



DRIVING BUSINESS SUCCESS

Issue 4 Volume 18 April 2022



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ETHICS

Common ethical issues CPAs face today and possible solutions to improving standards

PROFILE

Algernon Yau, Chief Executive Officer of Greater Bay Airlines

SECOND OPINIONS

What does the Northern Metropolis mean for Hong Kong?



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“I am pleased to report that the Council has approved the latest *Strategic Plan 2022*. The new plan will identify the Institute’s renewed priorities and direct the allocation of our resources for the rest of the year and beyond.”



Dear members,

As confirmed cases in Hong Kong continue to dwindle and social distancing measures begin to ease, I am grateful for the frontline workers who are tirelessly protecting us as well as all those in society who continue to persevere despite the challenging circumstances of the fifth wave. Nonetheless, it is important we remain vigilant and maintain necessary measures to avoid another wave.

As we slowly get back to some sense of normal in the month of April, I have been busy working with my colleagues to communicate the Institute’s refined strategic aims to our stakeholders, and to create avenues for members to make their views heard on the latest developments in the profession.

Since the Institute set out its vision, strategic objectives, and initiatives in the previous *Strategic Plan 2020-2022*, there have been significant new and developing changes in circumstances and challenges that need to be addressed.

Needless to say, the pandemic has had a profound impact on society and the profession. This has coincided with a fundamental change in the role and responsibilities of the Institute under the government’s further reform of the regulatory regime of the accounting profession, which will come into effect this autumn. Meanwhile, the growing recognition of the critical importance of climate change and broader sustainability matters is also shaping the

future of accounting.

Recognizing these challenges, the Council and management of the Institute have been hard at work identifying necessary revisions and additions needed for the Institute’s strategic plan and objectives to ensure the Institute, the profession and our members remain as recognized and valued contributors to the prosperity and well-being of Hong Kong. I am pleased to report that the Council has approved the latest *Strategic Plan 2022*. The new plan will identify the Institute’s renewed priorities and direct the allocation of our resources for the rest of the year and beyond.

A new webpage with the details of the new strategic plan has been launched on the Institute’s website. There, you will also find a short video where I introduce some of the highlights of the plan. I encourage you to visit the webpage and find out more about our new objectives and corresponding key action items.

As mentioned in last issue’s message, the government has proposed revisions to the election arrangements of the Institute’s Council. Further details were announced by the Financial Services and the Treasury Bureau (FSTB) in the Legislative Council during the Panel on Financial Affairs on 4 April.

The Council election is an important governance provision of the Institute and the proposed changes will affect all members. We considered it to be of

paramount importance to consult and collate your views on the government’s proposals.

In this connection, the Institute launched a survey to all members to collect their views between 1 April and 18 April. We received 434 responses to the online survey questionnaire. The responses to these questions have been summarized and made available for members’ viewing on the designated webpage. We thank members for taking the time to respond to the survey and rest assured, your views will be shared with the FSTB for their consideration.

I was also happy to join and give the opening remarks for the four members’ forums held in April which were on the review of the Council election arrangements and the further regulatory reform of the profession respectively.

The recordings of the members’ forums as well as the presentations have been made available on the Institute’s website. If you were unable to attend, I encourage you to watch the presentations to gain a better understanding of how these changes will affect you.

Properly addressing the evolving challenges is essential to ensure that the Institute and the accounting profession in Hong Kong remains sustainable and relevant for the future. As we continue to adjust and reposition the Institute, I look forward to hearing your views on how the Institute can further support and better connect with you.

Loretta Fong CPA (practising)
President

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The Code of Ethics for Professional Accountants is a benchmark for accountants to make informed decisions. But how well do accountants understand the Code and what can companies do to promote a more ethical culture in the workplace?



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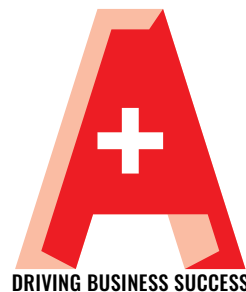
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DRIVING BUSINESS SUCCESS

About our name

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



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17,114 students of the Institute and 2,358 business
stakeholders every month.



NEWS

Institute news

Business news

Strategic Plan 2022 now available



BUILDING TRUST IN OUR PROFESSION

The Institute has produced and released the *Strategic Plan 2022*, which serves as a blueprint for implementing the Institute's strategic aims for the rest of the year and beyond. It comes following significant challenges and changes in circumstances that have developed since the *Strategic Plan 2020-2022* was issued which need to be addressed.

Aside from the impact of the COVID-19 pandemic on Institute members, another key disrupter is the further regulatory reform of the accounting profession announced by the Hong Kong government in 2021, which introduced legislation that moved all remaining regulatory functions from the Institute to the Financial Reporting Council with effect from 1 October 2022. The Institute recognizes that this brings significant changes and challenges to the responsibilities, functions and operations of the Institute, and so it is important for the Institute to redefine its positioning.

To make sure the Institute and the accounting profession in Hong Kong remains relevant, Council and management have identified necessary revisions and additions needed for the Institute's strategic plan and objectives. They confirmed that the Institute's strategy should be refocused around three key areas: delivering member value; proud to be a CPA (branding and communication); and advocacy for the

profession.

Members can learn about the updated *Strategic Plan 2022* by visiting the Institute's website, where they can also find two webpages on the strategic objectives and initiatives and key action items to learn about the progress.

Members' forums

The Institute jointly organized three members' forums on the government's further regulatory reform of the accounting profession on 4, 7 and 11 April, as well as a members' forum on 8 April regarding the proposal to review the election arrangements of the Institute's Council.

The recordings of the members' forums are now available for enrolment as e-Seminars. Links can be found on the designated webpages of the issues on the Institute's website.

Members' survey on the government's proposals for the election mechanism of the Institute's Council

The Institute launched a survey to all members to collect their views on 1 April. The survey closed on 18 April and the Institute received 434 responses to the online survey questionnaire.

The responses to these questions have been summarized and made

available for members' viewing on the designated webpage.

Quality assurance report

The Institute's *Quality Assurance 2021 Annual Report* is now available via the Institute's website. The report summarizes the work of the Quality Assurance Department in practice reviews (including anti-money laundering and counter-terrorist financing compliance monitoring review) over the past year, and highlights common review findings of which members should be aware.

Members-Help-Members technical enquiry service

Members-Help-Members is a platform for members to obtain guidance and comments from the Small and Medium Practices Committee's Working Group on Technical Issues about matters they are facing. Members may submit their enquiries through the Institute's website, which may be addressed at an upcoming sharing session. Any enquiry received will be considered by the working group on a pro-bono basis.

Council meeting minutes

The abridged minutes from the March Council meeting are now available in the "Members' area" of the Institute's website.

Resolution by agreement

Kong Muk Yin CPA

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of professional behaviour in section 110.1A1(e) and subsection 115 under Part A of the applicable Code of Ethics for Professional Accountants (Code of Ethics).

Kong was the executive director of China Medical & Healthcare Group Limited. In May 2021, the Market Misconduct Tribunal (MMT) fined the company and its directors for late disclosure of inside information regarding unrealized profits and significant gains in 2014. At the relevant time, Kong was responsible for the operation of the finance and accounts department as well as company secretarial matters and administration. The MMT fined Kong and disqualified him from being a director or being involved in the management of a listed company for six months. Kong was also ordered to undergo a training programme to be approved by the Securities and Futures Commission (SFC).

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

1. Kong acknowledge the facts of the case and his non-compliance with a professional standard;
2. Kong be reprimanded; and
3. Kong pay costs of the Institute of HK\$15,000.

