



DRIVING BUSINESS SUCCESS

Issue 2 Volume 18 February 2022

PLUS:

THE CIRCULAR ECONOMY

The opportunities of circular models for Hong Kong businesses

ATTRACTING THE NEXT GENERATION

What can the profession do to attract the next generation of accountants?

SECOND OPINIONS

How should you develop soft skills?

PUSHING FOR CHANGE

Edmund Wong FCPA (practising)
on his plans for the profession
as the newly elected representative
of the Legislative Council's
Accountancy functional constituency



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“The Council held its annual Strategy Day to lay down the blueprint for the coming year with key strategic focuses and a clear road map. Rest assured, the leadership team of the Institute will make every effort to bring these plans to fruition and ensure we can better serve our members.”



Dear members,

Happy Chinese New Year. I wish you exceptional health, joy and prosperity in the year of the tiger. It is quite unfortunate that this year's celebrations have coincided with the fifth wave of COVID-19 outbreaks in Hong Kong. The dire situation has seen daily confirmed cases surge into the thousands, compared to the “mere” double digits recorded when we presented the Institute's tax policy and budget proposals for 2022-23 in January. In face of the many challenges emerging from the pandemic, I encourage you to remain vigilant and prioritize your well-being and health. For those looking to establish healthy hybrid working practices for the office, we have a “How to” article in this issue on page 28 with some great insights.

Indeed, with the pandemic impacting the global economy and putting pressure on Hong Kong, measures in this year's budget will be critical towards providing relief to businesses in the short term and revitalizing Hong Kong's economy. During the announcement on 23 February, the Financial Secretary introduced a number of targeted relief measures, including HK\$10,000 consumption vouchers, to help the public tide over these difficult times. Alongside my colleagues, I took part in presenting the Institute's views on the budget to the media afterwards. The Institute has advocated for initiatives to help the public cope with ensuing economic pressures in the short-term as well as measures to improve Hong

Kong's fiscal position in the medium to long term. We are pleased to see the government is actively seeking avenues to relieve financial burdens for Hong Kong's citizens, and we are happy to note that many of the suggestions from the Institute were included in the 2022-23 Budget. Nonetheless, the Institute has recommended that the government review the city's revenue model to address its longstanding narrow tax base. You can read more about the Institute's commentary in this month's “Thought leadership” column on page 29.

Another highlight of the budget we are happy to support is the government's sustainability strategies to achieve net-zero carbon emissions, which among others, included additional funding into the EV-charging at Home Subsidy Scheme and the expansion of the government's green bond issuance. The Institute has repeatedly reaffirmed its commitment to taking the responsibility to minimize its own carbon footprint as well as enabling its members and stakeholders to contribute to a more sustainable future. As accountants, our roles have been growing in importance as the demand for environmental, social and governance information, and assurance increases in the business world.

Earlier in February, I took part in a “meet the media” session organized by the Institute. I discussed a wide range of topics including the regulatory reform,

the role of the Institute moving forward, the future of the profession, and latest developments of the Qualification Programme. During the interview, journalists were especially interested in the retention of talent within the profession. This is a topic we also explore in this month's feature, where we found digital transformation in the profession and communicating the profession's value to society to aspiring CPAs could be the key to attracting more talent. Read the story on page 14.

Working with the media to better engage the wider public about the Institute and the profession is, in fact, one of our key strategies in the coming year. As I mentioned in my message in the January issue, the year of the tiger will be a transformative year for the Institute. With the discussions on the transition under the regulatory reform underway, my colleagues at the Institute and I have been tirelessly planning ahead on how we will reposition ourselves as a body, rebuild our image in society, and reinforce our members' trust in us. In early February, the Council held its annual Strategy Day to lay down the blueprint for the coming year with key strategic focuses and a clear road map. Rest assured, the leadership team of the Institute will make every effort to bring these plans to fruition and ensure we can better serve our members. More information will be shared with members in due time, so please stay tuned.

Loretta Fong CPA (practising)
President

14

A top career choice

With long-held misconceptions surrounding the profession leading to a decline in fresh graduates vying for a role, what can the profession do to attract more young talent?



NEWS

- 01 President's message
- 04 Institute news
- 07 Business news

FEATURES

- 08 **Leadership:**
Edmund Wong FCPA (practising)
The new representative of the Legislative Council's Accountancy functional constituency on how he will help the profession
- 14 **A top career choice**
How to get more young people to choose accounting as a career
- 20 **Closing the loop**
How accountants can help companies transition to a circular economy
- 26 **Second opinions**
How should you develop soft skills?
- 28 **How to**
Yan Jiejun, Head of Talent and Employee Experience, Hong Kong, Mercer, on how to make

hybrid work, work

- 29 **Thought leadership:**
Eugene Yeung CPA
The Convenor of the Institute's Budget Proposals 2022-23 Sub-Committee, on this year's budget

- 30 **Q&A with a PAIB**
Hewitt Chan CPA, Retail Concept Director at Nike Greater China
- 31 **Q&A with a PAIP**
Christopher Tam CPA, Director, Actuarial and Insurance Solutions, Deloitte

- 32 **Meet the speaker**
What to expect from upcoming workshops on new quality management standards

SOURCE

- 33 **How useful is a "simplified" auditing standard?**
An overview of the Institute's response to the IAASB's exposure draft on LCE audits
- 34 **A review of the classification and measurement of financial**

30

Q&A with a PAIB



31

Q&A with a PAIP





20

Closing the loop

The sustainability-focused circular economy may help to address the issue of waste and under-utilized resources, and create opportunities for businesses, but obstacles still stand in the way

instruments

A summary of the Institute's response to the IASB Request for Information on the classification and measurement of IFRS 9

35 Referral fees for introduction of clients and maintenance of a registered office

What practitioners must keep in mind with regards to referral fees for the introduction of clients and in maintaining registered offices

36 Technical news

WORK-LIFE BALANCE

40 Staying in tune

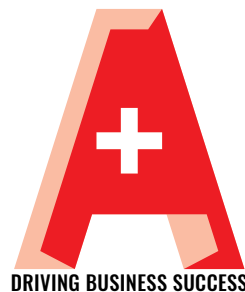
CPA musicians on how music has helped them through thick and thin

46 Young member of the month

Athena Tsui CPA, Senior Associate at Deloitte

48 After hours

Institute members recommend their favourite ways to unwind



DRIVING BUSINESS SUCCESS

About our name

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



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NEWS

Institute news

Business news

Institute responds to the 2022-23 Budget



From left: Eugene Yeung CPA, Convenor of Budget Proposals 2022/23 Sub-Committee, Institute President Loretta Fong CPA (practising); and Sarah Chan FCPA, Chairman of the Taxation Faculty Executive Committee.

The Institute welcomes the government's 2022-23 Budget, announced on 23 February, and believes that the government is actively helping the public cope with the pandemic and tackle the economic downturn.

The budget speech included numerous suggestions made by the Institute in its budget submission, such as tax rebates, tax deductions on residential rental expenses, issuance of consumption vouchers, tax incentives for single family offices, injecting additional funds into the EV-charging at Home Subsidy Scheme, holding

an investment summit, and aligning Hong Kong's tax policy with international tax rules.

The Institute particularly welcomes the introduction of targeted relief measures, including HK\$10,000 consumption vouchers, to mitigate the negative impact of COVID-19 on businesses and individuals. "It's hard to say when the epidemic will be under control, and Hong Kong still has to fight a 'protracted battle.' In addition to issuing consumer vouchers to the public, we believe that the government should focus on providing more targeted short-

term measures to those currently in need of assistance. This can maximize the societal benefits given the limited resources," said Loretta Fong CPA (practising), Institute President.

The Institute, however, remains concerned about Hong Kong's fiscal resilience in the medium to long term. It has long advocated broadening the tax base to mitigate the impact of changes in the economic cycle and unforeseeable shocks on the public purse, as well as an aging population.

Members can read the Institute's press releases and budget proposals on the Institute's website and our response to the budget on page 29 to learn more.

Results of first offering of QP Capstone announced

The Institute launched the first offering of the Qualification Programme (QP) Capstone in the December 2021 Session and the results were announced on 25 February. QP students, workshop facilitators and examination panelists shared positive feedback, including that the Capstone helps develop and assess higher-order enabling skills, business acumen and professional judgement through its practical workshop activities and real-life case studies in examinations.

Disciplinary findings

Cheung Chun Bong CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of integrity in sections 100.5(a), 110.1 and 110.2 of the Code of Ethics for Professional Accountants (code of ethics), Hong Kong Standard on Quality Control (HKSQC) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, Hong Kong Standard on Auditing (HKSA) 230 *Audit Documentation*, HKSA 500 *Audit Evidence*, and being guilty of professional misconduct.

Cheung practised in his own name and was responsible for his practice's quality control system and the quality of

its audit engagements. An initial practice review identified a number of deficiencies in the quality control system and audit engagements. In addition, Cheung was found to have created audit working papers and a self-monitoring review report on the quality control system in response to the practice review notification.

Decisions and reasons: The Disciplinary Committee reprimanded Cheung and ordered the cancellation of his practising certificate, with no issuance of a practising certificate to him for 12 months. In addition, Cheung was ordered to pay a penalty of HK\$100,000 and costs of the disciplinary proceedings of HK\$43,285. The committee further found that Cheung's lack of integrity and competence to be serious, amounting to professional misconduct.

Law Fei Shing CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply HKSA 250 *Consideration of Laws and Regulations in an Audit of Financial Statements*, HKSA 701 *Modifications to the Independent Auditor's Report*, section 270 Custody of Client Assets of the code of ethics, and the fundamental principle of professional competence and due care in section 100 of the code of ethics.

Law is the sole proprietor of F.S. Law & Co. The firm audited the financial statements of a private company for the two years ended 31 March 2010 and 2011.

Deficiencies were found in the audits and in Law's conduct under his professional relationship with the company. Law failed to:

- (i) obtain sufficient evidence to justify his concurrence with the company's adoption of the exemptions under section 141D of the then Companies Ordinance and the financial reporting standard for small- and medium-sized entities as a basis of financial statement preparation, when the company's holding of a subsidiary at the time would have disqualified it from the exemptions;
- (ii) qualify his auditor's opinion for a limitation of audit scope over provision for impairment loss on an investment;
- (iii) obtain sufficient appropriate evidence to support his acceptance of the company's breach of statutory disclosure requirements applicable to a charge over the company's assets that was made to secure banking facilities granted to a director-controlled entity;
- (iv) segregate funds transferred to him by a shareholder (who was also a director) of the company, and make adequate enquiries to ensure the transfer complied with relevant laws and regulations; and
- (v) maintain professional knowledge and skill at the level required to ensure the company received competent professional service.

In the course of the disciplinary proceedings, Law applied for judicial review twice. The proceedings were held over for some five years until the judicial reviews were completed and dismissed by the court.

Decisions and reasons: The Disciplinary Committee reprimanded Law and ordered the cancellation of his practising certificate, with no issuance of a practising certificate to him for 15 months, with effect from 14 January 2022. In addition, the committee ordered Law to pay a penalty of HK\$160,000 and costs of disciplinary proceedings of HK\$4,943,123. The committee's order included an enhanced order requiring Law to bear the Institute's cost in full due to his conduct and resulting delays. The committee noted Law's breaches were very serious in that they demonstrated a serious lack of understanding of auditing and ethical standards, and the fundamental and basic legal requirements relating to the preparation and presentation of financial statements under the Companies Ordinance. The breaches were aggravated by Law's limited remorse and lack of candour, as seen in his changing and evolving defences in the course of the disciplinary proceedings, and by his obstructive conduct that resulted in significant delays to the proceedings,

substantial wasted costs and the Institute's need to instruct external counsel to act for it.

Settlement

Wan Tat Kay Dominic Savio CPA (practising)

The Hong Kong Institute of CPAs has settled regulatory proceedings concerning alleged non-compliance with its professional standards and professional misconduct committed by Wan Tat Kay Dominic Savio CPA (practising).

The matter concerns significant audit deficiencies identified in the Institute's initial practice review of D. Wan & Company (practice). The practice review covered the practice's quality control system and the audit of a private entity for the year ended 31 March 2018. Wan was responsible for the quality control system and was the engagement partner of the audit.

The practice reviewer identified significant deficiencies that showed (i) Wan's inadequate audit methodology for the audit engagement; (ii) Wan's failure to perform adequate audit procedures, and/or prepare adequate audit documentation, on a number of material items in the financial statements: unlisted investment, inventories, sales and purchases; (iii) substandard auditor's report on the financial statements issued by Wan. In addition, the practice reviewer found deficiencies concerning the practice's monitoring process and compliance with the Institute's ethical requirements on independence.

As a result of the above, Wan failed or neglected to observe, maintain or otherwise apply:

- (i) The fundamental principle of professional competence and due care under sections 100.5(c) and 130.1 of the code of ethics;
- (ii) HKSQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*; and
- (iii) HKSA 230 *Audit Documentation*, HKSA 500 *Audit Evidence*, and a number of other HKSAs.

The multiple deficiencies identified also demonstrated Wan's blatant disregard to professional standards, amounting to professional misconduct.

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

1. Wan acknowledges the facts of the case and areas of non-compliance with professional standards;
2. Wan be reprimanded;
3. Wan pays a financial penalty of HK\$80,000 and costs of HK\$50,000; and
4. Wan undertakes to cease providing audit services for a period of one year.

The Institute considers a settlement on the agreed basis to be in the public interest. In the circumstances, the Institute is satisfied that there is no purpose to be served in pursuing disciplinary proceedings.

