact with the draft standard, in particular, in respect of the approach to developing the draft standard going forward. Hence, we suggest that the IASB clarify this matter.

Disclosure requirements

We have provided several suggestions to improve the disclosure requirements in the draft standard. In particular, we consider that disclosures about liquidity and measurement uncertainty should be required in the draft standard in accordance with its drafting principles, and would be useful to users.

We agree with the proposal and the rationale as stated in the ED that the draft standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17 *Insurance Contracts*. However, we consider that the IASB should continue to assess the effectiveness of the disclosure requirements in IFRS 17 and propose reduced disclosure requirements in the draft standard after entities have applied IFRS 17 for some time, once users are familiar with the new accounting model for insurance contracts and its effect on an entity's financial statements.

Structure of the draft standard

We note that the draft standard is not an exhaustive list of disclosure requirements. It includes footnotes that require entities to refer to other IFRSs for disclosures that remain applicable when entities adopt it. Entities may easily miss these disclosure requirements. Accordingly, we recommend that the IASB incorporate the disclosures as currently required in the footnotes into the body of the standard so that entities would not need to cross-refer to the disclosure requirements in IFRSs.

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

Professional accountants' behaviour beyond their professional work

A look at scenarios adapted from real-life cases, highlighting the importance of upholding fundamental principles of the code of ethics

A distinguishing mark of the accounting profession is its acceptance of the responsibility to act in the public interest. Confidence in the accounting profession is a reason why businesses, governments and other organizations involve professional accountants in a broad range of areas, including financial and corporate reporting, assurance and other activities.

The Code of Ethics for Professional Accountants (code) establishes five fundamental principles to be complied with by all members of the Hong Kong Institute of CPAs to a range of facts and circumstances that accountants might encounter, whether in business or in practice. They are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Apparent failures to comply with the code are liable to be enquired into by the appropriate committee established under the authority of the Institute, and disciplinary action may result.

To what extent does the code apply to Institute members' behaviour outside the performance of professional activities? Consider the following scenarios:

Scenario 1

Tommy was an Institute member working at a private company. During his employment, he provided a medical certificate to his employer in support of a sick leave application.

The employer questioned the authenticity of the certificate and followed up with the clinic concerned. It was discovered that the certificate was not issued by the clinic. It was also noted that Tommy had not attended the corresponding medical consultation.

Although the employer did not report the incident to the police, Tommy was dismissed for his use of a fraudulent medical certificate for his absence from work and deriving economic benefit from the paid sick day.

Did Tommy breach the fundamental principles of the code?

Yes. Tommy was dishonest and knowingly associated himself with the materially false or misleading information contained in the purported medical certificate.

This is contrary to the fundamental principle of integrity in Chapter A of the code, which requires an accountant to be straightforward and honest in **all professional and business relationships** (R111.1).

Tommy also breached paragraph R111.2 in Chapter A of the code, that a professional accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information:

- contains a materially false or misleading statement;
- contains statements or information provided recklessly; or
- omits or obscures required information where such omission or obscurity would be misleading.

If the matter is reported to the police, it is very likely that Tommy would face charges of forgery using a false instrument and/or fraud and other deception type of offences under the Theft Ordinance (Cap. 210). It is also an offence under section 9(3) of the Prevention of Bribery Ordinance (Cap. 201) for any agent, with intent to deceive his principal, uses any false, erroneous or defective documents to deceive his principal. Hence, the use of fraudulent medical certificate by Tommy to deceive his employer might also breach the offence.

Scenario 2

Leo was an Institute member. He applied for the company secretary role at ABC Limited.

In December 2015, ABC Limited offered the position to Leo based on the merits of his professional qualification and working

experience in his application:

- a fellow member of an international accounting body since March 2015; and
- a senior manager of Alpha Limited from January 2012 to August 2015.

Subsequently, it was found that:

- Leo had been a member of the international accounting body since January 2015. He was not a fellow member as of March 2015.
- Alpha Limited was incorporated in November 2012 and dissolved in February 2015. Accordingly, it was not possible that Leo was employed by Alpha Limited throughout the period from January 2012 to August 2015.
- During November 2011 to September 2012, Leo held another full-time employment with Beta Limited. The company dismissed Leo after he forged the signature of a director and drew a cheque in his own favour. In February 2015, Leo was convicted under the Theft Ordinance.
- In the Institute's annual membership renewal procedure in December 2015, Leo did not declare to the Institute that he had received criminal convictions since the date of his last renewal application, which was a false statement because he was convicted by the Hong Kong court in February 2015.

Leo's purpose of asserting his employment with Alpha Limited commenced in January 2012 (rather than November 2012) was to conceal his employment with Beta Limited from which he was dismissed by reason of serious misconduct.

Did Leo breach the fundamental principles of the code?

Yes. Leo made the following misrepresentations regarding his qualifications or credentials:

- falsified his membership with the international accounting body to ABC Limited;

- falsified his employment record with Alpha Limited to ABC Limited; and
- made a false statement to the Institute in the 2015 membership renewal by declaring that he had no criminal conviction.