Disciplinary findings

Ang Wing Fung CPA and Chan Kam Wah CPA

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of integrity in sections 100.5(a) and 110 of the Code of Ethics, and the fundamental principle of professional behaviour in sections 100.5(e), 150 and 300.6 of the Code of Ethics, and being guilty of professional misconduct.

W. Falcon Asset Management (Asia) Limited (Falcon) was a licenced corporation under the Securities and Futures Ordinance, which carried out regulated activities. In 2019, the SFC revoked the licence of Falcon due to its window-dressing of liquid capital and other failures, including providing the SFC with false or misleading information in its licence application and monthly financial returns.

The SFC also banned Ang, a former director of Falcon, and Chan, a former chief financial officer and company secretary, from re-entering the financial industry for life and three years, respectively, in connection with their roles in window-dressing the liquid capital of Falcon. The SFC found that Ang was the mastermind of the window-dressing scheme, and its operation was facilitated by Chan. In addition, the respondents failed to

notify the SFC of Falcon's insufficient liquid capital, and Ang failed to notify the SFC of his resignation as a director of Falcon. The SFC referred the matter to the Institute for action.

Decisions and reasons: The Disciplinary Committee reprimanded Ang and Chan. The committee further ordered the names of Ang and Chan be removed from the register of CPAs permanently and for three years, respectively, with effect from 12 April 2022. In addition, Ang and Chan were ordered to pay the costs and expenses of the disciplinary proceedings of HK\$128,477 equally. When making its decision, the committee took into consideration the particulars in support of the complaints, and the conduct of Ang and Chan throughout the proceedings.

Chan Chung Mo CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of integrity in section 100.5(a) and as elaborated under section 110 of the Code of Ethics, the fundamental principle of professional competence and due care in section 100.5(c) and as elaborated under section 130 of the Code of Ethics, Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, Hong Kong Standard on Auditing (HKSA) 220 *Quality Control for an Audit of Financial Statements*, HKSA 230 *Audit Documentation*, HKSA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, HKSA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, HKSA 330 *The Auditor's Responses to Assessed Risks* and HKSA 500 *Audit Evidence*, and being guilty of professional misconduct.

Chan practices in his own name. An initial practice review in 2018 found deficiencies in the practice's audit engagements and quality control system. In 2019, a follow-up practice review was conducted to evaluate if Chan had appropriately addressed the findings. During that review, the reviewer found significant deficiencies in the practice's audit engagements and monitoring review procedures in its quality control system again. Furthermore, the reviewer found that Chan provided, as he had done in the initial practice review, an incomplete client list, and false and misleading answers in the electronic self-assessment questionnaire.

Decisions and reasons: The Disciplinary Committee reprimanded Chan and ordered the cancellation of his practising certificate effective 20 April 2022, with no issuance of a practising certificate to him for 18 months. In addition, Chan was ordered to pay a penalty of HK\$50,000 and costs of the disciplinary proceedings of HK\$64,727.

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

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63%

The percentage of senior executives in Hong Kong and Mainland China that expect a pay rise, according to *Hong Kong Executive Salary Outlook 2022*. The survey, released by KPMG this month, found that companies were willing to increase salaries in a bid to retain staff. Staff in the financial services sector were most optimistic, with 55 percent anticipating a higher bonus this year.

HK\$15 billion

The value of the initial tranche of Hong Kong's inaugural retail green bonds, which was issued on 26 April. CMB Wing Lung Bank said applicants had subscribed to HK\$210,000 worth of bonds on average, while the highest subscription amount was HK\$10 million.

Financial Reporting Considerations for Closing Out 2021

The title of a publication issued by the Institute which highlights key accounting considerations for entities preparing their December 2021 financial statements. More details in *Technical news* on page 36.



The unemployment rate in Hong Kong rose to 5 percent for the January to March period. The figure is up 0.5 percent compared to the previous three-month period ending February. It is the highest figure since the city recorded a 5.4 percent jobless rate for the rolling three-month period from April to June 2021, reports the *South China Morning Post*.

US\$44 billion

The total transaction value of Elon Musk's deal with Twitter this month, which saw the billionaire entrepreneur acquire the social network for US\$54.20 per share in cash. The deal, which will take the company private, is expected to close this year.

HK\$2.67 billion

The net profit of the Hong Kong Exchanges and Clearing (HKEX) for the first three months of 2022. The figure marks the exchange's biggest decline in more than five years and is the result of fewer initial public offerings (IPOs). "We were not immune to global market sentiment which resulted in some softness in the IPO market," the HKEX's Chief Executive Officer Nicolas Aguzin said in a statement.

"There is strong public interest in seeking to align where possible the international and jurisdictional requirements for sustainability disclosures. We have a window of opportunity to do just that."

— Emmanuel Faber, the International Sustainability Standards Board (ISSB) Chair, said regarding working group meetings. The ISSB announced on 27 April the formation of a working group of jurisdictional representatives to establish dialogue for enhanced compatibility between the ISSB's exposure drafts that are currently open for comment and ongoing jurisdictional initiatives on sustainability disclosures.

55%

The percentage of survey respondents who were aware of environmental, social and governance (ESG) investment and planned to invest in ESG products in the next 12 months, according to a joint survey conducted by Pictet Asset Management and the Hong Kong University of Science and Technology.

5.1%

The percentage by which China's benchmark Shanghai Composite Index plunged on 25 April, closing at a 22-month low. Meanwhile, the Hang Seng Index fell 3.7 percent. Global stocks fell amid fears that Beijing and other major Chinese cities could face a Shanghai-style lockdown.

PUTTING ETHICS FIRST

Whether auditing a company's financial statements, valuing an entity for an acquisition, or investigating corporate fraud, the need to be trustworthy is at the heart of everything professional accountants do.

The standards of behaviour professional accountants must follow is set out in the Code of Ethics for Professional Accountants (the Code), which, through its fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour, details their responsibility to act in the public interest.

Helen Tang CPA (practising), Managing Director of Moore Stephens CPA Limited, and Chair of the Hong Kong Institute of CPAs' Ethics Committee, describes the Code as being the "foundation and cornerstone of a professional accountant's work." She says: "Without it, the quality and judgement of the work will be questioned, and unethical acts may be committed."

Horace Ma CPA (practising), Chief Financial Officer at S. Culture Holdings (BVI) Limited, and a member of the Ethics Committee, agrees: "The Code is very important to the accounting profession. If it was not in place, we would be building the foundations of the profession on quicksand; if we don't practice the Code, the profession will be gone sooner or later."



The Code of Ethics for Professional Accountants is considered the cornerstone of a professional accountant's work, but how well do they know its requirements? **Nicky Burridge** finds out about the profession's current perception of the Code, common ethical issues that accountants face at work, and how companies can uphold a good ethics culture



Despite the importance of the Code, the Ethics Survey 2021 carried out by the Ethics Committee between December 2021 and January 2022 found that many Institute members were not as familiar with it as expected.

Maria Xuereb CPA, Partner Emeritus at Deloitte China, and Deputy Chair of the Ethics Committee, says: “From the survey results, it appears that the level of awareness is not as high as we were hoping. Only 67 percent of respondents reported they were aware of certain revisions made to the Code, while 33 percent reported they were not aware of any of the revisions made.”

The study also found that accountants aged under 44 and those in junior positions were less likely to be aware of revisions to the Code, and were also less likely to see the Code as providing them with guidance to meet their responsibility to act in the public interest. “Instead, they considered it more as a practical tool to assess their decision-making, while the older and more senior accountants indicated that they see it as guidance to enable them to meet their public responsibility,” Xuereb says.