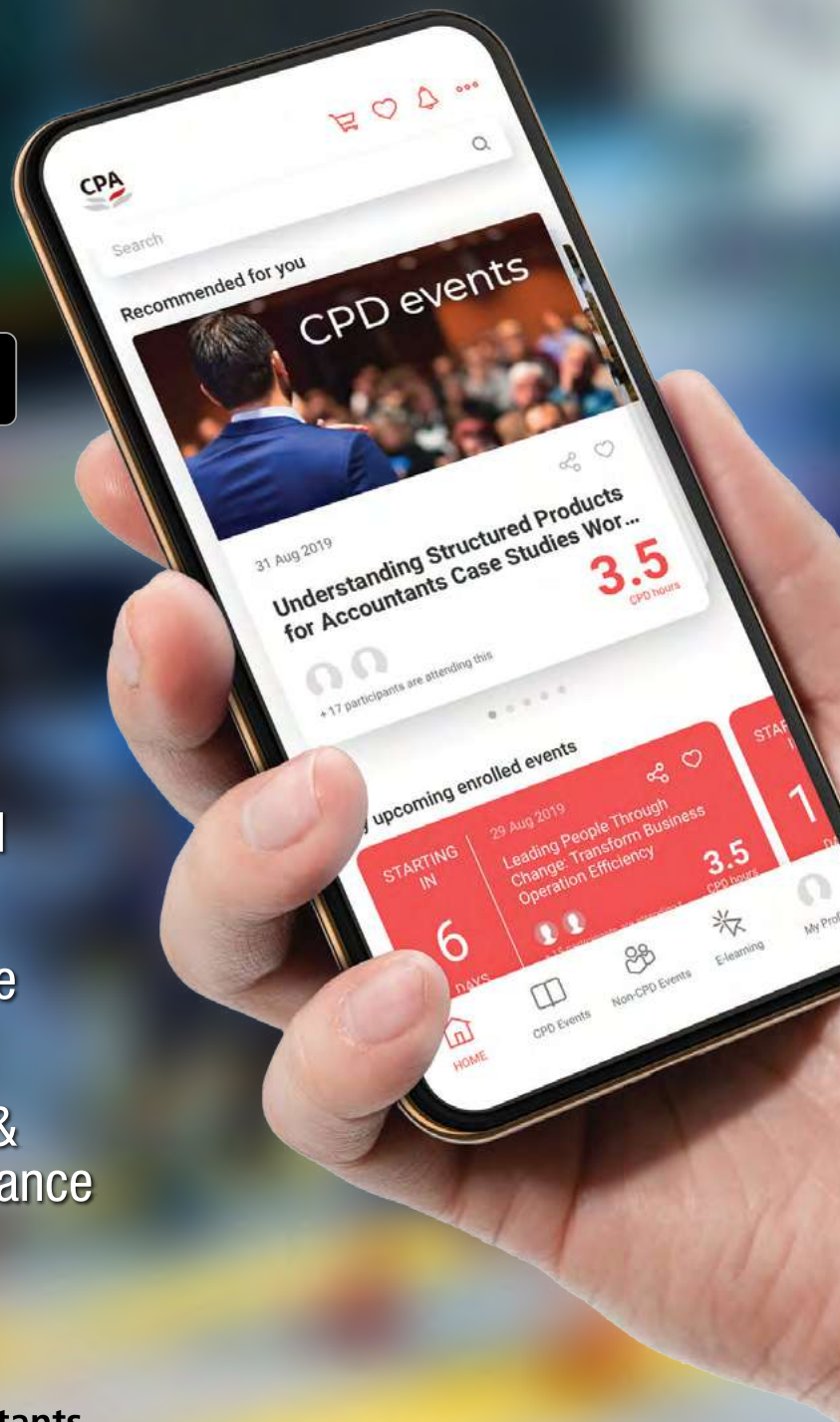
Details of the disciplinary findings and settlement are available on the Institute's website.

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HK\$170 billion

The total budget for the relief package announced by Paul Chan FCPA, Hong Kong's Financial Secretary, on 23 February as part of this year's budget. The figure, which is more than double the amount seen in 2021, will go towards funding public health measures, helping struggling businesses, and provide consumption vouchers, tax breaks and rental relief amid the city's current COVID-19 outbreak.

Accounting Considerations for a Special Purpose Acquisition Company

The title of the new publication by the Hong Kong Institute of CPAs, which highlights certain key accounting considerations relevant to a typical special purpose acquisition company throughout its lifecycle. It can be found on the Institute's website.

Proposed technology-related revisions to the Code

The title of the exposure draft issued by the International Ethics Standards Board for Accountants on 18 February. The exposure draft seeks to expand the International Code of Ethics for Professional Accountants' relevance in an environment being reshaped by rapid technological advancements. Comments are requested by 20 June.



Greater Bay Airlines received its license from the Air Transport Licensing Authority on 21 February, clearing the way for the start-up airline to operate scheduled air services between Hong Kong and 104 routes covering Mainland China, Taiwan, Japan, South Korea and destinations in the Asia-Pacific region.

US\$548,000

The amount a Chinese university student lost after selling his non-fungible token (NFT) through a scam link. Fraud cases involving NFTs are seeing a sharp increase due to a current lack of regulation in Mainland China surrounding the buying and selling of NFTs.

12,790

The number of mergers and acquisitions recorded in Mainland China in 2021. The number is a 21 percent increase from the previous year, according to PwC's *China M&A 2021 Review and 2022 Outlook*.

“The IRSG believes that regulation of ESG ratings is now desirable, to provide more transparency around the basis for ESG ratings and mitigate against potential conduct risk.”

– The International Regulatory Strategy Group (IRSG) said in a report released on 21 February. The IRSG, a regulatory research body, said that Britain should regulate sustainability ratings on companies to improve transparency, reduce the risk of greenwashing and protect investors.

3.9%

Hong Kong's unemployment rate for the three months ending in January. The figure, which is the same as the previous rolling three-month period running from October to December according to the Census and Statistics Department, is the lowest since February 2020, which saw a peak of 7.5 percent.

Mazars USA LLP

The firm that cut ties with former United States president Donald Trump this month, noting that it could no longer stand behind a decade of annual financial statements it prepared for the Trump Organization, according to court documents. It comes amid new evidence that Trump and his company used “fraudulent or misleading” valuations of its golf clubs, skyscrapers and other properties to receive loans and tax benefits.

VOICING MEMBERS' NEEDS

After his election win in the Legislative Council's Accountancy functional constituency, Edmund Wong FCPA (practising) talks to [Jeremy Chan](#) about the regulatory reform, the sustainability of the profession, and how he will be raising the interests and concerns of all accountants

Photography by Calvin Sit

To Edmund Wong FCPA (practising), there has never been a more crucial or complex time to be the Accountancy functional constituency's representative in the Legislative Council (LegCo). From the regulatory reform of the profession to the growing opportunities in the Greater Bay Area (GBA), Wong is looking forward to advocating on these issues on behalf of accountants. "Through this role, I'll be able to help my fellow accountants and serve as a key communication channel between the government, the Hong Kong Institute of CPAs, and the profession," says Wong. "And with these new powers come new responsibilities."

Wong, who will hold his new role as a LegCo member for the next four years, will be balancing his new responsibilities along with his full-time job of managing his father's firm, Patrick Wong C.P.A. Limited, as Practising Director, as well as his roles in various Institute committees. These roles, Wong says, have proven indispensable in understanding the issues faced by members.

His desire to find better solutions prompted him to run as a candidate in the recent LegCo election, held on 19 December 2021. Wong secured a total of 3,175 votes – nearly 40 percent of all total votes – to win a seat to represent the Accountancy functional constituency, which is one of 30 functional



PROFILE

Edmund Wong FCPA (practising)



Edmund Wong FCPA (practising), Practising Director at Patrick Wong C.P.A. Limited, is the representative of the Legislative Council's Accountancy functional constituency.

constituency seats in LegCo. As of 2021, the Accountancy functional constituency is composed of more than 27,000 CPAs. Wong considers the victory as the highlight of his career so far, and an opportunity for him to make a tangible impact on the profession.

A major task

Top of Wong's list of priorities is to help the profession navigate the upcoming regulatory reform, which will see the regulatory and disciplinary powers of the Institute being handed over to the Financial Reporting Council (FRC) later this year. "This reform is, without

a doubt, a major concern among members," he says. "With most CPAs used to the existing practice reviews from the Institute, this change will take some getting used to, which is causing a bit of worry." Wong notes that he will be closely monitoring subsidiary legislations and by-laws regarding the reform that will be submitted to LegCo's Panel on Financial Affairs, which is a panel tasked with scrutinizing government policies and issues of public concern relating to financial matters.

Despite the transfer of powers, Wong believes that the Institute will still play a key role in the profession

and can now focus on strengthening its role in the functions it is retaining. "The Institute will remain in charge of roles such as standard setting, member services, and education and training. In other jurisdictions, such roles may be shared by other member bodies and authorities – but in Hong Kong, the Institute is in charge of all these roles," he elaborates. "In short, the Institute wouldn't be wearing two hats anymore. Because the Institute is a member body as well as a regulator, it has been advising practitioners to refer to a specific accounting standard or the code of ethics when it came to technical



“As a representative of the accounting profession, it’s important that I maintain a close dialogue with different bodies. This way, all opinions can be heard.”

profession since he graduated has provided him with valuable insight into the various difficulties that they face on a daily basis, such as the issue of long working hours, as well as challenges which include the impact of COVID-19-related restrictions on the audit profession. “I’ve been in several meetings with the Institute to see if there’s any unfinished business to be carried forward from previous councillors. As a representative of the accounting profession, it’s important that I maintain a close dialogue with different bodies. This way, all opinions can be heard,” he says. “This has been greatly helpful in my role as a LegCo member so far.”

In light of the upcoming reform, Wong notes that many members, especially those in small and medium practices (SMPs), are worried about potential fee increases. “One concern I’ve heard from members is that because the FRC has taken on new roles, they might not have the adequate funding; they’re concerned that fees, such as registration fees imposed by the FRC, will be too high, which will be a burden to their practice,” he explains. Wong, who has joined LegCo’s Finance Committee, Panel on Commerce and Industry, Panel on Economic Development, Panel on Financial Affairs, and Panel on Security, says he has voiced this issue during a LegCo Finance Committee meeting held last month. “I’ve already raised this concern to the Financial Secretary. I hope that in their upcoming budget, they’ll

be able to allocate additional funds to the FRC in order to reduce the burden for accountants.”

Wong will also be working closely with the Chairman of the FRC and the Institute. “I’ve been meeting with the FRC and the Institute’s leadership team to talk about the regulatory reform and our members’ concerns,” he notes. “I hope to be a voice for the profession during this whole process. This will be a major task this year.”

Putting the profession first

Wong also plans on using his new role to deal with the issue of attracting and retaining talent in the profession, particularly young people, and address deep-seated issues. “Many accountants are leaving their jobs because of long working hours and, often times, a salary that doesn’t meet their expectations. I believe that an accountant’s salary has to be proportionate to the amount of work they put in. It’s quite a serious problem,” he says, highlighting that addressing the problem will also help to enhance the reputation of accountants and how they are viewed in society.

Wong notes that he is intent on working closely with the FRC to find solutions. “It is an issue that I have voiced to the FRC. They aren’t only taking on a regulatory and disciplinary role; they’re looking to promote the healthy growth of the profession. The FRC understands that young accountants are key to the future of the profession and share the same views on the issue of long working hours – this will be on our agenda for the next four years.”

He notes that challenges such as the COVID-19 pandemic have pushed some firms to adjust their fees in order to retain clients, which, in turn, has affected staff remuneration. “Some firms might offer a comparatively low audit fee in order to stay competitive,” he says. Wong cautions that though firms are able to retain clients,



As the newly elected representative of the Legislative Council’s Accountancy functional constituency, Edmund Wong FCPA (practising) will be focused on guiding the profession through the upcoming regulatory reform; communicating the concerns of young members and small and medium practices to the government, Financial Reporting Council and the Institute; and identifying more opportunities for both practising and non-practising members to work in the Mainland.

enquiries instead of providing clearer guidelines. After the reform, it will be able to focus on the welfare of members more.”

For almost a decade, Wong has played an active role at the Institute. He is currently Chairman of the Small and Medium Practices Committee and Deputy Chairman of the Greater Bay Area Committee. He has also served as a member of the Professional Development Committee and as deputy chairman of the Young Members Committee. He is also a Past President of the Society of Chinese Accountants and Auditors. His experience working with different members of the

the change in pay for staff may deter accountants, especially fresh graduates, from staying with firms for longer periods. He believes this problem will persist for some time. To cope, he advises firms to ensure audits are performed to the highest level for clients. This, Wong adds, will help them avoid any disciplinary measures and resultant fees, maintain credibility, and retain clients as well as staff. "If fees rise to a reasonable level, salaries would also rise, and this will, in turn, attract more young talent to the profession," he says.

Having spent most of his career running and managing an SMP, Wong knows the challenges smaller firms face when it comes to staying ahead of developments in the profession. "SMPs simply lack the resources," he says, referring to technical or specialist partners who provide help and advisory services to clients. "Technical support is important; accounting standards, auditing standards, tax laws and company ordinances are always changing, and SMPs experience a hard time keeping up with these developments."

With his first-hand experience, Wong is determined to proactively voice the concerns of SMPs to the government, the FRC, and the Institute. "I feel obligated to listen to the concerns of fellow SMPs and explain them to the relevant authorities. I'll be able to better serve SMPs in this aspect in my term."

Long-term benefits

Despite the current wave of COVID-19 infections causing disruption across Hong Kong, Wong places trust in the city's resilience, and says it still holds one prime advantage – its close proximity to Mainland China, which he adds, is key to the city's economy. He is also hoping for quarantine-free cross-border travel between Hong Kong and Mainland China to take place as soon as the current outbreak is brought under control. "Even if we are unable to open up the border completely, the

Hong Kong government should open its border with Mainland China or at least the GBA. We are positioned very well to maintain a good level of competitiveness once the border opens," he says.

Wong says he has been communicating with the government to explore whether it is possible for accountants to be exempted from quarantine upon their return to Hong Kong. "With Hong Kong's proximity to Mainland China, many accountants are required to travel across the border to discharge their duties and carry out engagements in person. Due to COVID-related lockdowns and quarantines, many accountants are unable to perform their duties in Mainland China."

Indeed, with the vast opportunities for work and collaboration in the GBA alone, Wong has long been pushing for both practising and non-practising accountants to be able to easily work across the border. "For the past 20 years, we've been looking at whether CPAs in Hong Kong can join CPA firms in Mainland China and if non-practising CPAs can work in non-assurance services or consultancy services there," Wong says. He notes how challenges include Mainland residency requirements and passing CPA examinations that are in Chinese can prove difficult for CPAs in Hong Kong, where accounting syllabuses and examinations are currently in English. "I understand that this is not an easy task, but

"For the past 20 years, we've been looking at whether CPAs in Hong Kong can join CPA firms in Mainland China and if non-practising CPAs can work in non-assurance services or consultancy services there."