Leo was in breach of the fundamental principle of integrity in Chapter A of the code. He was not straightforward and honest in **all professional and business relationships** (R111.1).

He also breached paragraph R111.2 in Chapter A of the code as he furnished materially false statements or information to ABC Limited and the Institute, knowing that they were false or being reckless as to the truth.

Scenario 3

A customer ordered food at a fast food restaurant. He left his mobile phone near the cashier counter, but could not locate it when he returned later. The CCTV at the restaurant recorded that a woman had taken the mobile phone with her.

Through identifying the personalized Octopus card used to pay for food, the police identified the woman as Janice, an Institute member. Subsequently, Janice was convicted of an offence of theft by the Hong Kong court of taking a mobile phone not belonging to her.

Did Janice breach the fundamental principles of the code?

The scenario was not related to Janice's performance of professional activities at work. However, Janice was found guilty by the Hong Kong court and left with a criminal record.

Although Janice's misconduct did not necessarily fall within the purview of the code, the case was referred to the Institute's Disciplinary Committee who ordered sanctions and costs to Janice under section 34(1)(a)(ii) of the Professional Accountants Ordinance

(PAO) (Cap. 50), which applies to Institute members convicted in Hong Kong (or elsewhere) of an offence involving dishonesty.

Janice's conviction constituted dishonourable conduct as it would bring or likely to bring discredit upon her and/or the accounting profession.

Other cases

The above scenarios are adapted from real-life cases involving Institute members. Other disciplinary orders of the Institute involving misbehaviour not directly linked to the performance of members' professional activities at work include but not limited to:

- A registered Qualification Programme (QP) student fabricated a reference letter and used it to successfully apply for a job. The student was charged with obtaining pecuniary advantage by deception by the Hong Kong court as having falsely represented that the reference letter was genuine and dishonestly obtained the remuneration from the employer.
- An Institute member took money (around HK\$2,000) not belonging to them from an ATM left by another ATM user. The member was charged with theft by the Hong Kong court, left with a criminal record and lost their high-paying job.
- An Institute member claimed a reimbursement of around HK\$10,000 from a government agency by falsifying certain particulars on the supporting document using the Photoshop software. The member was convicted of a charge of fraud by the Hong Kong court.
- A partner of a CPA firm doubled the business expenses reimbursement by around HK\$450,000. The partner was found guilty by the Hong Kong court of theft.

While not necessarily within the purview of the code, the QP student in the first

instance was declared unfit to remain as a registered student. Whereas in the other instances, the members were convicted of offences involving dishonesty in Hong Kong under section 34(1)(a)(ii) of the PAO.

Conclusion

Compliance with the code is not only an obligation to follow, but also an inevitable way to uphold the interest of professional accountants and protect oneself from disputes. While it is not practical to establish ethical requirements that apply to all situations and circumstances professional accountants may encounter, members should uphold the fundamental principles of the code and avoid behaving in a way (both at or outside work) that discredits themselves and/or the accounting profession.

Members should also consider the consequences of their behaviour both at and outside work. For example, the resulting negativity might lead to the loss of one's reputation and employment, penalties and/or sanctions by the Institute or relevant professional bodies, legal proceeding or criminal record.

This guidance is for general reference only. The Institute, Ethics Committee and the staff of the Institute do not accept any responsibility or liability in respect of the guidance and any consequences that may arise from any person acting or refraining from action as a result of any materials in the guidance. Members of the Institute and other users of this guidance should also read the original text of the Code of Ethics for Professional Accountants for further reference and seek professional advice where necessary.

The Institute's Standard Setting Department welcomes your comments and feedback on this guidance, which should be sent to commentletters@hkicpa.org.hk.

TECHNICAL NEWS

The latest standards and technical developments

Members' handbook

Update no. 267 includes revision to various auditing and assurance pronouncements in Volume III to:

- Conform to Hong Kong Standard on Related Services (HKSRs) 4400 (Revised) *Agreed-Upon Procedures Engagements* that will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.
- Align with the 2020 edition of the *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* issued by International Auditing and Assurance Standards Board (IAASB) and other housekeeping editorial changes.

Update no. 268 relates to the amendments to the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME-FRF & SME-FRS) that are effective for annual reporting periods beginning on or after 1 January 2021. These amendments were previously set out in Appendix 4 but are now incorporated into the text of the standard. In addition, certain consequential amendments are made to the illustrative company-level and consolidated financial statements in Appendices 2 and 3 respectively.

Update no. 269 relates to consequential amendments arising from Hong Kong Financial Reporting Standards (HKFRSs) that are effective for annual reporting periods beginning on or after 1 January 2022. These amendments were previously set out in the appendices to the respective HKFRS or in a separate document *Annual Improvements to HKFRSs 2018-2020*. The update also includes editorial corrections for Hong Kong Accounting Standard 1 (Revised) *Presentation of Financial Statements* and HKFRS Practice Statement 2

Making Materiality Judgements, and the withdrawal of Hong Kong (IFRIC) Interpretation 9 *Reassessment of Embedded Derivatives*.