Tang adds that the Code and recent provisions also seemed to be better understood and implemented by professional accountants in practice (PAIP), as their workplace strongly promotes and encourages a good ethics culture. “This is probably due to the requirements imposed on professional practice and the importance [of the Code] that is emphasized,” she says.

Ethical issues

The study found that the most common ethical issue professional accountants encountered in their work was conflict of interest. Ma explains: “For practising members, the central issue is whether they

are perceived to be independent enough to perform their services for clients. This is the core ethical yardstick we are measured against.”

Other ethical issues experienced by respondents in the past 12 months included undue bias, the manipulation of information (including fraudulent accounting,

or altering income or expenses), distorting information by being overly optimistic in making judgements on accounting estimates, discount rates etc., and relying on information that they knew to be overly optimistic in making judgements on accounting estimates.



Xuereb explains that conflict of interest or undue bias can lead accountants to manipulate information. “For example, if accountants are trying to achieve a certain result, they may do so by altering some figures, such as by reducing expenses, or some other manipulation of information.”

She adds that relying on information that might be overly optimistic when making judgements on accounting estimates can also be an issue for professional accountants. “People tend to expect certain estimates, and, indirectly, they listen only to the part of the explanation that supports their bias on that aspect,” she says. “Auditors may have an undue bias if they have certain expectations, and that may result in them not considering certain negative information or information that doesn’t seem to support their initial expectation.”

For PAIPs, Tang thinks the biggest challenge is the requirement to exercise professional competence and due care, and in particular, professional scepticism. “The breach of this has been seen in a lot of compliance cases presented by the regulators, a lot of which would result in disciplinary action in various forms,” she says.

Pressure from above

Unethical behaviour does not appear to be particularly widespread, with 87 percent of respondents indicating that they did not act unethically or know someone who did in the last 12 months, although 2 percent admitted they had acted unethically at work and 11 percent knew someone who had.

The survey suggested the main cause of unethical behaviour was pressure from management, but insufficient ethical awareness at an organization, and a lack of ethics compliance policies and monitoring were also cited as reasons.

The drivers for unethical behaviour can be both internal and external. Xuereb points out that during economic downturns, management could be under pressure and that pressure is then transferred to the staff. “For example, if in a downturn the company’s turnover or performance is poor or below market expectations, management may put pressure on staff to inflate turnover or increase profits or reduce losses. Both internal and external factors will have an impact, but ultimately I feel the internal ones are critical to avoid and prevent ethical issues,” she says.

Ma points out that both challenging and strong economic conditions can lead to unethical behaviour. “During poor economic times, there may be a tendency to ‘cosmeticize’ the financials. During good economic times, it is easier to make things look better than they are. Whatever the economy is doing, people can be greedy,” he says.

Ma adds that conflicts of interest can arise during deals or mergers and acquisitions. “There are many parties of grave interests to deal with. Accountants may succumb to the biased influence of these parties under immense pressure. Ultimately, it is all about who gets the biggest benefits out of it,” he says.

Anna Lam, Executive Director of the Hong Kong Business Ethics Development Centre (HKBEDC) at the Independent Commission Against Corruption (ICAC), and a member of the Ethics Committee, says the tone has to come from the top. “While the economic environment, social norms and cultural differences are some external factors that have an impact on organizational behaviour, management and corporate leaders play the biggest role in shaping the organizational values and ethics culture,” she says. “At the corporate level, an ineffective system of control, poor risk management

“Both internal and external factors will have an impact, but ultimately I feel the internal ones are critical to avoid and prevent ethical issues.”

and lack of determination of top management to uphold an ethical culture may be conducive to corruption and other unethical practices.”

Lam adds that at the heart of most unethical practices, there is a bad decision driven by human behaviour at the personal level, likely due to ill intent, greed, heedlessness or ignorance of the law. “That is why organizations need to establish clear ethical guidelines and organize integrity training to enhance staff awareness of legal and regulatory requirements, as well as the grave consequences of non-compliance,” she says.

Upholding standards

Unfortunately, the most common response among members who encountered unethical behaviour was to do nothing, sometimes due to pressure from management. Professional accountants were also more likely to resign in the face of unethical behaviour than to report it to an appropriate external party, according to the survey.

“Being submissive will encourage repeated unethical practices, which might lead to illegal activity and jeopardize one’s professional career,” Lam points out. Instead, she urges members to uphold a high standard of integrity by understanding and complying with the legal and professional requirements when discharging their duties.

“When facing ethical dilemmas at work, one should always apply

critical thinking and adhere to the fundamental principles of professional accountants. If the ethical dilemma could not be resolved, one should escalate the issue to a higher level of authority, such as the audit committee or to those charged with corporate governance inside the organization,” she says.

Lam adds that members should also be prepared to recognize ethical crises or wrongdoing as issues that require their intervention. “For issues that might have legal implications, they should seek external guidance such as legal advice or report to relevant law enforcement agencies to avoid breaking the law.”

Tang agrees, adding that professional accountants should never succumb to pressure to act unethically. “Instead, they should use the right channel to voice their concerns and also to report to their superiors, or the authorities where applicable.”

Ma suggests professional accountants who encounter unethical behaviour should follow the “consult, consult, report” formula set out in the Code, consulting people in the company who are in charge of governance, before ultimately reporting the behaviour. But he concedes: “In Chinese culture it can be a bit awkward to report on your superiors or colleagues. Although the practice of whistleblowing has been in place for some years in Hong Kong, we don’t have a law that protects the whistleblower.”

Building a strong ethics culture

To promote ethical behaviour internally, Tang also suggests organizations need to set the tone at the top, encourage staff to speak up when necessary and have a good whistleblowing policy that enables informants to remain anonymous.

She adds that they should also ensure their internal policies are up to date, changing them when necessary.

Lam points out that the HKBEDC has developed a Corporate Ethics Health Checklist as a tool for organizations to review and enhance their ethics culture. She adds that business leaders should serve as role models, promoting ethical behaviour, facilitating open communication and adopting a zero-tolerance approach to unethical behaviour.

Organizations should also have a code of conduct setting out the expected standards of behaviour and reflecting the company’s core values and culture. “In addition, they should organize regular integrity training and ethics promotion activities, and establish a sound internal control system, which is monitored and reviewed regularly,” Lam says.

Xuereb thinks the solution to improving ethical standards also involves more guidance and training. The survey found that only 41 percent of respondents had attended an ethics-related training session in the past year, while 18 percent had not attended one in the past five years. “Training needs to move from being theoretical to being practical through using case studies and soliciting accountants’ own response to get them to think about what would be ethical, before telling them the correct ethical solution,” she suggests.

“We have to let people know what is being punished, and what is going on in the real world, so they know where they need to pay more attention.”

She thinks it is also important that organizations have procedures in place to enable someone who encounters a fraudulent issue to escalate it in order to ensure the situation is remedied at an early stage. But Xuereb adds that staff must feel confident that there will be no retaliation if they act as a whistleblower, otherwise they may be deterred from reporting issues.

Ma agrees that education is key to improving ethical behaviour. “You will not see an immediate effect, but you will see it over the long term,” he says.

Promoting understanding

The Institute’s Ethics Committee works hard to promote understanding of the Code and its revisions among members.

Ma explains that the survey, which was first launched in 2019, acts as a gauge for the committee to see the level of understanding and application of the Code among members, and to help it plan future education initiatives.