I'm determined to accomplish this within the next four years."

There may be obstacles to overcome in the area of tax, Wong notes, such as the implementation of the Organization for Economic Co-operation and Development's tax framework, base erosion and profit shifting (BEPS) 2.0, which will introduce a global minimum tax on multinational enterprises (MNEs) in Hong Kong.

BEPS 2.0, according to a statement issued by the Hong Kong government in October 2021, will mainly ensure MNE groups meet the new conditions and is unlikely to affect small and medium enterprises (SMEs). Wong believes that the requirements may affect SMEs, due to the reliance on SMEs by large corporations. "For example, many SMEs work for multinational corporations (MNCs) as suppliers. And without investments or with less investments from MNCs, those SMEs will likely feel an impact," he says. According to statistics from the Hong Kong government's Trade and Industry Department, SMEs constitute more than 98 percent of business establishments in Hong Kong.

Some MNCs, Wong adds, might be less willing to invest in Hong Kong because of the impact of BEPS 2.0 on the city. "This may have an impact on Hong Kong's economy and on employment as well," he says. However, Wong notes that until the requirements come into effect in 2023, it is still too early to draw conclusions, and that Hong Kong will continue to attract both large- and medium-sized, and small companies with its low tax rate, among other benefits, even after the implementation. "Hong Kong, with its stable legal system, is also positioned well for investors to benefit from both Mainland China and the Asia-Pacific region. This will always be a key advantage."

Striking a balance

Wong regards balancing his role as LegCo member and his other roles

“I’ve been speaking with many accountants over the past two months regarding some of the difficulties they have been facing – and helping them solve their problems makes me passionate about supporting the profession.”

as the biggest challenge he has faced in his career so far. “It’s a big step going from an accountant – one who has spent the last 15 years in the profession – to being a legislative councillor,” he says. “For the past two months, I’ve had to work in both my own office and in my LegCo office each day. As a functional constituency representative of the accounting profession, I need to maintain my role in the profession in order to understand the difficulties of fellow accountants. I’m always trying to find ways to strike a better balance.”

However, he embraces this challenge and is deeply committed to helping the profession navigate challenges during the next four years – and for the rest of his working life. “Our profession deserves better,” Wong says. “I’ve been speaking with many accountants over the past two months regarding some of the difficulties they have been facing – and helping them solve their problems makes me passionate about supporting the profession.”

Wong’s many responsibilities leave him with little spare time. “Since being elected, I believe there are no ‘official’ working hours for me now,” he laughs. “Whenever help is needed, I want to be there. I have different people calling me on a daily basis to voice their concerns or opinions. I’m busy, but I enjoy helping people.”

Wong’s passion for helping



Wong has played an active role in the Institute. He is currently Chairman of the Small and Medium Practices Committee and Deputy Chairman of the Greater Bay Area Committee.

society is also evident in his personal life. When he finds time on the weekends, he volunteers for the Hong Kong government’s Auxiliary Medical Service, and has been doing so since he was a secondary school student. “I joined at the age of 16. My main duties include providing first aid and ambulance services for public events. We stand at the front line and help those in need,” he says, noting how he volunteered to be medical personnel during the Standard Chartered Hong Kong Marathon in October 2021. “When I’m on the front line in my roles, I

feel I am helping society at large.”

In the months and years ahead, Wong hopes to lay the right groundwork for young accountants to succeed, and for each one to feel the same sense of joy and satisfaction that he has felt as an accountant since the start of his career. “With my new role, I now serve Hong Kong as a whole,” he says. “And I want to do my best in helping the profession attract more young accountants, and letting them know that it is indeed a fulfilling career. I plan on doing whatever I can to improve the profession for the next generation.”



A TOP CAREER CHOICE

The accounting profession, like many other professions, is facing a diminishing pipeline of young talents entering the field. **Nicky Burridge** finds out what should be done to attract the next generation of accountants

Illustrations by Gianfranco Bonadies

From climate change to technological disruption, the world is changing at a rapid pace. Businesses are forced to evolve to meet these challenges – and accountants are required to change with them.

However, the scope of the different roles taken on by the modern accountant has not always been clearly communicated, impacting recruitment of the next generation. “In the past, recruitment talks from CPA firms at universities would have a full house. These days, not many students attend,” says Simon Lee CPA, Honorary Institute Fellow, The Asia-Pacific Institute of Business at the Chinese University of Hong Kong Business School.

The profession is also grappling with an image problem, says Paul She CPA (practising), Partner, Audit and Assurance at Mazars, and Chair of the Hong Kong Institute of CPAs’ Qualification and Examinations Board. He notes that many young people have the misperception that accounting is a “boring, routine, underpaid, sunset profession.”

Observers believe that by better communicating the dynamic nature of accounting and the important and varied role it plays in both business and society today, young people would be able to see that the profession aligns with many of their own career aspirations.





RECRUITMENT

Attracting talent



A different generation

Generation Z, broadly defined as those born between 1997 and 2012, have different priorities when it comes to choosing a career, compared with older generations. Carly Yau, Associate Partner at recruitment firm Page Executive, the recruitment search division of PageGroup, explains that Gen Z look for flexibility in the workplace and are drawn towards organizations that offer job rotation opportunities. “A company’s social position and how they contribute to society is also a key factor, with these individuals targeting companies that have the same values as their own personal values,” she adds.

Adam Wong CPA (practising), Audit Director at EY, and Deputy Chairman of the Institute’s Young

Members Committee, says in his experience, Gen Z are also more innovative and assertive. “They know their own mind well and will speak up for their ideas. They have multiple skill sets and diverse interests.”

He adds that they also tend not to stick to a career with one company, and are flexible in adapting to different roles. “In my opinion, Gen Z look for jobs that value their opinions and provide them opportunities to develop their skill sets. They value jobs that create a positive impact and meaning for society.”

Lee suggests Gen Z also regard traditional careers, such as accounting and banking, as being “old-fashioned.” “They want to show an inspiring career

on their CV, which might include working for a start-up, or a non-governmental organization helping society,” he says.

Overcoming misconceptions

While the career path of a CPA and the diverse opportunities it opens up aligns well with many of Gen Z’s aspirations, there are still misconceptions about what the work of accountants involve, which may be hindering them from considering it as a career.

Wong thinks young people often have a stereotypical impression that the accounting profession involves long working hours, routine work, and a lack of flexibility over how their work is carried out.

There is also a perception that

only a minimum level of technology is involved in the work, and there is a lack of room for people to express their own opinion, he says.

Things have changed, says Wong, who wants young people to know that the role of accountants has evolved from carrying out routine back-office work to being business advisors, armed with big data and data analytics. “The accounting profession’s voices are being heard and valued in important decision-making processes. These changes need to be communicated to the next generation of accountants to address this misconception,” he says.

Paul She suggests the profession needs to be more vocal about the career progression opportunities it offers, and shift from talking about “training workers” to “developing talent.”

“Different people have different expectations for their career path. We need to understand this and provide the infrastructure to facilitate their ideal development, not just treat them as tools for our business.” He adds that this concept has been embedded in the Institute’s new Practical Experience Framework, which is part of its new Qualification Programme (QP).

Lee agrees that existing preconceptions are discouraging young people from joining the

profession. He adds that accounting is also seen as being heavily governed by rules and regulations, such as the International Financial Reporting Standards and tax laws, which may be off-putting for some.

He points out: “Accounting is about far more than just this. It is about business and society. It offers young people exposure to different industries, which is interesting and can align with their goals. Allowing them to have more rotations in the early years would enable young people to understand their aspirations and choose the right career development path.”

Ewan Clarkson, Chief People Officer at PwC Mainland China and Hong Kong, points out that Gen Z want to feel that they are creating value and making a personal impact through their work, all while being given the opportunity to continuously learn and upskill. A career in accounting nowadays, he says, ticks these boxes. “With the purpose of building trust in society and solving important problems, the next generation of accountants will play a critical role in restoring trust for organizations, capital markets and society at large.”

He adds that the profession will continue to innovate and apply new technologies, meaning the next generation of accountants will need to be equipped with up-to-date digital skills. At the same time, accountants have a chance to contribute in new areas and bring greater impact as organizations now look at more than just their financial returns, but pay more attention to their environmental and social impact.

A growing diversity of skills

What young people may not be aware of is that as the accounting profession evolves, so have the skills that accountants need to do their jobs.

Paul She points out: “In the

past, accountants were expected to be more focused on technical skills, such as accounting, tax and auditing, to provide their professional services. However, the market now requires all-round solutions from accountants.”

In order to meet this demand, he says accountants need to equip themselves with a range of new technical and non-technical knowledge, such as in environmental, social and governance (ESG), technology, public policy and politics.

Yau agrees: “Accounting is no longer just about the numbers, but about the financial management that drives companies’ missions.”

She adds that with many companies setting up shared services centres to focus on the operational accounting work, senior finance leaders have additional time to formulate business plans.

As a result, alongside technical competence, she thinks it is important that accountants have the skills to act as a business partner, helping to translate numbers into meaningful action points that enable the business to achieve its goals.

Lee points out that there are now many multidisciplinary issues and new areas that companies have to get to grips with, ranging from ESG and environmental science, to cryptocurrencies and start-ups. “Multidisciplinary knowledge is definitely needed. Some business schools are moving towards this direction and require business students, including accounting students, to take social science and IT subjects,” he says.

Hot areas

One of the key “hot” areas in which accountants are increasingly required to learn skills is in new technologies such as artificial intelligence (AI) and big data analytics to drive digital transformation.

Yau thinks accountants need to

“Different people have different expectations for their career path. We need to understand this and provide the infrastructure to facilitate their ideal development, not just treat them as tools for our business.”

be on top of digital transformation and process improvements to enable them to stay agile and add value amid today's rapidly changing business environment.

Wong agrees: "With the introduction of new technologies, repetitive and routine work is being replaced by AI and software. Accountants are more focused on using big data to analyse the financial performance of the business and how the financial figures correlate to different functions within the company."

He adds that with the introduction of new technology, accountants are not only in charge of preparing and reviewing accounting records and financial statements, but they also need to understand the business flows of the company and how different processes interact with each other.

Paul She points out: "The accounting profession should have the ability and willingness to understand and appraise the impact of new technology on our environment and economy. Our ways of doing business and living will be significantly affected by this transformation."

Clarkson agrees, saying that by combining deep domain expertise with digital capabilities, accountants will be able to bring deeper analysis, spot areas ripe for digital improvement and leverage automated technology to deliver value to clients. "Change is happening at an unprecedented rate. To stay ahead of competitors, businesses need new operating models that enable digital transformation of the entire organization and achieve rapid profitable growth. A digital-enabled and tech-empowered accountant will be in a more advantaged position to help businesses automate workflow, bring deeper data-driven insights to inform strategic decisions and stay ahead of risks and trends through data analytics and visualization tools."

Meanwhile, as companies pivot towards a digitally-driven business model, cybersecurity is becoming an increasingly important area. "Leveraging their experiences in accounting and auditing, accountants have the chance to build new domain expertise and tech skills to excel in this area. In particular, protecting organizations against cyber threats and privacy risks," Clarkson says.

Another important area in which there is growing demand for skilled accountants is ESG. As more companies are disclosing their policies and performance in this area – often prompted by regulatory requirements – accountants have an important role to play in helping to measure and provide assurance on data in this area.

"A digital-enabled and tech-empowered accountant will be in a more advantaged position to help businesses automate workflow, bring deeper data-driven insights to inform strategic decisions and stay ahead of risks and trends."

Clarkson points out: "The capital market is increasingly looking at social and environmental sustainability issues as an important performance indicator for businesses. Accountants who have related domain knowledge and capabilities will be able to advise clients on this topic, with the potential to lead in this new area."

Wong agrees: "Accountants can participate in establishing policies or coordinating events for corporates, their customers and respective stakeholders. The

roles of an accountant nowadays is becoming less stereotypical and more interesting."

Critical thinking and communication

As the business environment undergoes rapid change, Paul She says accountants also need to be able to excel in a range of higher-order enabling skills, such as problem solving, critical and lateral thinking to identify complex problems, including ethical dilemmas, and developing professional solutions.

Clarkson adds: "As digitalization accelerates, so does the need for human-centric skills, which requires creativity and innovation, all led by a genuine human touch that connects people and improves experiences."

Yau stresses that accountants also need to develop strong interpersonal skills to build meaningful relationships with colleagues in other departments outside of finance, such as sales and marketing, IT and operations. "Understanding their pain points will help them connect the dots to how the financial results can help them devise strategic ideas to drive the business."

Paul She adds: "Accounting is not just about figures. Accounting is an art involving humans. It is about judgement, managing expectations, communication, and conflict resolution, to name a few. It is a career full of opportunities and challenges."

Attracting the next generation

To attract the next generation of accountants, Wong suggests the profession should be more proactive about communicating developments in their industry, particularly the opportunities created by new "hot areas."

"The profession should always embrace change and value the voices of the next generation of accountants," he says. "Combining



the rich experience of professionals with the innovative mindset of the next generation of accountants will take the profession to the next chapter.”

Yau suggests the misconceptions of aspiring CPAs could be addressed through mentorship programmes and having senior finance leaders share their career experiences. They could also give them more confidence in the outlook for the profession in the long term.

The profession would also benefit from having CPAs at career talks who can better represent the opportunities and the “fun” side of accounting, Lee says. “There are bright people in the accounting profession and they should be the spokespeople for the profession to reduce those misconceptions.”

Paul She points out that the Institute’s new QP opens the door for non-accounting graduates to join the profession. “It is a well-structured development programme. It equips the young generation with basic technical skills at the Associate level, enriches them with professional knowledge at the Professional level, and consolidates their professional and enabling competences at the Capstone level. It also backs young accountants with adequate practical work experience through the Practical Experience Framework,” he says.

The Institute has also established the QP Affiliate Club to foster closer links and provide opportunities to exchange views with students at tertiary institutions. “Through the

introduction of the new QP, in particular the Capstone level with its strong focus on linking enabling competencies with all-rounded technical skills to formulate professional solutions, young people will be able to identify the fun, and also the challenges of the accounting profession,” Paul She says.

Clarkson stresses that the role of accountants has never been more important, given the need to restore trust in capital markets and their stakeholders. “The young generation not only has the opportunity to connect their personal values and purpose within this profession and do greater good for society, but also build a lifelong foundation of business and technical skills to set them up for their future career.”