Financial reporting

Speech by IASB Chairman

Andreas Barckow, Chair of the International Accounting Standards Board (IASB), delivered a speech on 7 December 2021 in which he outlined the IASB's immediate and future priorities, talked about the growing importance of sustainability issues in financial reporting and shared his views on convergence with the Financial Accounting Standards Board.

December 2021 IASB podcast and updates

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

December 2021 IASB Investor Update

The IASB *Investor Update* includes an interview with Anthony Scilipoti, President and Chief Executive Officer of Veritas Investment Research Corporation and member of the Capital Markets Advisory Committee. It also includes a summary of consultations in 2021 and a reminder about IASB papers that are open for comment.

IFRS Interpretations Committee agenda decision

The IFRS Interpretations Committee published its agenda decision on *Economic Benefits from Use of a Windfarm (IFRS 16 Leases)*.

November 2021 IFRS Interpretations Committee Update

The IFRS Interpretations Committee Update provides a summary of

discussions at its November meeting. Topics discussed include principal versus agent: software resellers, economic benefits from use of a windfarm and negative low emission vehicle credits.

Auditing and assurance

Updates to Auditing and Assurance Technical Bulletins and Circulars

As well as update no. 267 of the Members' Handbook, the Institute has also revised some Auditing and Assurance Technical Bulletins and Circulars to conform to HKSRs 4400 (Revised) and align with the 2020 IAASB handbook and other housekeeping editorial changes.

Institute's Auditing and Assurance Standards Committee meeting minutes

Minutes of the meeting held in November 2021 is now available.

IAASB December 2021 board meeting

The meeting summary and audio recording of the IAASB December board meeting is now available.

High demand for assurance engagements on sustainability and ESG reporting

The IAASB released a statement agreeing to dedicate capacity and resources to the assurance of sustainability/environmental, social and governance (ESG) reporting in responding to the growing demand of enhanced requirements and guidance. It also highlights the IAASB's plan to develop new guidance or revise existing guidance, etc. in the future.

Series of articles on preparing for the new quality management standards

The second article of the series issued by the International Federation of Accountants (IFAC) – 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 – Risk Responses explores the design and implementation of risk responses to identified quality risks and includes examples that will help support small- to medium-sized practitioners to comply with ISQM 1.

FRC begins new series on guidelines for effective audit committees

The Financial Reporting Council has released the first of a new publication series. *Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors* provides specific and practical guidelines for audit committees to establish a robust process for selecting, appointing and reappointing auditors as an essential first step in achieving audit quality. It also highlights two key considerations for audit committees in selecting and appointing auditors: audit quality and audit fees.

ICAEW audit and assurance resources

The Institute of Chartered Accountants in England and Wales (ICAEW) publication *Audit and Beyond December 2021* explores how to improve audit files and keys to conducting a good audit.

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

Ethics

Institute launches new webpage and video on the code of ethics

To help you refresh your memory and uphold professionalism in 2022, the Institute has launched a new webpage on the *Code of Ethics for Professional Accountants* and a new video recapping its structure and the fundamental principles. The page also includes links to educational material, and other relevant information.

Institute's Ethics Committee meeting minutes

Minutes of the meeting held in September 2021 is now available.

IESBA November-December 2021 board meeting

The meeting summary and audio recording of the International Ethics Standards Board for Accountants (IESBA) November-December board meeting is now available.

Exploring the IESBA Code in audio

The Exploring the IESBA Code instalment series, which provides readers with an in-depth walkthrough of the IESBA Code in 12 easy to read instalments, is now available for free in audio format courtesy of the IFAC and ProDio.

IESBA eNews

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

Ethical leadership in the digital world

Paper 2 of a four part series issued by Chartered Professional Accountants of Canada, the Institute of Chartered Accountants of Scotland, the IESBA and the IFAC – *Technology is a double-edged sword with both opportunities and challenges for the accountancy profession* examines the impact of rapid technological change and the importance of ethical leadership from the lens of the professional accountant. It also provides practical guidance to both professional accountants and professional firms.

Sustainability

Appointment of the Chair of the ISSB

On 16 December 2021, the Trustees of the IFRS Foundation announced the appointment of Emmanuel Faber to serve as Chair of the International Sustainability Standards Board (ISSB), from 1 January 2022.

The ISSB will develop IFRS Sustainability Disclosure Standards that provide a global baseline of disclosure requirements designed to give investors high quality, globally comparable sustainability information. The ISSB will also work in close cooperation with the IASB to ensure connectivity and compatibility between standards.

Webcast: Recommendations for consideration by the ISSB

The webcast explains the recommendations from the IFRS Foundation's Technical Readiness Working Group (TRWG) to the ISSB for consideration on IFRS Sustainability Disclosure Standards. It includes a closer look at the TRWG's role, an explanation of recommended architecture of standards, a deep dive into the prototypes and a summary of other recommendations made by the TRWG.

Corporate governance

Institute responds to HKEX's consultation paper: Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers

The Institute generally support the broad direction of the proposals in the consultation paper *Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers* by the Hong Kong Exchanges and Clearing (HKEX), to align the regulatory requirements of both share option schemes and share award schemes.