Xuereb adds: “The intention was for us to understand how the profession perceives the Code with regards to the relevant regulatory requirements. We were also interested to identify areas that have a higher risk of ethical non-compliance, as it helps us to focus any training we provide and any articles we issue.”

The committee set up the Ethics Educational Materials Advisory Panel in 2021 to provide information on proposed changes to the Code, and issue guidance notes and education material on the application of the Code for members. It will also continue to publish articles and case studies on past disciplinary cases. Last year, it created a video introduction to the Code for members.

“We have to let people know what is being punished, and what is going on in the real world, so they



which can also be seen at the Institute's New and Major Standards Resource Centre, features articles highlighting some common ethical risks faced by external auditors, internal auditors, financial accountants and management accountants, as well as the legal obligations and professional principles they should pay heed to in tackling ethical challenges," she says.

Lam adds that the Institute has also joined hands with the HKBEDC to provide continuing professional development (CPD) to members on topics relating to corruption prevention, professional ethics and ethical decision-making.

Given the importance of ethics to professional accountants, Tang would like to see ethics training become a mandatory part of CPD. "When you are a professional, you must act professionally complying with the rules and regulations that a

professional is required to follow. As CPD is an ongoing exercise, to make ethics training mandatory would raise the level of awareness and act as a reminder," she says.

Lam agrees: "Ethics-related training is essential to preserve a high standard of professional integrity. Mandatory ethics training in CPD programmes could help members update their technical and regulatory knowledge, and refresh themselves on the ethical standards to ensure their professional competence and standard in discharging their accounting duties."

know where they need to pay more attention," Ma says.

Tang says ethics modules have been incorporated into auditors' workshops, such as the Workshop for New Auditors and the Workshop for Audit Managers/Seniors In-Charge, and the Institute's Financial Controllership Programme, which are held regularly.

In addition, the committee will host webinars on revised pronouncements, such as the one on Revised Non-Assurance Services and Fee-related provisions that it held recently.

"We have also approved for the Institute to put in place a post-implementation review of major standards. The objectives are to determine whether the standards are being consistently understood and applied. It is an opportunity to identify how practical challenges and concerns are being addressed," Tang says.

Alongside the work of the Ethics Committee, Lam also advises members to look at the Ethics Resources for Accounting Professionals developed by the HKBEDC in consultation with the Institute. "The online resource,




According to the Ethics Committee's survey, 87 percent of respondents did not act unethically or know someone who did in the last 12 months, although 2 percent had acted unethically at work and 11 percent knew someone who had. Find out more details about the survey results on page 34.



VIRTUALLY LIMITLESS





The metaverse and non-fungible tokens have piqued the interest of people and businesses worldwide – all hoping to cash in on this growing trend. But with little regulation governing virtual assets, many risks still remain. Experts tell **Jeremy Chan** how companies can capitalize on this business opportunity, and how being able to own virtual assets is already paving the way for a new and lucrative digital economy

Illustrations by Ibrahim Rayintakath

On 23 December 2021, PwC Hong Kong announced that it had decided to acquire new land to do business. Though it may sound unsurprising for the Big Four firm – which already has 742 offices in 157 countries globally – the new piece of land they purchased didn't exist in the real world: it was virtual land located in a three-dimensional virtual world, known as the metaverse.

The acquisition made PwC Hong Kong the first member of an internationally recognized professional services network to publicly enter The Sandbox, one of the largest metaverse platforms today. One definition of the metaverse is a virtual environment in which users can – after creating or choosing an avatar – freely roam around, attend events, purchase items and property, and interact with other users' avatars. Users access the world through a virtual reality (VR) headset or through computers or smartphones. It is, however, somewhat different from typical VR games that have existed before. People can buy and then “own” virtual assets within the metaverse. This is made possible today largely through owning what is known as a non-fungible token (NFT) of that digital asset (such as images, music, videos and virtual creations like virtual land). An NFT is a non-interchangeable unit of data stored on a digital ledger, known as a blockchain, that can be sold or traded. In essence, it gives a person the right to digital ownership.

PwC isn't alone – companies and big banks also recognize the growing need to connect with customers and business partners through the metaverse, and prepare for a shift in interactions towards the digital world from physical branches. HSBC announced in March that it had also purchased virtual territory in The Sandbox, while JPMorgan Chase set up shop in Decentraland, another metaverse platform, in February. The hype has also led brands such as Adidas, Gucci and Samsung, and celebrities such as Paris Hilton and Snoop Dogg, to secure property in the metaverse. Space in these worlds come at a hefty price. Republic Realm, a company that develops real estate in the metaverse, purchased area in The Sandbox in November 2021 for US\$4.3 million, the most expensive metaverse purchase to date, while an anonymous buyer forked out US\$450,000 to own a spot next to hip-hop artist Snoop Dogg.

Despite being a new concept that is still developing in terms of its form and practical application, there is a rush to have a presence within the metaverse. This can be attributed to the sheer size and potential of the metaverse economy in the next 10 years. According to *Metaverse and Money: Decrypting the Future*, a report released last month by Citigroup Inc., the metaverse economy could be worth up to US\$13 trillion by 2030, and boast as many as five billion users by then.

A new dimension of possibility

Interest in the metaverse has skyrocketed within the last two years. This is partly due to more reliance on virtual meetings as a result of the COVID-19 pandemic, says Bosco Lin CPA, Co-founder and Chief Executive Officer of DTTD, a crypto wallet and financial services platform for NFTs. “With people having to work from home, people have found new ways, such as Zoom calls, to do business and interact with others. But this obviously can’t replace in person interaction – so the metaverse fits in between,” he says. “The concept of owning of a virtual asset is also causing interest.”

The metaverse will add another perceptible dimension to current video calls and conferences, says Timothy Shen FCPA, Chairman of Safari Asia Limited, and a member of the Hong Kong Institute of CPAs’ Corporate Finance Committee. “The rise of video conferences, such as through Zoom, Google Meet or Microsoft Teams, are solutions for people to meet virtually. But these are still two-dimensional meetings,” he says. “In the metaverse, instead of having a phone or video call, people could use an avatar to meet. People could choose to be themselves or have different identities in a 3D world.”

Beyond offering a new way of communicating with family, friends or coworkers, the metaverse will resemble a “3D version” of the Internet, believes Tony Tong, Co-Chairman and Co-founder of the

Hong Kong Blockchain Association. He says it will offer businesses a brand new way to market and sell their products or services. “In the next few years, we’re going to see more companies with a presence on the metaverse,” Tong says. “Think back to 20 years ago, when companies had to register their own domain name, and build their website on the Internet to then sell their products and services online. The next step of evolution is the metaverse, where I expect many companies to move their products to a 3D virtual shop, gallery or shopping mall.”

Companies that want to venture into the metaverse and maximize its potential for growth will need to first determine how they can use a virtual presence to boost their business, and then learn how to “mint” their products into NFTs, or publish their token on the blockchain to make it purchasable within the metaverse.

As Lin notes, it is up to businesses to decide what products will be useful in the form of an NFT. “The utility and real use case for NFTs is still expanding,” he points out. “Companies or professional bodies that are new to NFTs can start by issuing NFT memberships to their customers, for example. This is one easy way a company can engage with its users. Schools or educational institutions could also issue diplomas in the form of an NFT.”

NFTs transactions take place on a blockchain, which makes it easy for users to track transactions. “Only through blockchain, can one be a unique identifier or true owner of a digital asset,” Tong explains. “NFTs allow you to create an identification for anything digital. Without blockchain, everything else is just an image or file. It can simply be copied and passed around, and there’s no way to differentiate the real version with a copy.”