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



CLOSING THE LOOP

Globally, the circular economy, a sustainability-focused model for production and consumption, is becoming increasingly recognized as a solution to facilitate better resource utilization and waste reduction, and to tackle climate change. For businesses in Hong Kong, however, there are barriers to implementing this approach. **Nicky BurrIDGE** finds out about the opportunities of circular models for Hong Kong businesses, and how accountants can help with the transition

Illustrations by Ryan Inzana

A group of students at the Hong Kong University of Science and Technology (HKUST) were shocked by the amount of bread being thrown away by bakeries every day. During a night out in Lan Kwai Fong, they realized that because beer and bread both share the same fundamental ingredients – grain, water, yeast, and flavourings – it could be used to make beer. They persuaded a local bakery to give them its waste bread at the end of each day, and their start-up, Breer, was born.

The company is one of a growing number of companies in Hong Kong to embrace the circular economy.

Simon Ng, Chief Executive Officer of the Business Environment Council, explains: “The concept of the circular economy aims to redefine growth from a linear, take-make-waste system to one that decouples growth from the consumption of finite resources.” He adds that it aims to minimize the amount of raw material used and reduce the amount of waste being produced.

Benjamin Steuer, Assistant Professor, Division of Environment and Sustainability at HKUST, points out that the circular economy tries to eliminate waste by creating a closed loop system. “There is no waste; there are only secondary uses. In the ideal world of the circular economy, all products and components should be designed with the aim of preventing waste and preserving materials, so as to use them to their fullest extent,” he says.

Steuer adds that while recycling is the most frequently emphasized circular economy pattern, more emphasis should be placed on reducing consumption, and repairing, reusing and refurbishing existing items.

Lawrence Iu, Climate Change and Partnerships Lead at Civic Exchange, a Hong Kong-based public policy think tank, likens the circular economy to nature. He points out that the earth itself is a closed loop system, with the exception of energy coming in from the sun. “The sun gives us solar energy which plants use, through photosynthesis, to grow. Animals eat these plants and are eaten by other animals. When animals die, they decompose and their nutrients and minerals return to the earth and help plants to grow. This closed loop system is replicated in the circular economy,” he says.

Preserving resources

One of the key advantages of the circular economy is that it preserves resources. Helga Vanthournout, Founder of Wealth of Flows Consulting, explains that the circular economy tries either to create more value from a given set of resources, or use fewer resources to create the same amount of value or well-being.

Meike Sauerwein, a Lecturer at the Division of Environment and Sustainability at HKUST, points out that reusing and recycling materials not only preserves resources but also produces lower carbon emissions





compared with extracting and creating new materials. “The extraction of resources and the processing of raw materials is highly intensive in terms of the energy, water and chemicals used. Reducing the volume of virgin materials that are needed for producing new products and extending the time that we can use existing products or materials saves a lot of resources.”

Another advantage of the circular economy is the cost savings it can create for businesses. Vanthournout says, “It is silly to take resources to create value and then let that value slip away from our economic system and from our physical environment. In the worst case, it creates environmental damage through littering and pollution and the use of uncontrolled dumps.” She adds that the benefits of adopting a circular approach can also be economic and societal, as under circular economy

models, there is, for example, less migration of value-added work, which means more jobs are created locally.

Cyrus Cheung CPA (practising), Partner, ESG Services at PwC, and Deputy Chairman of the Hong Kong Institute of CPAs’ Sustainability Committee, says a circular economy will create opportunities for businesses. “There is job creation, such as under remanufacturing, and opportunities for innovation through technological development. Looking at this from a wider lens, a circular economy will also open opportunities for companies to build their competitive advantage, create new profit pools, strengthen resilience, and generate solutions to some of the most important challenges facing businesses today,” he says.

Ng adds that the adoption of circular principles and practices in business operations can also

drive growth through the potential expansion into new markets, including repairs, remanufacturing, refurbishing, products-as-services or sharing economy markets. At the same time, it can lead to lower operating costs through reducing the level of resources used.

Overcoming barriers

Despite the many benefits of the circular economy, there are a number of barriers preventing its widespread adoption in Hong Kong. One of these is the city’s lack of space, particularly for the collection and recycling of materials.

Sauerwein gives the example of Germany, where bottle collection systems are common in supermarkets. She points out that because retailers in Hong Kong may lack the space for these systems, they would need to adopt different circular economy models. “There are work-arounds. People could

bring their own bottles, or we could adopt rental and reuse systems for many different types of products,” she says.

Vanthournout points out that Hong Kong’s lack of space could also be an advantage, as the city has one of the most important assets that a well-functioning circular economy requires – a high density of people and infrastructure, ranging from buildings to transportation, as well as consumer goods.

She adds that people in Hong Kong are also already used to and particularly adept at sharing infrastructure, such as public transport and communal space. “They are clever at doing this in entrepreneurial ways. Many businesses and initiatives could not thrive without use of the commons,” she says.

Cheung thinks another barrier to the take up of the circular economy in Hong Kong is a lack of awareness among consumers of the impact of the “take-make-waste” approach – where raw materials are collected and then transformed into products that are used until they are finally discarded as waste – combined with a reluctance to make behavioural changes.

Ng agrees: “In Hong Kong, the crucial impediment is inadequate understanding and awareness of circular economy concepts including design, repair, reuse, refurbishment and remanufacturing in the business sector. Hong Kong’s service-based economic structure and the lack of diverse industries also lead to a recycling gap in the city, as there is a shortfall in demand and use for recycled materials.”

He adds that to overcome these barriers, the government needs to introduce more incentives to

promote circular economy concepts in Hong Kong, develop plans for recycled materials to be used in production and construction, and introduce regulations on eco-packaging.

Iu thinks the economics of the circular economy are also challenging for some sectors. He gives the example of a scheme to convert waste cooking oil in Hong Kong into biodiesel. “The problem is that the collection fee for the waste cooking oil is very high, which discourages the use of it for manufacturing biodiesel, as the price of biodiesel is not high enough to make it worthwhile.”

Steuer thinks the biggest barrier in Hong Kong is a lack of regulation and strategy that encourages the circular economy, such as standards on recycling or taxation on products headed for the landfill and an action plan with binding target rates for the circular economic indicators.

He adds that although the government has subsidies for enterprises involved in certain activities, such as recycling, the schemes are designed for companies that have a strong administrative capacity and can be difficult for smaller companies to access. “What we have learned from other cases globally is that companies that engage in circular economy patterns of refurbishment and repair are small and medium enterprises (SMEs). We have these SMEs in Hong Kong, but they don’t have the capacity to apply for funding. We need to offer more targeted support,” he says.

Making the transition

For businesses that would like to adopt circular economy practices in their own activities, Steuer suggests them to start by looking at the waste they generate and the cost of disposal. They should then think about how they can reduce this waste, replace waste-intensive feedstock or inputs with more sustainable and cheaper alternatives, or whether another company could actually use the generated waste for its production.

A lot is about material synergies, material substitution and rendering waste into production inputs, he says.

“Another approach is to do a material flow analysis, looking at what goes into a company and what comes out. First look at the input side, i.e. the type of materials used, and whether these raw materials could be replaced with alternatives, such as recycled plastic or in the case of packaging, more sustainable paper-based products. Then look at the output side, that is the products and waste that result from the production process. Identify whether products are overly resource-intensive or could be made cheaper through better design and less material input, and whether any waste materials could be sold on,” he says.

Cheung suggests companies should adopt a three-step process, beginning with a review of the materials they use, including energy, electronics, water and food. “Firstly, an evaluation of the supply chain and operations can shed light on opportunities to strengthen resilience,” he adds. Next, he suggests companies should set targets that are relevant to their business, and thirdly, engaging with suppliers to find products and services that are designed to enable the circular economy.

Ng says: “Companies need to examine the potential opportunities within the context of their businesses and operations. This will help them better understand how they can optimize and enhance their structures and systems to capitalize on the circular economy.” Organizations, Ng adds, should also look at which circular business models could be best integrated into their business structure. For example, the use of circular supplies, resource recovery, product life extension, the use of sharing platforms, or the transformation of products as a service.

Iu urges companies adopting a circular economy approach to train and educate their employees on its importance. Vanthournout

“An evaluation of the supply chain and operations can shed light on opportunities to strengthen resilience.”



A circular economy is a systemic approach to economic development designed to benefit businesses, society, and the environment. In contrast to the “take-make-waste” linear model, a circular economy is regenerative by design and aims to gradually decouple growth from the consumption of finite resources, according to the charity, the Ellen MacArthur Foundation.

agrees: “The circular economy is a perspective. People working across different functions need to understand its mechanisms and be inspired to adopt them in their daily work so that it becomes part of everything else they are doing.”

She adds that companies should also examine where value is lost and how they can recapture that value. Vanthournout gives the example of a company that was part of a recycling programme to prevent its materials ending up in a landfill. “That was great, but there was still a value loss because those materials were important to them and they ended up in the commodity market. Instead, they could try to create a more proprietary recycling scheme so that those materials end up back with them again,” she explains.

Another example is breweries that commonly recover spent grain but sell it on for low-end, low-value uses. Vanthournout says they could instead be looking to make high-end products out of it, such as fish feed.

“If you are familiar with the different loops and the different levers that you can apply in a circular economy model, then you can systematically identify and address those value losses,” she says.

Adapting financial models

New financial models are being developed to help companies make the transition to circular business models. Known as circular economy finance, or circular finance, Cheung explains that these are financial instruments that integrate circular economy factors into business decisions, to help enable companies to transition to a circular economy.

But Vanthournout points out that there is still a lack of understanding about how the risk profile of a business changes when it goes circular. “If there is no understanding and appreciation of this change, then these businesses cannot access financing at the right price,” she says.

She notes that circular economy

models often de-risk a company’s downstream, as they move from being involved in one-off transactions to a set of ongoing relationships in which they offer services. These create ongoing revenue streams, greatly increasing the opportunity to maximize lifetime customer value. “Financial institutions need to understand that and put a number on it,” Vanthournout says.

Financial institutions also need to understand new business models arising out of the circular economy. Vanthournout gives the example of leasing companies that typically only have one leasing cycle for an asset before selling it off. “If they are good at assessing the wear and tear of the asset, they can create multiple leases to different markets from the same asset,” she says.

Ng suggests that governments should do more to encourage investment in the circular economy by directly investing in circular activities and technologies themselves. “Regulators can also look into standardizing definitions and metrics on circular activities and heighten the need for proper and greater disclosure among the private sector. These measures will enhance the transparency, consistency and quality of data on circular performances,” he says.

The role of accountants

Accountants and other finance professionals have an important role to play in helping companies transition to a circular economy.

Vanthournout thinks accountants have a role to play in developing new accounting models to better track products and resources across their entire lifecycle. “Traditionally, you buy resources and produce products, and as soon as the sale materializes it moves off your books. In a circular economy, some of that will come back, either in the form of raw material if you are recycling, in the form of parts, or in the form of entire products, but existing accounting systems are not set up to keep these products linked to

“Traditionally, you buy resources and produce products, and as soon as the sale materializes it moves off your books. In a circular economy, some of that will come back, either in the form of raw material if you are recycling, in the form of parts, or in the form of entire products.”

your company,” she explains.

Steuer thinks accountants can also help companies conduct material flow assessments, and understand where waste is being generated and how the whole process could be improved. Sauerwein adds that they can also identify which materials have a higher impact on the environment, such as looking at where these materials come from, how they were processed, and what happens to them once the company has finished with them.

Iu thinks accountants can also play a role in helping companies develop better disclosure systems, not only in the area of finance but also for waste and performance disclosure. “If corporates have more transparency, it is a game-changer,” he says. Cheung agrees, noting that knowledge in creating value within a circular economy and how to mitigate related risks will be in greater demand, especially as finance departments at pioneering companies develop tools that can identify which of the many potential circular models and practices would be relevant and beneficial to their organization. “These assessments call for analytical, modelling, and business forecasting skills, and these demands match the skill sets accountants and finance professionals hold, and the roles they can play,” he says.





SECOND OPINIONS: HOW SHOULD YOU DEVELOP SOFT SKILLS?

“Having a coach will also greatly help with transformational learning. But if you don’t have access to one, you can start by analysing good films.”



CATHERINE WONG

CHIEF DEVELOPMENT OFFICER,
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The term “soft skills” was created by the United States Army, referring to any skill that does not involve the use of machinery. As an executive coach, I refer to soft skills as “leadership skills,” as soft skills are highly effective in helping someone climb the corporate ladder and become a leader.

Adult learning can be categorized as informational or transformational. The former refers to gaining new knowledge, whereas the latter involves looking at things from a new perspective. Both are essential for developing leadership skills. You can do “how to” types of informational learning such as delegation approaches. For example when you lead, not only do you need to know how to coach, but how to delegate, and how to provide constructive feedback. You can also follow the SBI (situation, behaviour and impact) model in giving feedback, or the GROW (goal, reality, options and will) model in coaching. Selecting good courses on online platforms or watching TED talks are always a good option.

Transformational learning, on the other hand, takes much more deliberate work. We may have our own set ways in leadership, but with changing situations and contexts, we need to adjust and evolve. One of my clients, for example, told me about his struggle to lead in a virtual environment, despite his experience. Through our sessions, he recognized his key strength was to resolve team challenges while giving space for them to grow. He then decided to establish a virtual “open office” – a Zoom room operating at a specific time daily for his team to drop by and connect.

Having a coach will also greatly help with transformational learning. But if you don’t have access to one, you can start by analysing good films. *Shawshank Redemption*, for example, challenges views on leadership in light of difficult circumstances; *14 Peaks: Nothing is Impossible* touches upon the meaning of adaptiveness, persistence and resilience; *The Blind Side* on appreciating and recognizing people’s strengths; and *42* on bringing a team together. These are all great movies that lend new perspectives on how to be a better leader.

Try asking yourself the following questions after watching a movie: What was most extraordinary about the character’s behaviour(s) that made him or her effective? What influenced their actions? What does the character and I have in common? What can I do differently in the future?

Finally, whether you are trying to grow your leadership skills through informational or transformational learning, you need time and space. Take the time to learn new knowledge and create mental space to reflect.