At the same time, in view of the expanded role of remuneration committees envisaged under the proposals, we consider that the spotlight has turned towards the composition, operation and functioning of these committees. In our view, this also needs to be looked at. Issues such as whether there should be a requirement (or, at least, a recommended best practice) for lead independent non-executive



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director on boards, and whether executive directors should continue to be eligible for appointment to remuneration committees, should be discussed. The detailed submission is available on the Institute's website.

Corporate finance

HKEX's consultation conclusions on special purpose acquisition companies

On 17 December 2021, the HKEX published conclusions to its consultation on special purpose acquisition companies (SPACs). The HKEX proposed new rules to create a listing regime for SPACs that will take effect on 1 January 2022, with the following key amended proposals:

- The minimum number of institutional professional investors required is reduced from 30 to 20.
- A SPAC's board is required to have at least two Type 6 or Type 9 SFC-licensed individuals (including one director representing the licensed SPAC promoter).
- Investment requirements of independent private investments in public equity are strengthened to provide a stronger regulatory check on the terms and valuation of the De-SPAC transaction.
- Overall warrant cap has increased to 50 percent, with more prominent disclosure on the dilutive effect of all warrants. There is also no separate cap on the warrant to share ratio and on promoter warrants.

Please refer to the press release for more details.

Please also refer to the submission of the Institute's Corporate Finance Advisory Panel, with a number of suggestions to make the listing regime more competitive among major jurisdictions.

Insolvency

ORO notice for petitioners in bankruptcy proceedings

The Official Receiver's Office (ORO) issued

an announcement on 10 December 2021, advising that any petitions presented that are not in compliance with the relevant requirements or amount to an abuse of process (e.g. the bankruptcy proceedings being invoked in an improper manner or for an improper purpose such as using it as a means for debt collection or negotiation with creditors) is liable to be dismissed by the court with costs ordered against the petitioner.

Taxation

Announcements by the IRD

Members may wish to be aware of the following matters:

- Stock Borrowing Relief – Filing of Return of Stock Borrowing Transactions.
- A notice issued by the Inland Revenue Department (IRD) to remind taxpayers to pay their tax on time.
- The IRD's Annual Report 2020-21.
- Jail and suspended sentence for couple convicted of falsely claiming deductions for expenses of self-education and approved charitable donations.
- A newly published Advance Ruling Case No. 67.
- Stamp Duty statistics.

Legislation and other initiatives

Announcements by the government

Members may wish to be aware of the following matters:

- The expansion of vaccine bubble from 24 February 2022 to combat COVID-19 spread.
- Latest comprehensive tightening of inbound control measures to prevent spreading of Omicron cases to community.
- Hong Kong Monetary Authority takes disciplinary action against ePaylinks Technology Co., Limited for contravention of the Payment Systems and Stored Value Facilities Ordinance.

AML notices

The list of terrorists and terrorist

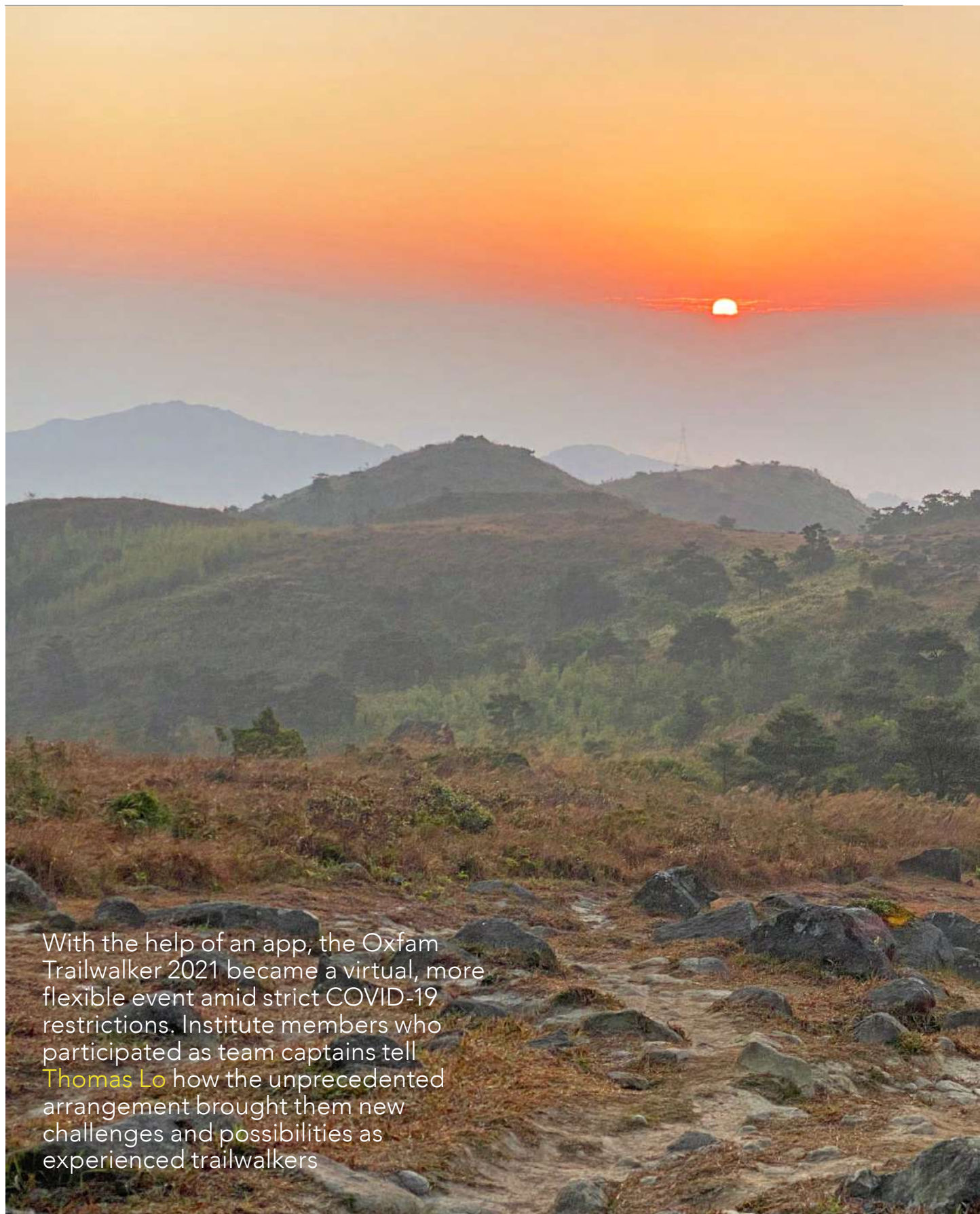
associates designated by the United Nations Security Council (UNSC), published pursuant to the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575), was gazetted on 31 December 2021. See the relevant UNSC press release.