This enables NFTs to provide “proof of ownership.” Akin to a digital signature, NFTs are tokens marked with unique information that cannot be found on any other token in the blockchain, and are non-

fungible, meaning they cannot be interchangeable with other tokens.

Similar to blockchain, the metaverse is decentralized by nature and, like the Internet itself, does not rely on a single company or organization for control. Instead, it relies on its network of users and blockchain technology to operate, which facilitates the safe buying and selling of assets in the metaverse. For example, a user’s NFT would remain completely unaffected even if the user quit the metaverse, if there was an adverse event within the platform, or if the metaverse was deleted. Blockchain will act as an immutable record of how assets are created, altered, traded, and destroyed in the metaverse.

The use of blockchain, Tong adds, is also what differentiates the metaverse from online virtual platforms or games that emerged in the early 2000s, where users interacted with others with a custom-made avatar. “Without blockchain, the metaverse is simply a VR or augmented reality game or experience. There’s no economics, or any way of authenticating the value of assets in the game or ownership,” he explains.

Finding fair value

The rise in prominence of NFTs and the metaverse presents challenges for the finance function, as there are currently no specific accounting rules or disclosure requirements for NFTs, notes Eileen Li CPA, Operations Manager at HashKey Capital. This will pose challenges for accountants who need to determine the valuation of an NFT. “When it comes to reporting, the lack of accounting standard guidance may lead accountants to either underestimate or overestimate the valuation of an NFT,” she says.

NFTs are also more difficult to value because they are not frequently traded and their worth is often based on the level of supply or demand for the related market. Other factors that affect an NFT’s value include their utility (how they represent virtual

“When it comes to reporting, the lack of accounting standard guidance may lead accountants to either underestimate or overestimate the valuation of an NFT.”

assets such as land or items in the metaverse), tangibility (how they are used to verify real-world objects such as concert tickets), interoperability (whether the NFT can be used across different platforms), and its ownership history (the identity of an NFT’s previous owner or owners may impact its value), according to cryptocurrency news website *Cointelegraph*.

This leads to large price fluctuations for NFTs, says Li. “Even if accountants try to value an NFT using the floor price or average transaction price of other NFTs on an NFT marketplace like OpenSea, for example, it’s still very challenging. This is because each NFT is unique,” she says.

This will add another degree of uncertainty for stakeholders who view the financial statements of companies that have invested in or purchased a large amount of NFTs. “A listed company’s financial statements must be able to reflect the financial position of that company. But say a company purchases a significant amount of NFTs – this might affect stakeholders’ decision-making when they look at the financial statements and see that there is a large fluctuation in value between the reporting date and date the report is released,” Li points out.

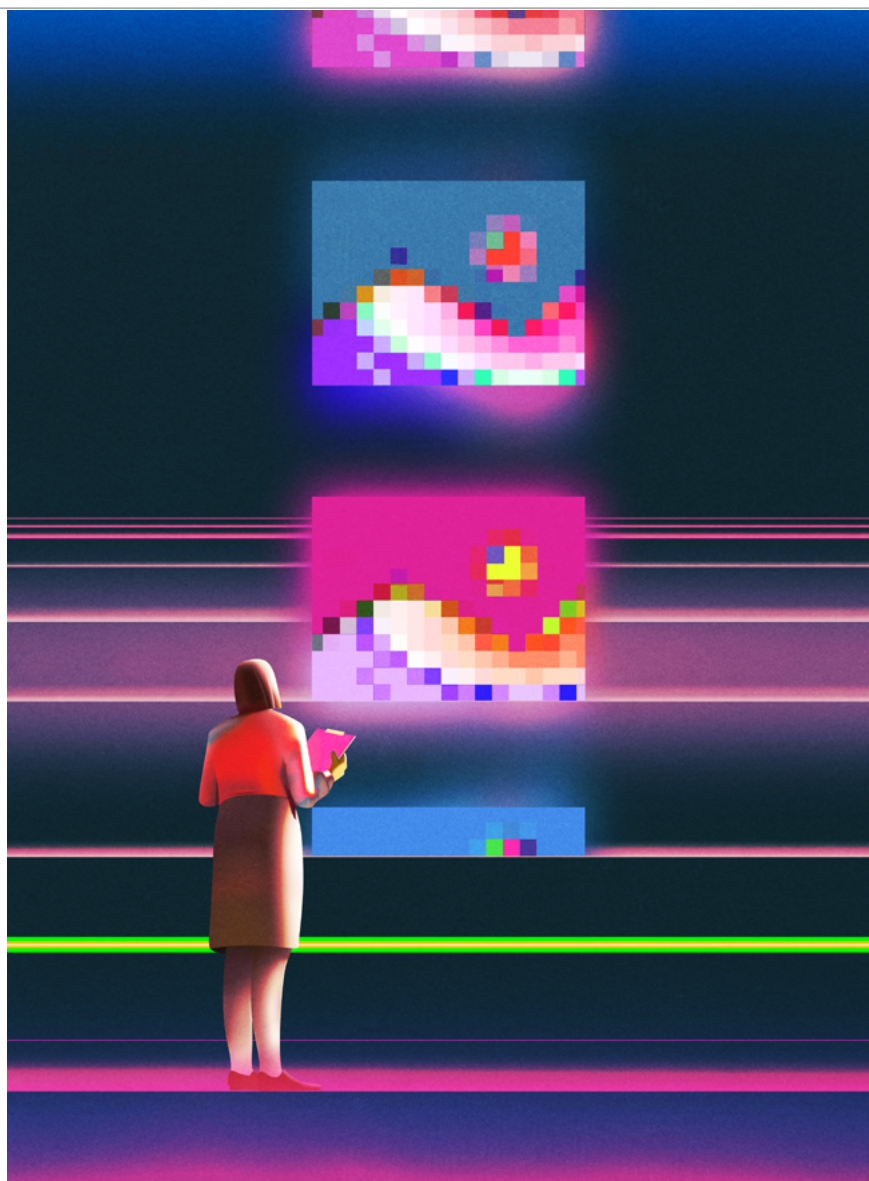
Currently, crypto-assets, which include NFTs, are classified as intangible assets in accordance with International Accounting Standard (IAS) 38 *Intangible Assets*. There is a need for more robust accounting requirements that represent the underlying transactions of cryptocurrency transactions,

according to the Institute’s response to the International Accounting Standards Board’s (IASB) *Third Agenda Consultation*, which notes that accounting for cryptocurrencies under IAS 38 *Intangible Assets* and IAS 2 *Inventories* may not provide relevant information when these items are held for speculative or investment purposes. The response also states that the IASB may consider amending the scope of International Financial Reporting Standard 9 *Financial Instruments* to include cryptocurrencies.