JOE KONG CPA
FACILITATOR OF THE INSTITUTE'S
QUALIFICATION PROGRAMME

"When you think you can win, you want to compete." In 2009, an experienced Toastmasters Club member provided me with this answer when I asked: "Why should I join a speech contest if I won't enjoy it?" His wise reply inspired me to step out of my comfort zone and join many speech contests over the next two years. In the process, I also learned how to mentor or coach young people as well as my own children, and develop their soft skills.

Both of my daughters began learning the violin at the age of five and passed their grade eight exams at the age of eight. It wasn't an easy road for them, as they told me that they wanted to quit every time they faced a challenge. To understand them, I asked whether they enjoyed participating in violin competitions. They replied "50-50" because they loved winning medals and awards, but did not appreciate the tediousness that came with practicing. This is in alignment with my speech contest experience, and further confirmed my belief we all are born to strive for excellence. If we believe ourselves to be capable, we are willing to grow, if given the chance.

As a facilitator of the Institute's Qualification Programme, I apply this belief to my teaching style, helping students to believe in themselves by encouraging them every time they work as a team during workshops.

For example, I give everyone a chance to speak, and to sharpen their soft skills, I ask them to lead class discussions. After providing feedback as a facilitator, I have seen my students improve dramatically in their presentation skills, and they would often exceed my expectations. It's always rewarding when students thank you after classes.

To further develop your own soft skills, keep the following in mind: Be passionate and believe that you can overcome all obstacles; take management and leadership courses; consider every day as an opportunity to brush up on your skills; take some time to reflect on your progress so far; and find a mentor.

"Be passionate and believe that you can overcome all obstacles; take management and leadership courses; consider every day as an opportunity to brush up on your skills; take some time to reflect on your progress so far; and find a mentor."



JANNIE TAM
FOUNDER AND SENIOR DIRECTOR,
GROWDYNAMICS TALENT DEVELOPMENT

Today, businesses are moving toward the direction of double or triple bottom-line, which includes measuring its environmental, social and governance, as well as diversity and inclusion performance, to stay relevant amid a rapidly changing and challenging marketplace. As such, there is an increasing emphasis on soft skills in the workforce and the need to bridge skills gaps, including those for accounting professionals, who aim to play a pivotal role in driving sustainability endeavours.

"Soft skills cannot be acquired if we do not have the right mindset."

Soft skills are human-centric skills that help us manage ourselves, our relationships with others and the environments we are in. With many integral terms to describe what soft skills are, the following is reworked to frame some of the key skills with suggestions on how to develop them.

Having a strong sense of internal and external self-awareness to match one's uniqueness with the work requirements and make committed efforts to excel, and building cultural capital to collaborate with people who are different from us. They could be clients of various other job disciplines or colleagues of different cultural backgrounds. This would help you develop authentic communication skills and resonate with others. This is not only to voice out one's views, but also to carry a sense of empathy, trustworthiness, and dependability, and establish an ethical position by doing what we say we will do and help others achieve the same. There is an ethical value chain to drive corporate culture.

Soft skills cannot be acquired if we do not have the right mindset. To grow in these areas, here are some strategies to employ:

- **Read and reflect:** On top of reading for professional information, find time to immerse yourself in books and movies that speak to your heart, and reflect on them. Soft skills are driven intrinsically.
- **Build non-contractual relationships:** Authenticity, vulnerability and empathy are crucial for a new "relationship economy." Relationships built upon them are beyond hard data and contracts and may drive goodwill value in the corporate balance sheet.
- **Buddy and mentorship systems:** Grow with like-minded people. Professional networks and associations can lead to further buddy and mentorship programmes for mutual support toward shared purposes and goals.
- **Manifesto:** State what you plan to do in your role and what changes you would make. Communicate it and pledge to align interests with stakeholders to extend from personal aspiration to corporate and societal transformation.

Soft skills are hard to measure but easy to tell from interaction with others.

The Head of Talent and Employee Experience, Hong Kong, Mercer, on how to make the most out of hybrid working



Making hybrid work, work

In the last two years, the COVID-19 pandemic catalyzed a large-scale experiment in remote work. The result has left a telling impression, as companies in Asia adopted flexible work arrangements as the new normal. Hybrid work, as we call it, is here to stay.

Before the pandemic, executives stuck to the belief that staff needed to be physically present at the office in order to complete work, and perhaps only half of their employees could adapt to hybrid work while the other half would have struggled at the prospect of working remotely. This belief is no longer conventional.

According to Mercer's *2021 Flexible Working Survey*, the majority of employers in Asia-Pacific say that remote working did not impact productivity, collaboration or employee development. In some cases, those areas saw improvements. As such, it is not surprising that 83 percent of the respondents implemented some form of hybrid work, including allowing employees to work remotely for up to two days per week.

This trend is likely to continue in 2022. The fact that the majority of companies are implementing hybrid work arrangements as a long-term policy demonstrates not just the practical reality but the value they see in workplace flexibility. If hybrid work is the new normal, how can the needs of the business and employees be optimized? For hybrid work to work, organizations need to meet three critical objectives.

1. Ensure consistent and equitable employee experiences

Organizations must carefully define a hybrid working strategy that balances business and employee needs by being clear about who, when, how and where employees can work remotely. They should also provide sufficient flexibility so teams and individuals are empowered to make choices that optimize productivity.

Companies should take the first step by conducting an objective job-based assessment to evaluate the level of flexibility that roles and the organization can support with minimal impact on productivity. It is then vital to develop detailed guidelines for leaders and managers to communicate the boundaries and degree of autonomy that employees have. As critical pillars of support, managers need to look out for employees who perceive the boundaries to be "unfair" and seek to understand their perspectives.

2. Instill an inclusive and thriving workplace culture

While hybrid work may yield better work-life balance and productivity for employees, there can also be unintended negative consequences. To ensure a smooth transition to hybrid work, managers and team members need to upskill and have deliberate shared conversations around effective hybrid working

practices. They will then need to build team norms around **place, time and impact**.

"**Place**" is about setting guidelines on when to come into office to collaborate and how to communicate face-to-face. With hybrid meetings, team members working remotely may feel excluded from in-office discussions, unless the team regularly reviews how they make use of technology and actively facilitate meetings to ensure all voices are heard.

"**Time**" revolves around expectations of working hours and communication. Half of the companies in Asia-Pacific, according to Mercer's research, saw remote work burnout worsening among employees in 2021. Clarity around choices employees can make, such as to block out time to focus, take breaks for exercise, or spend time with family, will go a long way in supporting mental health and well-being.

When we talk about "**impact**," managers must actively hone skills in digital communication and collaboration, ask for regular feedback, and create a psychological safety net for team members to make mistakes and clarify misunderstandings.

Last but not least, human resource programmes such as learning and onboarding, and performance management will need to be redesigned to support hybrid working experiences. For instance, key performance indicators have to be recalibrated to reflect objective metrics that focus on output and outcomes.

3. Use a data-driven approach to find the best fit

To find the right hybrid working model for your organization, listening to your employees is critical for success. Digital tools like pulse surveys or digital focus groups enable you to spot patterns and identify priority action areas across employee groups. In last year's study, 40 percent of organizations noted that they increased their employee listening efforts, including running large-scale digital surveys on remote working experiences. Many organizations have since stepped up upskilling their workforce in collaboration and communication skills, and enhancing their digital productivity tools and employee experiences.

As organizations transition to hybrid work, many are redesigning their physical space to facilitate team collaboration, networking and effective hybrid meetings. Involve your employees through design thinking workshops to identify the right changes and create a workplace that energizes and inspires them.

Embrace the new normal

Hybrid is the new shape of work that requires a mix of experimentation and iteration to refine policies and practices along the way. For hybrid work to attract and retain talent in an inclusive and thriving workplace, everyone in the company needs to work together to make hybrid work, work.

The Convenor of the Institute's Budget Proposals 2022-23 Sub-Committee and Partner of KPMG on key measures of this year's Budget



Budget 2022-23: Alleviating the pressures on businesses and citizens

Financial Secretary Paul Chan presented the government's 2022-23 Budget on 23 February. With the severe impact of the fifth wave of the pandemic, the focus was on an expansionary fiscal policy, actively helping the public to cope and tackling the economic downturn. We were pleased to see the financial secretary responding to a number of proposals put forward in the Institute's 2022-23 budget submission.

Targeted relief measures to help tide the community over difficult times

Given the deteriorating COVID-19 situation, the financial secretary introduced a raft of relief measures to mitigate the negative impact on businesses and individuals. This included another round of the Consumption Voucher Scheme (CVS), with an increased amount of HK\$10,000. Since the CVS proved effective in stimulating local consumption, the Institute also proposed another round this year.

The Institute welcomes the proposed tax deduction for domestic rental expenses, with an annual ceiling of HK\$100,000. This is something that we have pushed for. Assuming the smooth passage of legislation, this concession will start from the assessment year 2022-23. It will give home renters, for the first time, a benefit equivalent to that available to homeowners with a mortgage.

A novel, and perhaps more controversial, proposal is for a three-month rental enforcement moratorium to help businesses struggling to pay their rent. The financial secretary said that banks will be asked to exercise flexibility if landlords face problems in repaying their loans owing to a reduction in their rental income.

To assist businesses facing temporary cash flow difficulties now, but which made profits in prior years, the Institute had advocated a temporary tax loss carryback scheme.

Improving the tax system to stabilize the economy in the long run

Responding to the international tax developments, the government announced that it would introduce legislation to implement the Organization for Economic Co-operation and Development's Base Erosion and Profit Shifting (BEPS) 2.0 recommendations later this year. Aligning with the BEPS 2.0 "Pillar Two" recommendations, the government is considering introducing a domestic "top-up" tax in 2024-25, to ensure that large multinational companies pay a certain minimum effective tax rate globally. We echo the financial secretary that this will not only increase the government's revenue (by around HK\$15 billion annually), but will also protect Hong Kong's taxing rights.

Furthermore, the government is proposing to reform the property rating system, including introducing a progressive rating system, aimed at levying higher levels of rates on those properties with greater rental value. While, in principle, this sounds fair, the impact of progressive rates depends on the specifics of how the

system is implemented. Further public consultation should be conducted on this proposal.

These measures should help enhance the financial position of the government, as revenues have not kept pace with the growth in public spending in recent years.

However, the government's main sources of revenue, particularly, income taxes, land and property-related revenues, and investment income, continue to be volatile and subject to uncertain local and external economic factors. Therefore, the Institute continues to advocate a more extensive review of Hong Kong's tax system and public revenue model, to address the narrow tax base and ensure that public finances remain resilient to any future shocks.

Medium-term measures

Looking ahead, the financial secretary highlighted several important themes, including innovation and technology. Among other measures, the government will be setting up a Digital Economy Development Committee to accelerate the progress of the digital economy. The Institute certainly supports efforts to advance the progress of the digital economy, and had proposed that small and medium enterprises be given more practical help and resources to digitalize their operations.

We are pleased to see funding of HK\$135 million to be given to the Hong Kong Trade Development Council over the next three years for the Support Scheme for Pursuing Development in the Mainland. This will facilitate Hong Kong business people, professional services practitioners and entrepreneurs in the Mainland to take up opportunities there, with a priority accorded to cities within the Greater Bay Area (GBA). Along similar lines, the Institute had called for a dedicated GBA fund for professionals, to support business promotion and development in the region.

Pathways to net-zero carbon emissions

The Institute supports the budget's sustainability measures, including the injection of an additional HK\$1.5 billion into the EV-charging at Home Subsidy Scheme, for the installation of electric vehicle charging stations in residential buildings, and extension of the scheme to 2027-28. We had called for this measure, as it is clear that the demand for charging stations far exceeds the supply.

To support the objective of net-zero carbon emissions by 2050, we had also recommended enhanced allowances for energy-efficient industrial and commercial buildings, given that buildings in Hong Kong are among the main energy consumers.

The way forward

In essence, this was very much a budget of relief measures, albeit with one eye on the future. This is understandable and supportable, as the community needs to continue fighting the virus with its full strength. In the short term, there will inevitably be another slowdown in the economy and, while remaining positive, we must brace ourselves for the uncertainties ahead.

FIVE QUESTIONS

PAIB & PAIP

What have been the three biggest lessons in your career so far? First, career paths are not linear, and they shouldn't be. My career so far hasn't been a straight road at all, from starting as an auditor in financial services, to moving to consulting and then landing a strategy and innovation job in the sports retail industry. Based on stories of my mentors, colleagues and friends, I have realized that it is completely OK to "swerve" in our careers if we feel it is time to move on. Secondly, identify your support system. Throughout my career, I have met multiple mentors and friends who have given me advice and support. The first, yet toughest, step is going out there to talk with those who inspire you. Last but not least, never stop searching for your true passion, and trust your gut on what makes sense to you at different stages of life and career.

Tell us about your role and what attracted you to the industry. My primary responsibility is to incubate next-gen retail formats in the market, which we call "retail concepts." I partner with teams across global headquarters and the Greater China office to bring initial ideas to life before presenting them to the market. The pandemic has brought the importance of physical and mental fitness to the forefront of people's minds. Sporadic lockdowns around the world have also drastically shifted the retail industry and how people do sports. In addition, China is continuing to go through one of the largest transformations in history as a result of accelerating urbanization, the rise of the middle class and city tiering evolving into city clusters, which sped up poverty eradication in 2021. This has impacted how consumers want to be served in the future.

In what ways has your CPA training helped you in your



FIVE QUESTIONS FOR PAIB Hewitt Chan CPA

Retail Concept Director at Nike Greater China, says the retail industry is going through a time of transformation. He shares how he uses his accounting experience to reimagine store experiences in the region for the sportswear giant

career? The technical knowledge that I learned in the Qualification Programme built up my core capabilities as an accounting professional and also gave me a toolbox for stepping into the business world. Being able to articulate business judgements with accounting language has proven to be crucial, as it has helped me justify the rationale behind business decisions. I also gained important business acumen, which guides us to take an educated approach and logically identify the best answers.

What is your perspective on the future of retail in Greater China? Since long before the pandemic, the most common question we have been asking is "what is the role of physical retail in the future?" Transformations in retail are expected to accelerate throughout the COVID era, in which consumer behaviour has changed fundamentally and permanently. I'm looking at how to keep the physical store relevant, and how it should transform from a purely selling space. Some common directions we have been seeing in the market – and are expected to continue evolving – include offering a seamless online and offline journey and elevated in-store experiences, and community collaborations.