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 31 December 2021. See the relevant UNSC press release.

The list of individuals and entities published under section 33 of the United Nations Sanctions (Central African Republic) Regulation 2020 (Cap. 537CM), was updated on 22 December 2021. 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



With the help of an app, the Oxfam Trailwalker 2021 became a virtual, more flexible event amid strict COVID-19 restrictions. Institute members who participated as team captains tell **Thomas Lo** how the unprecedented arrangement brought them new challenges and possibilities as experienced trailwalkers

STAYING ON COURSE

Conquering the iconic MacLehose Trail, a team of trailwalkers tirelessly charged uphill at a rhythmic pace. It is only noon but they have already been running and walking for more than 12 hours.

As they tackled another uphill path, Peter Lo FCPA, captain of the team 8025, helped one of his teammates to carry the weight of food and water supply. “My strength lies in uphill terrain. As a team, we share the weight and we press on,” says Lo, who is retired.

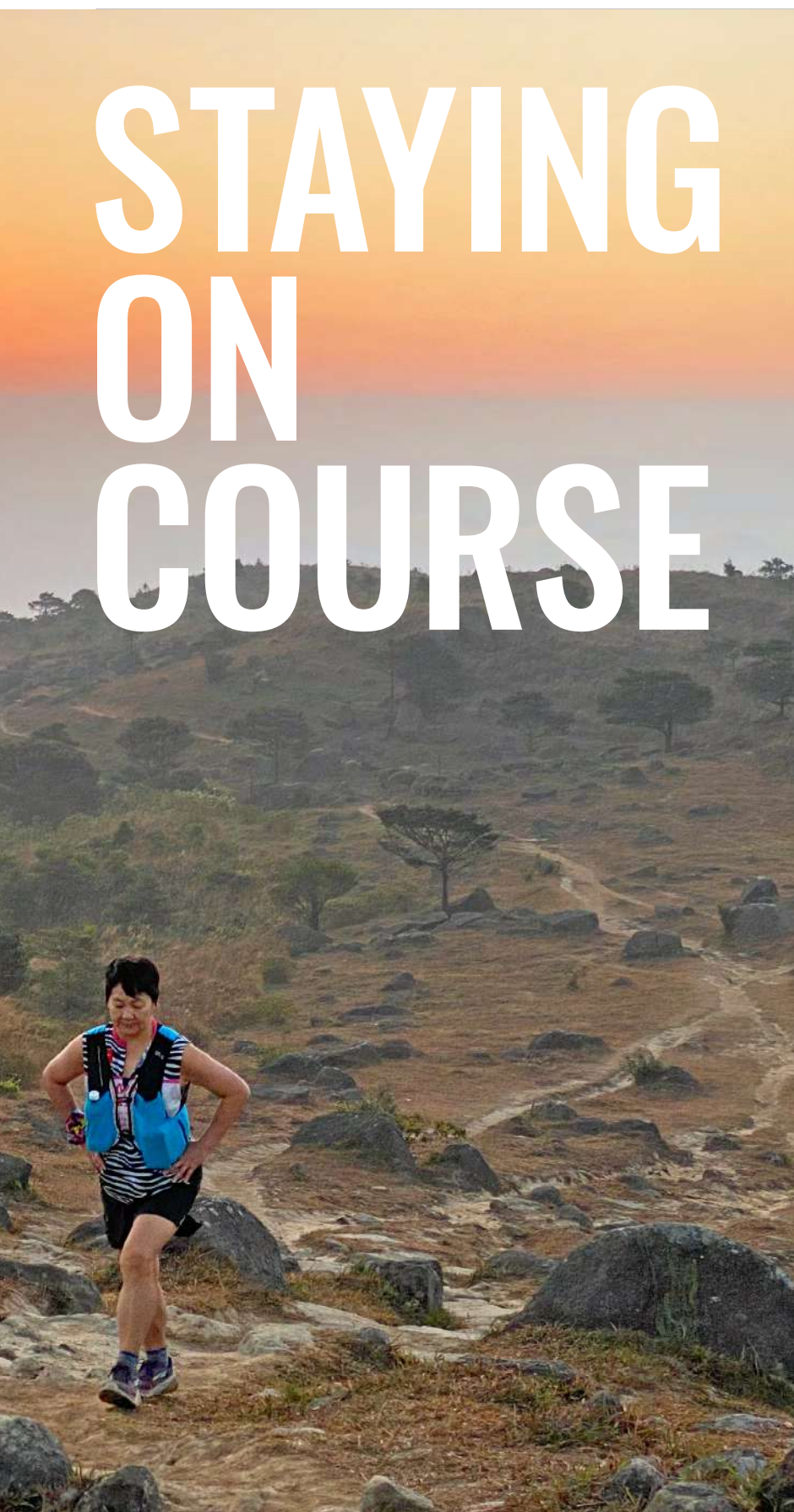
Lo’s team was one of three teams of the Hong Kong Institute of CPAs that tackled the tough 100-kilometre Oxfam Trailwalker 2021. As usual, the race followed the MacLehose Trail, and started at Pak Tam Chung in Sai Kung and ended at the Tai Tong Holiday Camp in Yuen Long. While the route was the same as previous events, a few things made the 2021 event drastically different.