Chief financial officers, Li adds, will need to weigh the pros and cons of delving into the metaverse and look into how it will benefit the company. “Companies also

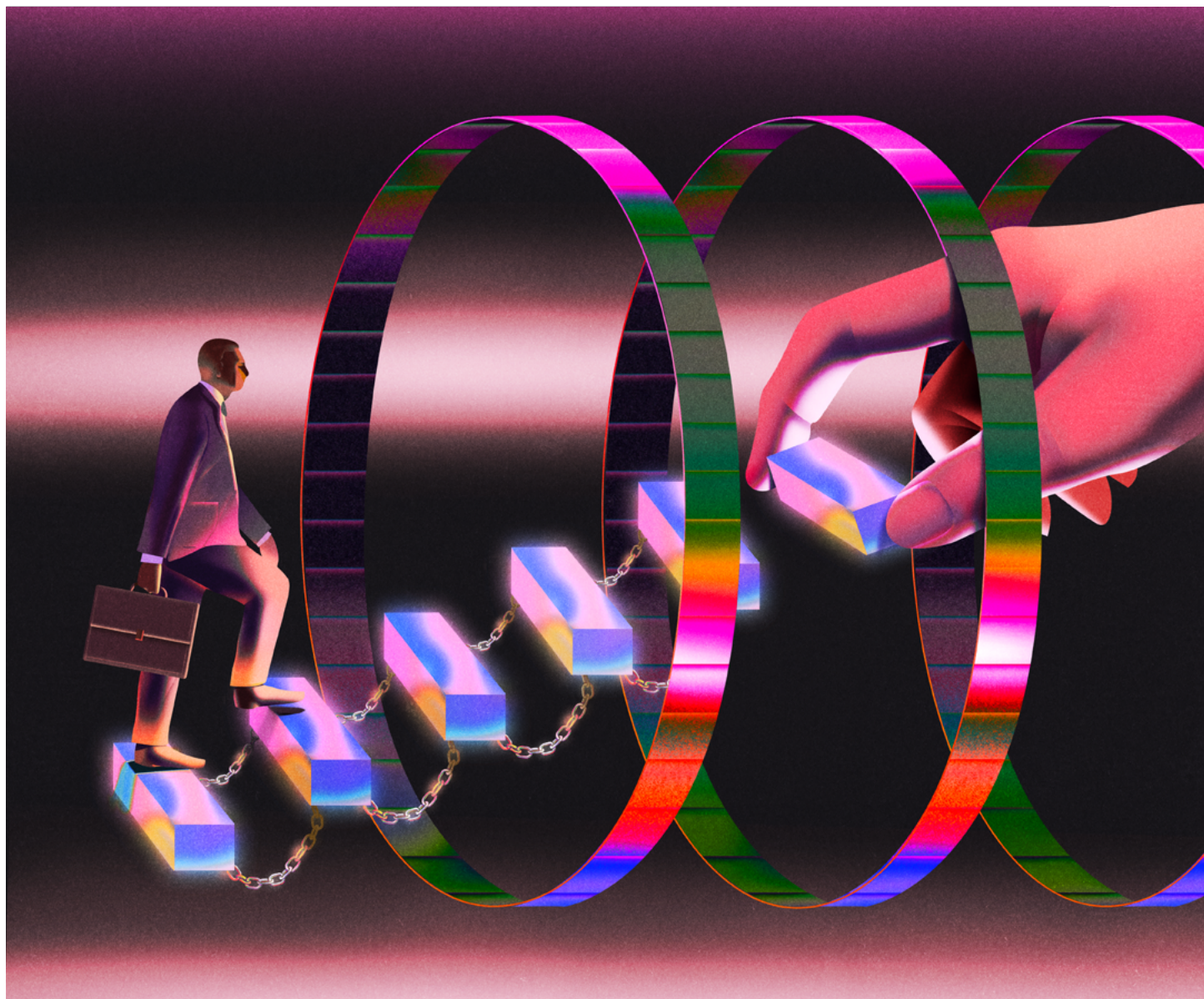
need to consider whether the cost of owning land and operating a business virtually will be profitable in the long term. Companies should pay attention to relevant regulations and check if there are any restrictions before making any investment decisions in this industry,” Li says, exemplifying how her company makes use of their land in Decentraland. “We have our portfolio companies, our blockchain research reports and NFT gifts for visitors on display in our virtual office building. It has acted as a good marketing channel. Because we have a presence in the metaverse, our investors have more confidence in us.”

Companies that own NFTs,



VIRTUAL REALITY

The metaverse and NFTs



Shen adds, should also be prepared to justify their purchases of virtual assets to auditors. “At the end of every fiscal year, an audit firm may show up and ask ‘I noticed that your company spent HK\$30 million in purchasing virtual land. Could you tell me how you came up with that value?’ If companies aren’t able to justify the cost, the auditors won’t take their word on the value of the transaction of the virtual land,” he says. “If the supposed value is higher than the cost of the transaction, auditors will only refer to the cost. So the valuation approach is still a bit too open for auditors, as they still aren’t experts in this area themselves.” Until an accounting

guidance for cryptocurrency-related assets is written and released, Shen says that company heads may have to justify the value of their virtual purchases using the price trends of cryptocurrencies, bearing in mind that market fluctuations may affect value later on.

Shen says that accountants should equip themselves with relevant knowledge in order to identify business opportunities for companies. “They should be able to identify how these technologies benefit the company. Accountants without knowledge in this area will quickly fall behind in the future,” he says. “Once they do, it will be very difficult for them to catch up.

This is because of how blockchain, NFTs, and the metaverse are all interrelated.”

Ensuring safety

Though blockchain will ensure the transparency of transactions, there is a need to take the necessary measures to ensure one’s virtual assets in the metaverse are safe from cyberattacks. “Whenever someone has a large amount of wealth concentrated into a platform, people will find ways to hack into them,” Tong points out.

For example, on 1 April, Taiwanese singer Jay Chou had his NFT stolen by a phishing website, which hackers were then able to

sell for more than US\$500,000 only a few hours later.

“The incident placed the spotlight on the cybersecurity surrounding NFTs and the digital assets in one’s wallet,” notes Li. Companies and individuals should first know how to identify dubious phishing links when transacting NFTs or cryptocurrency, she adds, and opt to use a “cold” wallet as often as possible, or a wallet that isn’t connected to the Internet.

“Individuals and small companies usually opt to use a ‘hot’ wallet because of convenience. But if a hacker can figure out your recovery phrase for the hot wallet, they’ll be able to access your wallet and your money.” To prevent this from happening, Li suggests

disconnecting the Internet when generating a recovery phrase and writing it down in a notebook instead of storing it on one’s device.

For extra assurance, businesses can safeguard their virtual assets by engaging with third-party custodians, notes Lin. “Digital asset specialists already exist to help with cybersecurity-related issues, and companies should consult them before stepping into this field. Corporations should be able to rely on these companies, which are licensed and governed by regulators.” Li agrees: “Companies should look for third-party custodians for security and insurance to prepare for hacks and

ensure that their insurance covers NFTs.”

The big shift

As more companies and individuals establish a presence within the metaverse over the next few years, this will give rise to a new and more advanced “digital economy,” which refers to economic activity that results from billions of everyday online connections among people, businesses, devices, data, and processes, according to Deloitte.

It will be up to individuals and corporations to be creative in how they utilize NFTs, says Lin. “There will be a sea change in the business for the ones who can come up with the best ideas first and execute them. With that, we will see more use cases develop in the NFT space.”

NFTs will be used by organizations or individuals to “immortalize” their products or work, says Tong. “In the future, creativity will be minted as NFTs,” he says. “People will be minting their art, music, videos, inventions, articles, poems, novels as NFTs. Imagine you’re the first person to write a news story about something – you’d be able to mint it as an NFT and people will be able to purchase it.” The *South China Morning Post*, for example, released a collection of NFTs last month featuring newspaper archives from 1997, which sold out in two hours. Companies can also issue NFTs to authenticate physical products. This month, sports apparel giant Nike started to use NFTs as a way to

“There will be a sea change in the business for the ones who can come up with the best ideas first and execute them. With that, we will see more use cases develop in the NFT space.”

certify the authenticity of a pair of sneakers, which could one day make it impossible for people to trade counterfeit sneakers.