What are your focus areas for this year? We have seen numerous companies and brands both big and small drastically change their strategies and offering in order to survive during the pandemic. As we step into the third year of the pandemic, we find it equally important to go back and revisit our original vision and the commitments that we made to our consumers. No matter how external circumstances change in the retail industry, it is all about the consumers we serve – who they are and what they need.

What have been the three biggest lessons in your career so far? The first is to speak the same language as those you work with. No matter how sophisticated or great your proposed solution is, if you can't ensure that your supervisor, counterparts or clients understand what you are saying, it won't be valued. The second is to think about how a situation could go wrong and prepare a contingency or mitigation plan. In the past, I worked for a company to deliver workshops for C-suites. My fellow trainer was too nervous to deliver his part of the training, but I was prepared to cover for him. Lastly, try to put yourself in others' shoes. Most of the time when I've been able to win projects, it is because I think from the client's perspective.

What do you like most about specializing in actuarial and insurance? It's a combination of the current skills scarcity, and the qualitative and business management aspects of it. With talent leaving Hong Kong due to various reasons and a lack of overseas talent coming in due to COVID-19 restrictions, the labour market is facing a shortage of actuarial expertise, so these skills are needed right now. And, while I enjoy the quantitative aspect, I also enjoy using qualitative skills to resolve business problems like investment pricing, capital and risk management. Actuarial skills are more than just the numerical analysis; it's about knowing how to apply it to resolve business problems and deliver insurance solutions.

In what ways has your CPA training helped you in your career? With my CPA training, I'm able to look at issues from a governance and controls perspective, all while ensuring high standards. This is my DNA. This has certainly been



FIVE QUESTIONS FOR PAIP

Christopher Tam CPA

Director, Actuarial and Insurance Solutions at Deloitte, says soft skills are a key component to success. He shares what he enjoys about working in the actuarial and insurance field, and developments in Hong Kong's insurtech landscape

important in the management consulting industry. No matter what type of project I am doing, my CPA training has taught me how important it is to enforce project governance, deliver high standards, maintain an audit trail and appropriate documentation as evidence for clients of the quality service delivery.

What do you view as key for successful International Financial Reporting Standards (IFRS) 17 project planning or implementation?

IFRS 17 *Insurance Contracts*, effective for periods beginning on or after 1 January 2023, is a very challenging project. The key success factors for this kind of project is strong leadership and governance, and bringing together expertise in accounting, actuarial and information technology. It's about collaboration and vendor management. IFRS 17 brings end-to-end transformation from your source system to your actuarial models, and to your ledger, which requires a diverse set of skills. So strong leadership will ensure you place the right skill set in the right place with effective governance, controls and collaboration.

What key developments are you seeing in Hong Kong's insurtech landscape?

One key area that I'm seeing is insurance front office digitalization and transformation. For example, cloud-based data analytics or pricing using artificial intelligence, digital sales platforms or real-time insurance quotation comparisons are being explored across different markets. In Hong Kong, the key success factor for growing the insurtech landscape is having insurtech be part of the corporate vision. This is the case for some large companies where insurtech has become part of their corporate vision.

New Quality Management Standards Series – Navigating the commitment to quality

The new quality management standards are expected to bring significant changes to the approach to quality management. The upcoming virtual workshops will cover how firms can tailor the system of quality management to their circumstances with examples and practical considerations for small and medium practitioners



Eddie Ng CPA, Partner of Department of Professional Practice at KPMG China, specializes in quality assurance and audit reporting and provides technical and training support on auditing and assurance matters. She also has extensive experience in maintaining the firm's system of quality control under the extant HKSQC 1 and coordinating the firm's implementation of the system of quality management under HKSQM 1.

Hong Kong Standard on Quality Management (HKSQM) 1 replaces the extant Hong Kong Standard on Quality Control (HKSQC) 1 and requires firms to have a system of quality management (SOQM) designed and implemented by 15 December 2022.

A key change from the extant HKSQC 1 is the introduction of a risk-based approach to quality management through the firm's risk assessment process. The process requires a firm to establish their quality objectives, identify and assess their quality risks, and design and implement responses to address such risks. Applying a risk-based approach helps a firm tailor its SOQM to the firm's circumstances and engagements, which helps the firm effectively manage quality through concentrating on what matters most. For example, a firm that performs different types of engagements for a wide variety of entities will likely have a more complex and formalized SOQM and supporting documentation.

Another key change is the new requirements to address intellectual resources, technological resources, networks, and the use of external service providers. Many firms have methodologies, templates or IT applications in place to support performance of engagements, which fall within the scope of intellectual or technological resources. Such resources may be internally developed, obtained from respective networks or brought from an external service provider. Firms may also engage individuals from their networks or external service providers to perform audit procedures or carry out activities, such as component auditors and individuals outside of the firm to perform monitoring activities. While this is allowed under the extant HKSQC 1, guidance on how firms should assess these resources has been enhanced under HKSQM 1. Firms will need to understand how these various resources are obtained, developed and maintained, and evaluate whether they are appropriate for use.

HKSQM 1 also enhances requirements to address firm governance and leadership, including increased leadership responsibilities. It requires the firm to assign responsibilities for the SOQM and other aspects of the system, and to hold the individuals accountable for their assigned roles.

HKSQM 1 extensively enhances monitoring and remediation to promote more proactive

monitoring of the SOQM as well as effective and timely remediation of deficiencies. In particular, it introduces a new framework for evaluating findings and identifying deficiencies, evaluating identified deficiencies, and more robust remediation.

The new quality management standards also include HKSQM 2 *Engagement Quality Reviews*, and Hong Kong Standard on Auditing 220 (Revised) *Quality Management for an Audit of Financial Statements*. The former deals with the eligibility of the engagement quality reviewer and the performance of such review. The latter addresses how quality is managed at the engagement level.

About the workshops

The Institute has arranged three virtual workshops in Cantonese to enhance knowledge and understanding of the new quality management standards with applications and illustrated examples.

The first virtual workshop "Overview and key requirements" will take place on 8 March and aims to introduce the key changes and requirements of the new standards to assist small and medium practitioners (SMPs) in preparing for them. The workshop will explain the eight components in HKSQM 1 and the required quality objectives, providing a closer look at the increased leadership responsibilities.

The second virtual workshop "Implementing the risk-based approach" will be held on 7 April and focuses on the firm's risk assessment process, including how to establish quality objectives, identify and assess quality risks, and design responses to quality risks. Examples will be provided illustrating how the firm's risk assessment process may be affected by the nature and circumstances of the firm and its engagements, such as quality risks and documentation applicable to SMPs.

The third virtual workshop "Intellectual, technological and human resources including those from service providers" will be held on 21 April and takes a deep dive into intellectual, technological and human resources and related requirements. The workshop will take a closer look at the firm's responsibilities when using resources from external service providers in performing engagements or in carrying out SOQM activities with illustrated examples, especially for SMPs.

How useful is a “simplified” auditing standard?

An overview of the Institute’s response to the IAASB’s exposure draft on LCE audits

In July 2021, the International Auditing and Assurance Standards Board (IAASB) issued an exposure draft for a “simplified” auditing standard, *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)*, which was covered in a previous *A Plus* article. The proposed standard is separate from the International Standards on Auditing (ISAs), and its principles-based requirements are proportionate to the nature and circumstances that would be typical of audits of LCEs.

The Institute had responded to the exposure draft after a local comment period. This article provides a high-level summary of our response, which is available on our website.

Development of a separate auditing standard for LCEs

We supported the IAASB’s broad principles to develop a separate, standalone standard for audits of financial statements of LCEs, which would provide reasonable assurance and high quality audit engagements to enhance the credibility of financial statements. We also considered the exposure draft had addressed most of the challenges in LCE audits initially discussed in the IAASB’s discussion paper on the topic issued in 2019, *Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs*, such as concerns on language and length of the ISAs; and lack of clarity as to what needs to be done or why.

However, according to a local survey undertaken by the Institute, around one third of the respondents indicated that they might not use the proposed standard for eligible LCE audits. As, compared with performing an audit using the ISAs, there was no perceived reduction in workload and effort from using the proposed standard. To support the rollout and application of the proposed standard, we urged the IAASB to enhance communication and education effort so that auditors, regulators, stakeholders and the general public would be aware of its objectives, scope, benefits etc.

Applicability to entities with accounting estimates

As currently drafted, the proposed standard

would be inappropriate if the entity’s accounting estimates are subject to a higher degree of estimation uncertainty or the measurement basis requiring complex methods, such as an asset or liability’s fair value measurement involving level 3 inputs under International Financial Reporting Standard (IFRS) 13 *Fair Value Measurement*. Consequently, this would exclude an entity holding an investment property (IP) to apply the ISA for LCE standard in its audit although it would otherwise be qualified to do so.

We recommended the IAASB to reconsider the above prohibition, considering that property markets in jurisdictions such as Hong Kong are active and transparent with readily available historical and forward-looking data or assumptions, which would reduce the uncertainty in an IP valuation despite the use of level 3 inputs. We further suggested the IAASB to remove explicit reference to the fair value hierarchy in IFRS 13 when describing the restriction concerning auditing accounting estimates, and enhance the requirements and materials on auditing accounting estimates to expand the scope of ISA for LCE to deal with accounting estimates involving various circumstances such as those relating to the intellectual property valuation.

Transitioning between ISA for LCE and the ISAs

According to the proposed standard, an engagement partner shall determine at the client acceptance or continuance stage whether the audit engagement could be undertaken using the proposed standard. Subsequently, if a matter or circumstance was found during the audit exhibiting complexity not contemplated by the proposed standard, a determination would need to be made whether the standard would still be appropriate or the audit would need to be transitioned to the ISAs or other applicable auditing standards.

While the IAASB explained that “it should be relatively rare for an audit of an entity to need to transition after engagement acceptance or continuance from using [the proposed standard] to using the ISAs,” stakeholders in Hong Kong considered circumstances during an audit triggering the need to “transition” would not be extremely rare. For example, for a December year-end audit engagement accepted and

determined to be eligible for ISA for LCE at the start of the financial year (e.g. January), unforeseeable circumstances subsequent to client acceptance could include an entity’s unplanned restructuring on reporting lines; an entity’s unscheduled update to its IT system; and an LCE’s listed investment being unexpectedly suspended from trading, requiring the use of a complex model to estimate its fair value for the LCE’s year-end reporting.

Following our stakeholders’ comments, we suggested the IAASB to allow a “top up” approach in exceptional circumstances where a specific issue revealed during the audit might not be adequately or comprehensively covered in the proposed standard, but all other issues in the audit were adequately covered by it. We proposed that the fallback to specific ISA requirements be limited to narrow-scope subject matters not otherwise contemplated in the proposed standard, such as auditing complex accounting estimates under ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures*.

Audits of group financial statements

Audits of group financial statements are excluded from the scope of the proposed standard, as the IAASB had a view that group audits would inherently exhibit characteristics of complexity.

In our comment letter, we pointed out that Hong Kong stakeholders had strong views to include group audits in the proposed ISA for LCE as it is common for a group of entities having simple operations to otherwise meet the authority of the proposed standard.

IAASB’s next steps

IAASB is considering comments and suggestions received as a result of the proposed standard, and the exposure draft might be revised as appropriate, which may require a second exposure draft. According to the IAASB’s Work Plan for 2022-2023, it is anticipated that the ISA for LCE would be completed in 2023.

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

A review of the classification and measurement of financial instruments

A summary of the Institute's response to the IASB Request for Information on the classification and measurement of IFRS 9

International Financial Reporting Standard (IFRS) 9 *Financial Instruments* replaced International Accounting Standard 39 *Financial Instruments: Recognition and Measurement* to improve the accounting for financial instruments. One of the improvements is the introduction of a single classification and measurement approach for financial assets that reflects the entity's business model and the instrument's contractual cash flow characteristics.

In January, the Institute's Standard Setting Department responded to the International Accounting Standards Board's (IASB) Request for Information (RFI) on IFRS 9, which sought feedback from stakeholders on the classification and measurement requirements in IFRS 9, including the related disclosure requirements. The IASB will use the feedback received from the RFI to determine whether any further action is required.

This article summarizes specific areas of our response to the RFI. The full response is available on our website.

In general, we welcome the improvements to the classification and measurement requirements introduced by IFRS 9 and consider most of the requirements to be working as intended. However, we have highlighted significant concerns on the following areas to the IASB.

Modifications to contractual cash flows

We have significant concerns regarding the modification requirements in IFRS 9. We consider that they are not working as intended to create consistency in accounting. In particular, IFRS 9 is not clear as to what constitutes a modification in financial instruments, i.e. whether it refers to **changes in contractual terms** of the financial instruments, or **changes in contractual cash flows**. In addition, IFRS 9 is not sufficiently clear on when

and how to apply the modification requirements, for example, whether a qualitative test could (or should) be applied in addition to the quantitative test in IFRS 9.B3.3.6 (i.e. the 10 percent test for financial liabilities) and whether this test could be applied by analogy to financial assets. We also believe that the concept of a substantial modification should be included in the derecognition criteria for financial assets.

We consider this to be an important and urgent issue that the IASB should address expeditiously, given the increasing number of debt restructurings as a result of the COVID-19 pandemic and the interest rate benchmark reform. We also note that the related issues are broad in scope, and cover both the conceptual rationale for and the practical application of the existing modification requirements in IFRS 9. In this regard, we strongly recommend that the IASB carry out a fundamental review of the modification requirements in IFRS 9 in a separate project to address this matter holistically.

Amortized cost and the effective interest method

We noted several issues on the application of the effective interest method and recommend that the IASB provide guidance on how the relevant requirements in IFRS 9 should be applied to enhance consistent application. These issues include:

- How future cash flows that are subject to conditions or contingent events should be determined;
- What constitutes a floating-rate instrument and under which circumstances should IFRS 9.5.4.3, IFRS 9.B5.4.5, or IFRS 9.B5.4.6 apply;
- Whether the estimate of expected cash flows should be based on the most likely scenario or be a probability weighted average; and
- How the effective interest rate for interest-free related party loans and

trade receivables without significant financing components should be determined.