To avoid being cancelled for a third consecutive year, the charity race became a virtual event last year in response to the anti-epidemic measures in Hong Kong. Named “Oxfam Trailwalker 2021 – VIRTUALLY TOGETHER,” the event required participants to use TRAILME, an app that tracks participants’ time and location along the trail.

The event was also more flexible in terms of participants’ starting time. With the TRAILME app, teams could choose their own starting time but had to finish the race within 48 hours during the period of 22 November to 12 December 2021.

Midnight runners

The reformatted event allowed Lo reunite with his team – they last participated in the trailwalker event together in 2017 – this time as their captain. “Among my teammates, I am



Peter Lo FCPA
(first right), captain
for team 8025, with
his teammates at
Tai Mo Shan



the least experienced and the oldest. They are more qualified than I am. Thankfully, my team functions like a well-oiled machine, which allows me to be the rookie captain,” says Lo. “I had been part of the Institute’s team for more than five years, but I never had the chance to have the letter ‘A’ on my chest, signifying that I’m the team captain. I really wanted to add this to my collection of number bibs. That’s why I picked up the role as captain,” he explains.

As a marathon runner, keeping up with trailwalking training is not too difficult task for Lo. He finished his first trailwalking race within 27 hours back in 2013 after five months of training with his team. “It was not as difficult as I imagined,” says Lo. Ever since his first trailwalking event, he continued participating in the race. Four years later, due to intense training and poor body weight management before the event, he completed the race with an injured left knee. This spurred him to take a two-year break from

trailwalking to prevent further strain on his knee.

The virtual event was his first race since his break, and he says it really put captains and their support teams to the test. The new arrangement opened up different possible strategies to approach the race, and captains had to think about what starting time would be right for them when planning their schedules.

Lo’s team began their race at 9:30 p.m. on 10 December 2021. Midnight is often the toughest time for runners due to low temperatures as well as the runners’ low energy levels, he notes. “We chose to start at night so that we can deal with this situation at the beginning of the race while we are at our highest energy level. We could also take advantage of the sunlight when we reach the top of Tai Mo Shan at noon the following day. The sun would boost our energy and help get us through the feeling of exhaustion, which inevitably happens after 12 hours of running,” Lo explains.

Another challenge was dealing with the logistics around their food and water supply. To avoid crowds gathering, the event organizer cut down the number of support stations from 10 to two stations. “The only two Oxfam support stations were located in the first half of the race. Aside from energy issues, we were simply too early for the organizer’s station as we started the race at night. After the 50-km mark, there was no support from the organizer so we had to arrange our own,” says Lo. “The support team provided the necessary gear, food and drinks at three different locations in the second half of the race. For that, I can’t thank Barry, our support team leader, and Simon and Jeremy, support team members, who ran with us from the last 20-km, enough. We could never have made it to the end without their help. Having a strong will or body is just the bare minimum for completing a race. Without the support from people, nothing can be accomplished.”

“Having a strong will or body is just the bare minimum for completing a race. Without the support from people, nothing can be accomplished.”