As companies continue remote or hybrid working arrangements, managers may seek new ways to meet or interact with team members beyond the humdrum of 2D video calls, notes Shen. “Companies might start giving out VR headsets to make meetings within the metaverse a reality – this will entice more people to start using VR headsets,” he says. “Then, say your senior or boss pushes for a conference within the metaverse the following week – this may also encourage adoption.”

A virtual future

While the metaverse hopes to change the way people meet online, it won’t replace in-person interaction anytime soon, Lin believes. “It will simply remain another channel for people to gather,” he says. “People used to send letters to each other. That evolved into phone calls, emails, and now video calls. All of these helped to bridge the gap between people living in different places. The metaverse is the next generation of communication.”

The pandemic has proven that people can continue working and interacting virtually, which will facilitate the growth of the metaverse, Tong says. “More and more people have got used to staying at home and communicating virtually. This will further help NFTs, the metaverse and the virtual world to grow,” he says. “Even when things go back to normal, people will still flock to the metaverse. Compared with the Internet – where people have a Facebook, Instagram or Twitter account – the metaverse, because it’s in 3D, will be more immersive and interactive.”

Shen believes it won’t be long before people would rather meet virtually in the metaverse, especially if it’s too inconvenient to meet in person. “People already have different identities online – and the metaverse will just be an extension of this.”



According to *Metaverse and Money: Decrypting the Future*, a report released last month by Citigroup Inc., the metaverse economy will be worth up to US\$13 trillion by 2030, and boast as many as five billion users by then.



SOARING POTENTIAL

By launching and managing an airline amid the most challenging time for aviation and air travel, Algernon Yau finds himself creating opportunities in a time of crisis. The Chief Executive Officer of Greater Bay Airlines tells **Jeremy Chan** how the airline will help strengthen Hong Kong's position in the Greater Bay Area, and the key factors that will lead the city's aviation industry towards a strong recovery

After more than four decades in the aviation industry, Algernon Yau was ready to call it a day. But an opportunity to steer the growth of a promising new airline proved too tempting for him to turn down – even during the most difficult time for air travel. The COVID-19 pandemic has forced airlines to ground planes, cut jobs and rely on government bailouts. To Yau, it was a once-in-a-lifetime chance to put his years of experience in the aviation world to the ultimate test. “When I heard about this opportunity, I thought: ‘why not give myself a chance to help set up an airline in Hong Kong?’” says Yau, Chief Executive Officer of Greater Bay Airlines. “It is a very challenging task, especially now – but it’s one worth doing.”

Hong Kong-based Greater Bay Airlines was established in 2019 to serve as a crucial link between the city and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), utilizing Hong Kong’s unique position as an international aviation hub to enable passengers to travel to and from the GBA, the Mainland, and overseas destinations. The airline company obtained its air transport license from the Air Transport Licensing Authority (ATLA) of Hong Kong in February, allowing it to operate in 104 destinations, of which 48 are in Mainland China. “This is one of the most important milestones of a new airline entrant in Hong Kong,” Yau notes. “With the license granted by ATLA, it means that we can expedite preparation and confirmation of other regulatory requirements and launch preparations, such as applying for operating permits from different aviation authorities of places we plan to fly to. We are excited to bring a new airline choice to customers.”

The airline currently has two Boeing 737-800 airplanes in service, with the third one being tentatively scheduled to arrive in July.



Hope on the horizon

Yau, who took on the role in January 2021, admits that growing the fledgling airline during such turbulent times has been anything but easy. With limited flights to and from the city's airport, the role has required navigating ever-changing restrictions, hard work, and optimism to keep the ball rolling. "It wasn't a case of jumping into a well-established airline to run the show; we had to start from scratch," Yau says, noting that a key aspect of his role has been developing the business, all while keeping a close eye on the evolving situation.

This makes each day a challenge, he adds. "My day usually involves closely engaging with my team to ensure that we are doing things right, and that we are on schedule with our timelines. We've also been busy engaging with the government to ensure we receive our licenses. These tasks aren't easy," he says. The start-up carrier has also been focused on recruiting the right talent and ensuring that their aircraft are ready in time for when operations fully commence, Yau mentions.

With plans to launch its maiden flight this summer, Yau is optimistic that the city's recently-relaxed travel restrictions will present less barriers for travellers hoping to fly back to Hong Kong, or for booking their next trip out. On 1 April, the Hong Kong government lifted flight bans on nine countries – Australia, Canada, France, India, Nepal, Pakistan, the Philippines, United Kingdom and the United States – and halved hotel quarantine for fully vaccinated residents to seven days. "This is all good news," Yau says. "With the lifting of the flight bans, Hong Kong citizens can now return to the city,

and airlines in Hong Kong will be able to resume operations to those nine countries, and vice versa. The shorter quarantine will also make it easier for people to travel outside of Hong Kong to other places and then return afterwards." Yau adds there is a benefit to launching an airline during a pandemic. "There is increased demand as travellers are yearning for the opportunity to fly again," he says.

The airline's unique service offerings, Yau believes, will provide them with an advantage over other full-service or low-cost carriers. "What we are trying to offer our customers is a choice," he highlights. "Travellers should have the choice to decide what they want onboard each flight, rather than just the airline providing each one with the same options without asking."

He explains that the airline will offer travellers the flexibility to choose their in-flight food and entertainment options beforehand. "Some passengers may not want to watch a movie during a flight, but the in-flight entertainment is already included in the price of the ticket," says Yau. "So they're essentially paying for something that they may not want to enjoy; they're forced to pay for it because it's already included in the final calculation of the fare price. They may also be promised with a meal onboard but say they don't eat pork, beef or seafood, or they don't want to eat at all, but that's what you're offered anyway. So we want to provide more flexibility to our customers. This way, they'll be able to enjoy what they want to enjoy onboard each flight. It's not a completely new concept, but comparatively new in Hong Kong."

As Chief Executive Officer of Greater Bay Airlines, Algernon Yau is in charge of managing the growth of the start-up carrier. He is currently working closely with his team to ensure all is in line for the airline's maiden flight this summer.





“There is increased demand as travellers are yearning for the opportunity to fly again.”

Greater growth

With its service offerings, Yau says Greater Bay Airlines is especially eager to tap into demand from travellers both young and old living in the GBA once the borders open. This is due to the abundance of opportunities for business within the area. According to a report released by the Hong Kong Trade Development Council in July 2021, the GBA, with its population of 86 million, netted a combined gross domestic product

(GDP) of US\$1.67 trillion in 2020. The GBA is made up of nine cities – Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou, and Zhaoqing – and the two special administrative regions of Hong Kong and Macau. Despite being approximately 56,000 square kilometres in size or roughly 1 percent of the Mainland’s total area, it contributes to 12 percent of the nation’s GDP, which by 2030, is expected to exceed US\$4.6 trillion.

“Much of the middle class in the GBA travel around twice a year for holiday, so the potential within the GBA is huge,” says Yau. “We are equally looking forward to serving Hong Kong travellers and

“Hong Kong is extremely important in the development of the GBA... it’s important that we maintain this connection.”

providing them with a unique product in the market.”

Yau is well aware that current COVID-19 outbreaks in both Hong Kong and Mainland China may pose challenges for both the

company and the city’s aviation sector, but says the airline has its sights set on long-term growth and is currently focused on fulfilling regulatory requirements necessary to commence its operations. “If an airline chooses to operate in any location, it needs to go through certain procedures to attain clearance,” he says. “I believe that by the time we’ve received permission to operate in other countries, Mainland China will have opened their borders with some countries.”