Sustainability-linked financial instruments

We observed that financial instruments with sustainability-linked features are becoming prevalent in Hong Kong and Mainland China, and there are different views on how the solely payments of principal and interest (SPPI) test should be applied to these instruments. Judgement is required in performing the assessment and this has led to different outcomes for similar transactions.

Some respondents also noted that entities often hold financial instruments with sustainability-linked features to collect contractual cash flows. They considered that measuring these instruments at fair value through profit or loss would not align with how entities manage their financial assets and thus fail to provide useful information to users of financial statements.

We recommend that the IASB carry out standard-setting activities on this area, including clarifying how the SPPI test should be applied to sustainability-linked financial instruments, considering whether the accounting outcomes would be appropriate, and working closely with the International Sustainability Standards Board on setting useful and relevant disclosure requirements about these financial instruments.

We are currently seeking comments on several consultation papers. Visit our website and share your feedback with us so that we can help steer the development of accounting standards.

*This article was contributed by **Carmen Ho** and **Joni Kan CPA**, Associate Directors of the Institute's Standard Setting Department. Visit our "What's new" webpage for our latest publications, and follow us on LinkedIn for upcoming activities.*

Referral fees for introduction of clients and maintenance of a registered office

The Institute's latest Financial Reporting, Auditing and Ethics Alert on what practitioners must keep in mind with regards to referral fees for the introduction of clients and in maintaining registered offices

The Practice Review Committee is a statutory committee responsible for exercising the powers and duties given to the Institute as the regulator of auditors in Hong Kong under the Professional Accountants Ordinance. From time to time, the committee becomes aware of matters arising from the practice review programme carried out by the Quality Assurance Department that warrant further communication with the members of the Institute. This Alert aims to draw practitioners' attention to the requirements concerning (1) payments of referral fees for introduction of clients; and (2) maintenance of a registered office as breaching those requirements can have serious consequences, including regulatory actions being taken.

Referral fees for introduction of clients

The Code of Ethics for Professional Accountants (code of ethics) revised in January 2022 sets out authoritative guidance concerning payments of referral fees in two chapters. Section 330.5 of Chapter A of the code of ethics (which is adopted from the International Code of Ethics for Professional Accountants set out by the International Ethics Standards Board for Accountants) recognizes that a self-interest threat to compliance with the principles of objectivity and professional competence and due care is created if a professional accountant pays a referral fee relating to a client in general. Such payment is allowable if necessary safeguards are applied. Examples of safeguards include obtaining an advance agreement from the relevant client and disclosing to the client about the referral arrangement. Section 900.13 of Chapter C of the code of ethics (which is additional requirement primarily derived from local legal or regulatory requirements) specifically states that

practising members should not give any commissions, fee or reward to a third party, **unless he or she is either their employee or another professional accountant**, in return for the introduction of a client. Section 900.13 does not provide for the "threats and safeguards" approach.

Our practice review programme has seen cases where practice units were found to have paid referral fees to parties other than their employee or other professional accountants for introduction of clients. Practice units typically take immediate action to terminate the referral fee arrangements after such arrangements are identified. However there was still non-compliance with the code of ethics in the first place.

How the committee deals with such matters will depend on the facts and circumstances of each case, including regulatory action in serious cases. In any case, even if the matter is a genuine oversight or lack of understanding, there is no excuse for a professional accountant not knowing his or her obligations under the code of ethics.

Maintenance of a registered office

Under Section 31 of the Professional Accountants Ordinance, every practice unit must have a registered office in Hong Kong to which all communications and notices may be addressed. Any change in such address should be notified to the Registrar of the Institute within 14 days thereof. A breach of the above section results in the practice unit being guilty of an offence and liable to a fine. Upon registration or any changes in the registered office address, a practice unit is required to provide, inter alia, a confirmation that a signboard has been duly erected at the entrance to their registered office as evidence of commencement or continuance of business.

Our practice review programme has discovered cases where practice units were not contactable for practice review matters, resulting in practice reviews not being able to proceed as planned. These instances indicated that the relevant practice units had not been cooperative in the practice review process, giving rise to disputes needed to be brought to the attention of the committee for determination of action. In those situations, the committee typically issues directions to the relevant practitioners to contact and provide relevant information to the practice reviewers. The directions of the committee are sent to the registered office addresses of the practice units by registered post. If no responses are received, the committee would consider raising a complaint against each responsible practitioner for failure to follow its directions. This is even so if the directions sent by registered post were not able to be delivered to or were not collected by the relevant practice units. Section 31 of the Professional Accountants Ordinance provides a ground to support such complaints.

Practising members should be mindful of the above requirements to avoid regulatory actions being taken against them. The Quality Assurance Department will continue to monitor the application of professional standards through its practice review programme and will regularly bring to members' attention issues identified to help improve audit practices in Hong Kong.

If you have any questions, please contact the Quality Assurance Department by email qualityassurance@hkcipa.org.hk.

This article is reprinted from the Institute's Financial Reporting, Auditing and Ethics Alert Issue 41

TECHNICAL NEWS

The latest standards and technical developments

Members' handbook

Update no. 270 includes editorial revisions to:

- *Code of Ethics for Professional Accountants* (code of ethics) to align with the 2021 edition of the *Handbook of International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA handbook) and other housekeeping editorial changes, including updating the references to local legislations and regulations in Chapter C.
- *Revisions to the Non-Assurance Services Provisions of the Code* and *Revisions to the Fee-related Provisions of the Code* to align with the IESBA handbook.

Financial reporting

Institute submissions

The Institute has submitted its comment letters on the following International Accounting Standards Board (IASB) consultation documents:

- *Subsidiaries without Public Accountability: Disclosures*
- *Post-implementation Review of IFRS 9 – Classification and Measurement*

Accounting Considerations for a Special Purpose Acquisition Company

The Institute has issued the publication *Accounting Considerations for a Special Purpose Acquisition Company (SPAC)* which highlights certain key accounting considerations relevant to a typical SPAC throughout its lifecycle.

Webcasts: IASB's Exposure Draft Supplier Finance Arrangements

In these webcasts, an IASB member

introduces the background to reverse factoring and other supplier finance arrangements. He then illustrates how the IASB's proposals aim to enhance the transparency of supplier finance arrangements and why it is important for stakeholders to respond to these proposals.

January IASB podcast and updates

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

January IFRS Interpretations Committee podcast

The IFRS Interpretations Committee podcast, highlighting the committee's key activities during the last quarter of 2021, is now available. Topics discussed include economic benefits from use of a windfarm, principal versus agent: software reseller, negative low emission vehicle credits, and lease liability in a sale and leaseback.

Auditing and assurance

Institute submission

The Institute has submitted its comment letter on the International Auditing and Assurance Standards Board's (IAASB) proposed standard for audits of financial statements of less complex entities.

Institute's live virtual workshops

The New Quality Management Standards Series in March and April begins with a workshop on 8 March, covering key requirements and applications in practical scenarios, and illustrated with examples on how small and medium practitioners implement resources to meet the new requirements.

Preparing for the new quality management standards

The last article of the series issued by the International Federation of Accountants on International Standard on Quality Management (ISQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* sets out factors to be considered when designing and performing monitoring activities. For example, assessments given to the quality risks, design of risk responses, and any changes that may have occurred in the system of quality management. The article also emphasizes that it is important for firms to evaluate findings and identify deficiencies for designing and implementing remediation measures to establish and maintain an effective quality management system.

IAASB eNews

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

IAASB conforming and consequential amendments resulting from new and revised quality management standards

The IAASB released further conforming and consequential amendments to the IAASB's standards resulting from the new and revised quality management standards. The conforming amendments remove actual or perceived inconsistencies between the IAASB's suite of standards and the quality management standards, effective from 15 December 2022.

IAASB head on audit's role

An article on *Compliance Week* explores the IAASB's current and future efforts to improve audit quality, the biggest challenges to audit confidence today, and what emerging issues might be around the corner.

IAASB digital technology market scan

The second market scan from the IAASB's Disruptive Technology team explores application programming interface (API) access to external data sources for enriched analysis. It discusses what an API is and why it is important, as well as the latest developments on this topic and possible implications for the IAASB.

Common threads across audit committees

Despite pandemic-related concerns about the ability of auditors to work effectively, most audit committee members said in a survey by the Centre for Audit Quality and Deloitte that audit quality either increased or stayed the same over the past year. The survey results also reveal top areas of focus on the audit committee's agenda, and where audit committees are when it comes to environmental, social and governance issues.

ICAEW audit and assurance resources

The Institute of Chartered Accountants in England and Wales (ICAEW) has the following resources that may be of interest to members:

- New resource hub on articles, helpsheets and other practical resources and tools to support the implementation of International Standard on Auditing 540 (Revised).
- *Audit and Beyond* February for technical articles on the new quality management standards etc.
- An online event series titled Implementing ISQMs designed to help small and medium practices to implement the new quality management standards.

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

Ethics

Institute's webinar on revised non-assurance services and fee-related provisions of the code of ethics

Join the webinar on 9 March, which will deep dive into specific provisions of the revised non-assurance services and fee-related independence standards of the code of ethics. The revisions significantly strengthen the guardrails around auditor independence in two important areas that have the potential to create incentives influencing auditor behaviour – non-assurance services provided to audit clients and fees. They will come into effect in December 2022.

Institute's code of ethics webpage

Visit the Institute's new webpage on the code of ethics which is designed to help members uphold professionalism. The page includes links to educational material and other relevant resources.

FAQ on revised fee-related provisions of the code of ethics

The staff of the IESBA released a set of frequently asked questions (FAQ) on the recently revised fee-related provisions of *The International Code of Ethics for Professional Accountants (including International Independence Standards)*. It highlights, illustrates or explains aspects of the revised fee-related provisions and thereby assists in their proper application.

Ethical technology in the workforce

An article by Deloitte shares how

organizations should prioritize ethical technology in the workforce, and why it's not just a "big tech" company prerogative.

Sustainability

Appointment of the ISSB Vice-Chair

The Trustees of the IFRS Foundation announced the appointment of Sue Lloyd as Vice-Chair of the International Sustainability Standards Board (ISSB), effective 1 March. Lloyd will step down from her current role as Vice-Chair of the IASB. In addition, Janine Guillot, current Chief Executive Officer of the Value Reporting Foundation, has been appointed as a special advisor to the ISSB Chair, effective 1 February.

Interview with the ISSB Chair

Emmanuel Faber was appointed as the inaugural Chair of the ISSB in December 2021. In an interview, he discusses what attracted him to the role and his ambitions for the ISSB.

Corporate finance

HKEX finalizes operational model for derivatives holiday trading

On 6 January, Hong Kong Exchanges and Clearing Limited (HKEX) published its consultation conclusions on derivatives holiday trading, finalizing the underlying operational model for non-Hong Kong dollar denominated futures and options trading and clearing services on Hong Kong public holidays.

Insolvency

New online service for creditors: Submission of Proof of Debt

For bankruptcy/winding-up cases in which the Official Receiver (OR) acts as the



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trustee/liquidator, creditors can use the online service to submit proof of debt to the OR by completing the proof of debt form, uploading documents to substantiate the debt, signing the proof of debt form by "iAM Smart" or recognized digital certificates, and settling the prescribed fee by credit cards or PPS online. Please refer to the Official Receiver's Office's website for details.

Taxation

Institute announces proposals for the 2022-23 budget

The Institute held an online media briefing on 18 January, hosted by the President, the chair of the Taxation Faculty Executive Committee (TFEC) and the convenor of the TFEC's Budget Proposals Subcommittee, to announce its tax policy and budget proposals for 2022-23. Under the title, Building a Sustainable Future for Hong Kong, its Economy and Community, the proposals include a range of different measures, aimed at revitalizing the economy, providing community and targeted relief measures and aligning Hong Kong's tax system with international rules, as well as environmental measures to help support the goal of a carbon neutral Hong Kong.

Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- A letter to tax representatives, extending the due date for filing 2020/21 Profits Tax returns for loss cases with Accounting Date Code "M" from 31 January to 28 February.
- A notice from the Inland Revenue Department (IRD) to request employers to inform the change of their postal

address, if any, in view that "Employer's Return of Remuneration and Pensions" will be issued on 1 April.

- Latest arrangements for IRD's public services.
- Stamp Duty statistics as of January 2022 are now available.

Legislation and other initiatives

Announcements by the government

Members may wish to be aware of the following matters:

- Financial support for catering, commercial bathhouse and places of public entertainment sectors under fifth round of Anti-epidemic Fund.
- Expansion of special work arrangements for government employees and suspension of non-essential public services.
- Latest arrangements for public services of Land Registry.
- Latest arrangement for postal services.
- Airmail services to Australia, Canada, Mexico, United States and certain other destinations suspended.
- Financial results for the nine months ended 31 December 2021.
- Statement by Secretary for Home Affairs Caspar Tsui.
- The Secretary for the Civil Service appeals to public to receive COVID-19 vaccination early.

AML notices

The list of terrorists and terrorist associates designated by the United Nations Security Council, published pursuant to the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575), was gazetted on 5 January.

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 5 January.

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

The list of individuals, groups, undertakings and entities published under section 25 of the United Nations Sanctions (ISIL and Al-Qaida) Regulation (Cap. 537CB) was updated on 25 January.

The list of individuals and entities published under section 43 of the United Nations Sanctions (Libya) Regulation 2019 (Cap. 537CF) was updated on 29 January.

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

STAYING IN TUNE

Music is one of the easiest ways to connect with others. Institute members tell **Thomas Lo** how they discovered their passion for playing and singing music, and how it has introduced them to new people and the different sides of life

Seven years ago, Charis Wong CPA was asked to perform *The Song To My Beloved*, a Christian hymn, on the violin at her sister's wedding with one of the groomsmen. That was, as she remembers, how she first met the love of her life. "I've lost count of the number of weddings I've performed at – but I will never forget my first violin duet with my now-husband. We felt that there was so much faith, love and hope in the air with the music," says Wong, Senior Tax Manager at PwC.

Those wedding performances allowed Wong to do what she loves – play the violin before an audience. Wong fell in love with the violin at a young age and quickly excelled at it. She obtained her grade eight certificate and her performance diploma before the age of 12 and decided to major in music. "I remember practicing the violin five hours a day when I was in university," she says. Wong also learned different musical instruments such as the erhu,

piano, guitar, saxophone, and the clarinet.