Boosting morale

It took Barry Tam FCPA (practising) three attempts to finally complete the Oxfam Trailwalker. “My first attempt in 1996 ended when my ankle injury relapsed at 50 km. The next year’s attempt failed due to serious diarrhoea during the race,” recalls Tam, Sole Proprietor of K.W. Tam & Co. “After that, I started to jog long distances to enhance my cardiovascular health, muscles, endurance and stamina to run in ultramarathons.” All of Tam’s training paid off by the time he participated in the trailwalker event in 1999. “I will never forget the thrill and the satisfaction of crossing the finish line.” He has since completed the race 20 times.

Tam says he first got into trailwalking as he was looking for a way to keep fit and be more healthy. “What I did not expect was how this sport would change me as a person in such profound ways.”

Apart from joining both the local and overseas Oxfam Trailwalkers, Tam has continued to participate in various marathons around the world. He has been the Convenor of the Athletics Interest Group of the Institute and captain of trailwalker teams since 2021. With Tam as the captain of team 0065, the team completed the race in 27 hours from 4 to 5 December 2021. He sees his role as captain of both trailwalker and support teams as an opportunity for him to learn. “As the convenor, I automatically become the leader of the support team – we plan and organize the support with other Institute teams,” he explains.

The support teams consist of Institute members who provide requested supplies at designated support points, as well as co-runners, who act as mobile supporters to help carry heavy but necessary items along with teams so that participants can run without carrying too much.

“Before the event, we had to think of which points along the trail we could set up our own supporting station. Calculating the teams’ speed and ensuring we had enough supply were the main missions of the support team. Food like sandwiches and noodles, and beverages like energy drinks or coconut water are standard supplies. In addition, we provided participants with congee and even a small bowl of barbecued pork rice to help boost energy and morale during the remaining part of the race,” Tam explains. “Effective communication between teammates and the support team was a key factor in meeting the participants’ needs so as to help them to achieve their target in completing the race.”

Having experienced what it is like being both a trailwalker participant and a supporter, Tam understands the needs of both parties. “Our arrangement was to act as supporters

“As a captain you have to always consider everything and communicate closely with your team if you want to accomplish anything.”



Barry Tam FCPA (practising) (first right), captain of team 0065, and his teammates at Section 1 of the MacLehose Trail



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Pearl Chau CPA (first right), captain for team 0066, with her teammates at the starting point.

“The supporters behind us are just as important as the runners charging towards the finish line.”

with other fellow members for the other teams, and in return, we were supported by other team members and friends when our team ran,” he says. Playing both roles, Tam adds, has also taught him how to be a better team captain. “As a captain you have to always consider everything and communicate closely with your team if you want to accomplish anything.”

Prepare for anything

Team captains must also plan for different weather conditions, notes Pearl Chau CPA, Planning & Insights Executive of British-American Tobacco Co. (HK) Ltd. “Taking into consideration all possible weather conditions is essential if you want to finish the race painlessly. I had to finish the last half of a race with blisters on my feet in 2011. I did not think the trail would be flooded and that our socks and shoes would be completely soaked due to heavy rain. If we had thought through these scenarios beforehand, I would have prepared extra socks and shoes in my drop bag,” says Chau.

She also recalls the time she took part in another 100-km race in 2016 called the HK100, where it was 3 degrees celsius. “Despite the icy road hindering my progress, I kept going and still managed to finish that race in 25 hours,” says Chau.

Chau is the captain of team 0066, and is also a supporter assisting other Institute teams in finishing the Oxfam Trailwalker event. She has been part of the Institute’s team, which was formed in 2011, for 10 consecutive years. She says the sport has kept her fit and refreshed while allowing her to meet other like-minded Institute members. She has been a team captain since 2013, and won the Accountancy Champion award for the Oxfam Trailwalker in 2014.

“Planning a practical training schedule and setting the timetable for the actual race day is the easiest part of being a captain, while connecting with your teammates, asking for commitment, and organizing support logistics are the most critical,” explains Chau.

“I have to be sensitive to the team’s needs and quickly find solutions to ensure the team can finish the race with the least obstacles. This means giving teammates a snack if they slow down or helping to carry their gear when they look tired. This is because one team member’s issue is the whole team’s issue.”

With the reduced number of participants and the flexible time arrangements, some may view the virtual event as being easier than previous events. However, the virtual race posed new challenges for captains when it came to leveraging support. “I have to thank Barry for lightening my burden. I knew we were in good hands,” Chau says. “You would be surprised by the high degree of teamwork that goes on behind every trailwalker event. The supporters behind us are just as important as the runners charging towards the finish line. I have to thank my team for their complete trust in me. It is my pleasure to complete the race with them.”



Three Institute teams participated in Oxfam Trailwalker 2021 – VIRTUALLY TOGETHER, raising more than HK\$24,000 for the charity.



YOUNG MEMBER OF THE MONTH

Allan Au-Yeung CPA

ALLAN AU-YEUNG CPA

Finance Manager at
Queen Elizabeth
Hospital





Allan Au-Yeung CPA, Finance Manager at Queen Elizabeth Hospital, tells *A Plus* how his accounting skills have helped him throughout his career so far, and why knowing how to manage one's time while adding value to any business is key to being a dependable professional.

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

As a Finance Manager working under the financial operation team of Queen Elizabeth Hospital, I am responsible for coordination in areas of budget management and control, resource allocation and planning, and financial analysis. The role is challenging, but I'm fortunate to have a very supportive team. I treasure the opportunity to work with and learn from service partners such as doctors, nurses and allied health professionals. Effective communication with different professionals is the key to success as I have to put myself in their shoes to understand their resource needs, and find ways to ensure that their operations run smoothly.

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

The most rewarding and challenging aspects of my role are responding to urgent requests and solving problems. It has been particularly challenging during this COVID-19 pandemic, as we have to handle urgent requests while maintaining due care in budget control and monitoring. As for budget management, we need to monitor the budget utilization of departments, forecast their financial position, and address any budget issues from time to time. Meetings with departments are conducted regularly to update them on the financial status based on financial projections and reports. This not only facilitates effective budget planning, but also provides a platform for departments to bring up any financial issues for discussion. We work closely with departments to support them with timely financial information to facilitate their decision-making.

What inspired you to become an accountant?

I am good with numbers and my passion to become an accountant started when I was in secondary school. I obtained my Bachelor Degree in Professional Accounting at the Hong Kong University of Science and Technology and began my career as an external auditor. I then moved to working in a listed company as a group finance manager as I wanted to develop myself into an all-round professional.

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?

With my professional knowledge as a Big Four auditor, commercial experience in a listed company, and financial planning and analytical skills, I am confident that I am ready to further my career advancement. Accountants are facing challenges in today's rapidly changing financial environment – especially with emerging new technologies and artificial intelligence – and I believe that they should focus more on creating value for businesses. I am preparing myself to become a finance leader who brings value to organizations, and I'm happy to continue developing myself in the healthcare sector.

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

It would be the importance of time management. When I was a junior auditor, I was assigned a lot of tasks to be completed within tight deadlines, so I had to work overtime, especially during peak seasons. Time management became more important after my promotion to a managerial position. Managing different projects and leading a team that could deliver to a high standard were not easy tasks. This taught me to prioritize tasks for my team and develop my management skills. By planning ahead, I was able to meet the expectations of my clients, supervisors, teammates and my family.

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

The QP is a very comprehensive training programme. It equipped me with the relevant knowledge and skills to become a professional accountant through its modules, workshops, and examination. The financial reporting and business assurance modules of the QP helped me to understand clients' financial statements when I was an external auditor, while the corporate financing module prepared me to make management decisions in my current role. All in all, the QP has helped me to build a solid foundation for my future.

AFTER HOURS

As recommended by Institute members

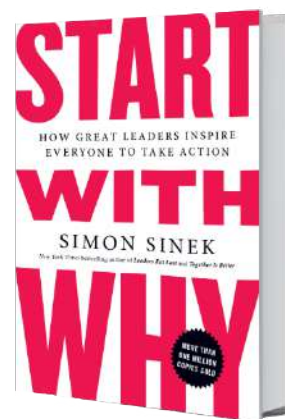


Eat

“I never believed that a burger or pasta served at a bar could be better than the food at a pricey sit-down restaurant. But since trying the food at BABA8, a bar in Causeway Bay, for the first time, I have been going to this place for dinner more often than I do for drinks. Expect to get your hands messy if you order their delicious and infamous smash burger. While Hong Kong is not usually known for having great burger restaurants, I would highly recommend this place. You can always pair the food with a beer or two to make a night out of it!” – Arthur Lui CPA (practising), Finance Manager, Standard Club Management (Asia) Pte. Limited

Read

“I enjoyed reading *Start with Why: How Great Leaders Inspire Everyone to Take Action* by Simon Sinek. It served as the basis for one of the most popular TED Talks, ‘How great leaders inspire action.’ Some concepts in the book that will inspire business leaders include the ‘golden circle’ of communication where highly innovative and effective organizations communicate from the inside out; start with the ‘why,’ then the ‘how’ and ‘what,’ and not what most organizations do, according to Sinek, which is start with the ‘what.’ People don’t buy ‘what’ you do, they buy ‘why’ you do it.” – Raymond Tam CPA, Chief Financial Officer of Adagene



Listen



“*Sadda Haq*, a song from the 2011 Indian movie, *Rockstar*, is a rock song composed by the music icon A. R. Rahman (he earned awards for his score for *Slumdog Millionaire*). It features electric guitar work by the talented Orianthi (Michael Jackson’s guitarist). Just as one does not need to know the language to appreciate a good acting performance, one does not need to know the language to enjoy this head-banging song. It is a youth anthem and the guitar riffs and drum work are sensational. I remember using this as a test song on some speakers at the Bang & Olufsen showroom in Elements some years ago and when I turned around, there were local shoppers at the entrance listening in!” – Anil Daryanani FCPA, Chief Financial Officer of Thakral Corporation Ltd.



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