Wong recalls how the duet with her now-husband changed her attitude to music. "I realized that you have to be precise and accurate in performing every note, and put emotion into playing every piece," she says.

Wong's passion and talent also led her to form a string quartet with a few of her friends more than a decade ago. They have gone on to play both in concerts and weddings. "I am fortunate enough to have them as my friends for all these years," she adds.

Her ability to play various musical instruments also brought her to New York to take part in the Broadway production of *The Lion King* in 2015 as a substitute musician. "I was working in New York back then. Everyone performing in the show was highly talented and knew how to play at least four instruments. It was a unique and eye-opening experience – I even managed to get my friends free tickets and take pictures with the lead actors. We all had a great time," Wong explains.

"You have to be precise and accurate in performing every note, and put emotion into playing every piece."



Charis Wong CPA, Tax Service Senior Manager at PwC, obtained her grade eight certificate and her performance diploma for the violin before the age of 12.



Vicky Ho FCPA,
Internal Audit
Officer-in-Charge
at Yan Chai Hospital
Board, has been
playing the guitar
since 2014.

Aside from romance and friendships, her years practicing the violin have also helped her professionally. “My years of performing in front of the crowd have also taught me how to cope with stress. You can never panic in front of an audience,” she says. “And the need to stay calm has helped me professionally, especially when dealing with demanding clients.”

The perfect match

Vicky Ho FCPA was introduced to musical instruments such as the violin, flute and piano in her teen years – but none of them seemed to resonate with her. “I was never a big fan of classical music. I also didn’t like practicing and found it frustrating most of the time,” says Ho, Internal Audit Officer-in-Charge at Yan Chai Hospital Board. However, everything changed when she tried the guitar. “Ever since I passed the first hurdle of playing the

F chord, my passion for it has grown stronger each day. At first, I was unwilling to practice half an hour a day, but now I practice at least an hour and a half every day,” she explains.

Ho picked up the guitar in 2014 just as she was starting to work at her current company. “I saw flyers from the Institute about group lessons teaching adults to sing while playing the guitar. Since this job offered me more spare time, I signed up for the class,” she says. “I found it fun to have students from different age groups in the same class.”

As Ho grew more interested in the guitar through the group classes, she decided to take private lessons to further develop her technique, and later formed a band of 10 with other students.

The band is both large in size and age range, Ho notes, with members ranging from 24 years old to above 50. Despite the size of the band,

disagreements rarely happen, she adds. “All of us are big fans of Canto rock and Canto pop music, and we never limit ourselves; we play songs from the 80s and modern songs too. We all try to find the parts that we can play and try to mimic the originals. We just enjoy playing music together,” Ho says, adding how songs by Hong Kong Canto rock group Beyond will always have a special place in her heart. “The simplicity of their songs always fascinates me. To play the guitar solos well does take some effort, but they are never unapproachable.”

Before the pandemic, Ho and her band often played live busking in the streets. “People would just gather and stay for a song – especially if your band was playing songs from Beyond or other Canto pop or Canto rock songs. This is the magic of music and culture. It gathers people and allows people to purely live in the moment,” Ho adds. “The band is my ‘safe place’

“The band is my ‘safe place’ and practicing with them gives me a moment of peace without having to worry about other things.”

and practicing with them gives me a moment of peace without having to worry about other things. If not for music, I would not have known my band members or had the opportunity to meet the people who stopped by when we were playing. These are all precious connections. Without my guitar and music, life would be grey."

Breaking through

After leaving his role as an auditor in an international firm in 2019, Kingo Pok CPA (practising) decided to revisit his childhood passion for singing. "When I sing, I feel alive," says Pok, Director of Grace and Joy CPA & Co. "The workload of my previous job was too heavy; it took away too much time from my private life and it stopped me from developing my interest. I almost forgot the joy of singing."

With more time on his hands, he signed up for group singing lessons to boost his confidence

as a singer. He recalls how nerve-racking it was singing in front of a class of strangers for the first time. "When I got up for the first time, I was so nervous that I was shaking and sweating," he says. After some practice, Pok became more comfortable singing in front of a crowd.

For the past three years, Pok has participated in singing competitions, including the Institute's 2020 CPA Singing Contest. "Competitions encourage me to push forward, try new styles and become a better singer," he says.

In 2021, he joined another competition, this time in a group of five, to challenge himself. "The biggest challenge of the competition was no longer singing in the right pitch," Pok explains. "It was having to convince our audience that we were a team on the stage. To fit the energy of the song we had to dance – even though we all knew little about dancing." A month before the

competition, Pok and his teammates booked a studio to practice their dance sequence twice a week after work. "We drew references from Hong Kong and Korean dance groups, and even random group singing competition clips on YouTube, to choreograph our dance. It is by far my most memorable competition experience," Pok adds.

The dance sessions often went on quite late, sometimes until 11 p.m. "It was rough since we had all just got off from work," he says. Pok had to also avoid consuming drinks that were too cold, sweet, as well as dairy drinks, to ensure his voice was in the best condition possible. "I can't have an iced milk tea before a contest – even though it's my favourite drink," he notes. Above all, Pok is glad he rediscovered his passion for singing, and in the process, made new friends. "We are still close friends. Music is one thing that really brings people together."

"Competitions encourage me to push forward, try new styles and become a better singer."



Kingo Pok CPA (practising), Director of Grace and Joy CPA & Co., discovered his passion for singing as a child. He is pictured here at the 2020 CPA Singing Contest.



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Gloria Chan CPA (right) is an opera singer who specializes in coloratura soprano. She is pictured here playing the role of the Queen of the Night in *Die Zauberflöte* or *The Magic Flute*, an opera written by Mozart.

“The interaction between performer and audience is magical, and is what I enjoy the most when I’m on stage.”

Voice of a queen

Gloria Chan CPA isn’t your typical vocalist – she is a coloratura soprano, an opera singer with a type of operatic soprano voice that is distinguished by agile runs, leaps and trills, and the ability to alternate between different high notes. It also requires the singer to act while singing – something Chan is passionate about. “I cherish every second on stage. Through singing, I can reveal who I am,” she says.

Chan’s journey as a singer started when she was as a member of the children’s choir in her local district. She wanted to take her passion for singing more seriously as an adult, and in 2010, decided to take proper singing and music lessons at the Hong Kong Music Institute. In 2017, after participating in various performances, she decided to pursue a master’s degree in vocal performance at Royal Birmingham Conservatoire in the United Kingdom to develop as a performer.

It requires tremendous talent and effort to be able to perform as a coloratura soprano, Chan says. She has to take care of her voice at all times and also dedicate time to study the history of performing arts and literature to better understand the plays she performs. “Since the repertoires are usually created from the 17th and 19th centuries, it is common for opera singers to sing in different languages such as German, French, Italian, and English. I once had to sing in Russian,” she says. “Hence, we need to carefully study the lyrics and the pronunciation of each word. Analysing the history, literature and language of the songs helps me to perform as convincingly and as natively as possible.”

Chan’s most memorable performance as an opera singer was in 2019, when she played the Queen of the Night in *Die Zauberflöte* or *The Magic Flute*, an opera written by Mozart. “There were moments where I had to talk to the audience.

The interaction between performer and audience is magical, and is what I enjoy the most when I’m on stage,” she says. “The main emotion of the queen is rage and revenge. Even after the production, I would think back to the ‘anger’ I felt while playing the role of the queen when I listen to the prelude of the aria.”

Balancing work and singing is not easy, Chan says, but notes that there are always ways to strike a balance. “Prior to the pandemic, my colleagues often saved their annual leave for travelling. I used my leave to participate in rehearsals,” she says. Initially, her company was quite surprised about her participating in the operatic performances, and thought that her interests would take away too much of her time and affect her performance at work. “But after better explaining my interest in singing to the management team, we reached common ground, and they were more encouraging. To be able to pursue what I am passionate about is what gives life meaning.”



Members who are interested in music, singing and performing live can join the Institute’s Singing Interest Group. More details are available on the Institute’s website.



YOUNG MEMBER OF THE MONTH

Athena Tsui CPA

ATHENA TSUI CPA

Senior Associate
at Deloitte



Photography by Anthony Tung



Athena Tsui CPA, a Senior Associate at Deloitte, is accustomed to the intricate and often demanding nature of audit engagements. She tells *A Plus* about the importance of building trust with clients, and how a career in auditing offers ample opportunities to develop one's technical and interpersonal skills

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

As a Senior Associate at Deloitte, I oversee all audit-related tasks. I manage a team and work closely with our clients to answer their questions concerning audit procedures. I also delegate tasks to my team members and provide them with either daily or weekly targets to meet. The role can be quite challenging when it comes to completing audits within a tight timeline and with limited manpower, especially during peak season.

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

The most challenging thing about being an auditor is navigating client relationships. During each audit, we request a lot of files from our clients, and establishing a good working relationship with them from the start makes this task much easier and also builds trust. We need the right interpersonal and communication skills to make these requests without sounding too intrusive. Building trust and respect will also help facilitate each audit engagement and ensure everything goes smoothly. At the end of a project, there's a sense of achievement, particularly as some projects can last as long as three months. As a Senior Associate, I need to guide team members through certain processes such as how to handle daily requests and challenges from clients and managers. It's always great seeing members of my team improve and learn new skills during the whole process.

What inspired you to become an accountant?

I started studying accounting when I was in secondary school. I was interested in understanding how to present financial figures and understanding how businesses work, so I chose it as an elective. I enjoyed it, and decided to major in accounting at the Chinese University of Hong Kong. I've worked at Deloitte since graduating.

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

I'd be happy to continue working in audit. Working at a Big Four firm has given me the opportunity to work with large companies such as conglomerates and multinational corporations. The people I've met in Deloitte are very friendly. I've worked with very supportive managers and seniors, and I appreciate how instead of competing with each other, people help each other. The positive team spirit has also inspired and encouraged me to be an understanding leader. As an auditor, I enjoy the freedom of being able to manage my tasks and responsibilities in my own time, as well as getting to work and meet with different people and learn about different industries very quickly.

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

Leadership skills are important. It's about learning how to strike a balance between managing your team and letting them work on their own. If I'm working with a new associate, it's important that I set everything right from the start. There are times you have to check in on their progress to ensure they fully understand what they are doing. Having the right attitude is also important. Though some tasks may be tedious at the start, I feel that it's about how you view the task at hand. When I was a junior, my seniors would take the time to explain the reasons behind some tasks. Through this process, I got to understand why certain tasks exist. Try to fully grasp the nature and purpose of the job on your own first – you might realize some tasks are not as tedious as some may say.

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

The financial reporting module of the QP dives deep into accounting standards, and knowledge in this area has proven to be very helpful in my role so far. Whenever clients have concerns about financial statements, I rely on my knowledge of accounting standards, and this helps me answer any questions. The workshops also help build our soft skills, as we often have to work with different people as teams to complete tasks. The facilitators are also very experienced in their own fields. In addition to their specialized knowledge, they also share their own personal experiences with us, which helps us relate what we learn to real-world scenarios.

AFTER HOURS

As recommended by Institute members



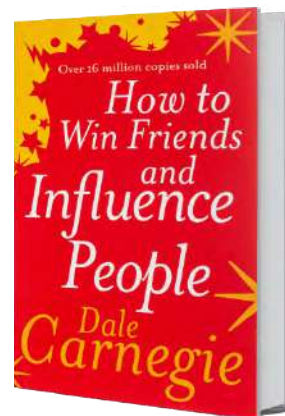
View of Tolo Harbour from Cloudy Hill

Hike

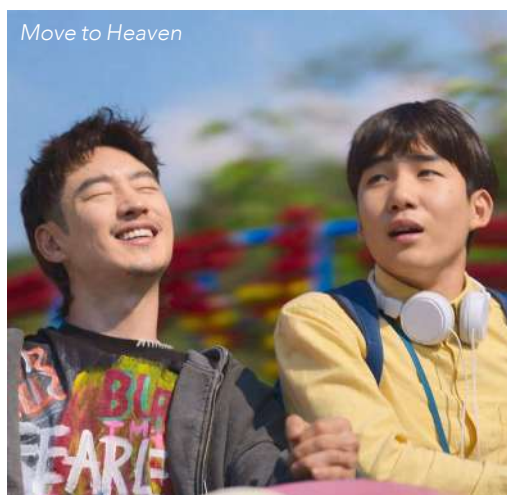
“For those looking for a relatively easy four-hour hike packed with good views, I would recommend visiting Pat Sin Leng Country Park. You can start at Hok Tau Reservoir, then walk to Sha Lo Tung Cheung Uk, up and down Cloudy Hill, and then end at Lau Shui Heung Reservoir, which is known as Hong Kong’s ‘mirror of the sky.’ The 10-kilometre route features views of mountains, the sea, historic ancient villages, and views of both sides of Tolo Harbour. Look out for dragonflies at Sha Lo Tung – more than 70 species of dragonflies have been recorded there, making it Hong Kong’s ‘dragonfly paradise.’” – Barry Tam FCPA (practising), Sole Proprietor of K.W. Tam & Co.

Read

“I recommend *How to Win Friends and Influence People*, a self-help book by Dale Carnegie. The book – of which over 30 million copies have been sold worldwide, making it one of the best-selling books of all time – describes techniques when it comes to handling and persuading people, earning favour among others, and leadership. I have met many successful people throughout my career, and I can’t agree more with one particular piece of advice stated in the book – that if there is any one secret to success, it lies in the ability to understand other people’s point of view and see things from their angle.” – Bryan Ho FCPA, Chief Financial Officer of iFund



Move to Heaven



Watch

“*Move to Heaven* is a Korean drama available on Netflix about cleaning out the ‘earthly’ possessions of the deceased, helping them ‘move to heaven’ and the delivery of ‘meaningful’ possessions to their loved ones. The main character, Han Geu-ru, has Asperger’s Syndrome, and when his father passes away, he is left to operate the cleaning business by himself. Fortunately, his uncle, who was recently released from jail, becomes his guardian and the two start clearing out the possessions of the dead together. The drama is very sentimental and moving as you follow Geu-ru, who uncovers the most meaningful possessions of the deceased and the stories behind them. There are only 10 episodes, making it ideal for a weekend binge during this current period. The series will move you, so keep a box of tissues handy – you’ll need it!” – Michelle Chu CPA (practising), Assurance Director, Moore Hong Kong



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