Hong Kong’s unique position within the GBA and status as both an international financial and aviation hub, Yau stresses, provide the city with distinct benefits that are key to maintaining the city’s attractiveness to businesses. “The city’s strong infrastructure, legal system, abundance of talent and expertise, and connection to the Mainland will always provide us with an advantage,” he says. “Hong Kong is extremely important in the development of the GBA because of our proximity to Mainland China, and it’s important that we maintain this connection.”

Future developments, such as the implementation of a “joint checkpoint” arrangement at Hong Kong International Airport, will also aid growth. Similar to the co-location arrangement employed at the Guangzhou-Shenzhen-Hong Kong Express Rail Link, a joint checkpoint arrangement would make it possible for travellers to avoid an additional check at the airport, and for any airport located in Mainland China to open direct flight routes with Hong Kong, allowing passengers to easily travel to and from the Mainland. “This will enhance our position as an aviation hub and bring passengers directly into the Mainland, especially the GBA,”

Before taking on the role of CEO in January 2021, Yau was CEO of Cathay Dragon from 2014 to 2020 and has held various executive roles at Cathay Pacific Airways Ltd. He has spent the last four decades in the aviation industry.

says Yau. “It will also allow people living in the GBA to easily enter and travel around Hong Kong due to the convenience of having one clearance point in between two places.”

Yau is also looking forward to the launch of the Three Runway System at Hong Kong International Airport in 2024. The 3,800-metre long runway will be used solely for arrivals to the city and will see the expansion of Terminal 2, with the aim of serving an addition of 30 million passengers each year. “There are still many flights out of Hong Kong to many destinations – this will only increase with the opening of the Third Runway.”

He notes that factors such as the city’s rising vaccination rate, availability of new medication to treat COVID-19, and more countries scrapping quarantine for inbound travellers, will also aid the aviation industry’s recovery. “Travel is resuming step by step. Airlines are resuming their services in other countries and a lot of people are looking forward to travelling again after being locked down for so long. Some are flying to see family, while others are doing business, and some just need a holiday,” Yau points out. “Hong Kong is slowly resuming as well. All these factors are making it possible for the sector to recover.”

Aiming high

Yau never thought he would spend his entire career in the aviation industry, but is glad he did, and attributes his foray into the sector as a stroke of luck. “When I graduated, I simply needed a job. I applied for many jobs in the market at the time, so I’d say it was luck,” he laughs. Yau began his career at Jardine Airways in 1978 as a traffic officer, before it merged with multinational conglomerate Jardine Matheson to

become Jardine Airport Services Limited in 1988. The experience gave him a solid grounding on the ins and outs of airport operations, including passenger and cargo services. “This role provided me with a very deep understanding of the aviation industry, which sparked my interest,” he says, noting how the job also brought him to London for training under British Airways. He joined Cathay Pacific Airways Ltd. in 1982 and was in charge of tasks such as in airport operations, handling ramps, and aircraft weight and balance.

Yau’s almost four decades at the airline has seen him work his way up and taking on various executive roles. Prior to his current role, he served as CEO of Cathay Pacific’s regional airline Cathay Dragon from 2014 up until it shut down in 2020 amid the travel slowdown. “There, I learned about the dynamics of aviation and how to increase efficiency and productivity within the business. I had the opportunity to manage a large and talented team,” he says.

Yau also took on the role of Executive Director of Cathay Pacific from 2015 to 2017 and the role of chairman and director of other Cathay Pacific subsidiaries, including Cathay Pacific Services Limited, Hong Kong Airport Services Limited, Cathay Pacific Catering Services (Hong Kong) Limited, Vogue Laundry Service Limited, and Shanghai International Airport Ground Service Limited. “My time at Cathay provided me with a lot of opportunities to progress, and to eventually become the CEO of Cathay Dragon. It’s a very well-organized company and gave me a lot of global exposure during my time,” Yau says. “They have a united leadership team with a firm and well-defined vision.”

Yau’s time at Cathay also taught him the importance of setting goals and having a hunger for knowledge – traits that he says young people should have. “Young professionals have to set targets. They need to have a vision for their careers, adopt a lifetime learning attitude, and spend as much time as they can understanding business,” he says. “I’m always learning new things from different people and from work. Don’t just focus on what you’re good at; try to focus on other areas and gain a bit of knowledge in everything.”

Yau also believes in hard work, and still maintains the same unwavering work ethic and level of curiosity he brought to the industry as a young fresh graduate. “I’ve always been a very hardworking person – and still am to this day,” notes Yau. “Most of my colleagues worked eight hours a day, but I remember spending 15 hours at the office back then. In a way, I still work like this.”

Outside of the office, Yau stays physically fit by playing badminton and mentally sharp by playing Chinese chess. “I try to beat the computer, which can be very tough, but it’s a great way to stay sharp as I get older,” he says. Yau is also a dog enthusiast and unwinds by spending quality time with his Shiba Inu.

Yau and his team at Greater Bay Airlines are working steadfastly to ensure all is in line for the first passenger plane to take off, and to set the stage for future growth. “I look forward to creating a new product for travellers in Hong Kong and for those in the destinations we’re flying to. It’s important we establish a good name for our airline and ensure it is ready for future employees to join,” says Yau. “I am looking forward to seeing our aircraft taking to the skies and soaring high.”



Greater Bay Airlines, which was established in 2019, obtained its air transport license from the Air Transport Licensing Authority of Hong Kong in February, allowing it to operate in 104 destinations, of which 48 are in Mainland China.

SECOND OPINIONS: WHAT DOES THE NORTHERN METROPOLIS MEAN FOR HONG KONG?

“With this new development, the government will be able to identify and produce land for development and build a land reserve, which will help to meet demand for land supply.”



ANTHONY LIN FCPA

FINANCIAL CONTROLLER, GAMMON CONSTRUCTION LIMITED, AND MEMBER, THE INSTITUTE'S PROPERTY, INFRASTRUCTURE AND CONSTRUCTION INTEREST GROUP ORGANIZING COMMITTEE

Given the acute land and housing shortage in Hong Kong, it is no surprise that the Northern Metropolis Development Strategy has immediately become the talk of the town since it was unveiled during the Policy Address in October 2021. The Northern Metropolis will encompass new development areas in Hung Shui Kiu, Ha Tsuen, San Tin, Kwu Tung North as well as neighbouring rural areas in Yuen Long, Tin Shui Wai, Fanling, Sheung Shui, and Lok Ma Chau, making up a total area of about 300 square kilometres (more than a quarter of the total land area of Hong Kong). It hopes to provide more than 900,000 homes, housing around 2.5 million people, and generate 650,000 jobs.

The plan is to create a second engine for the city and develop the Northern Metropolis as an IT hub. Not only will it foster the development of innovation and technology, it would also benefit a wide range of professional services, such as financial services, legal, architecture, engineering, healthcare and consulting, which are expected to complete the ecosystem and allow enterprises to capitalize on new opportunities.

Hong Kong is confronted with development conflicts and challenges on various fronts, with the insufficient supply of land for development and housing units impeding our social and economic development and affecting people's livelihood. With this new development, the government will be able to identify and produce land for development and build a land reserve, which will help to meet demand for land supply.

Land development has, indeed, always been a race against time. It is expected to take five to 10 years to develop the infrastructure for the Northern Metropolis and 15 to 20 years to deliver the whole plan. Balancing a long-term development plan while managing short-term changes in the economic environment and in land demand would be the biggest challenge.

In addition, a large investment in infrastructure is needed. As mentioned previously by the Financial Secretary of Hong Kong, at least HK\$100 billion is needed to expedite the implementation of infrastructure work relating to land, housing and transportation. However, financial concerns will be less of an issue as the initial funding will come from the government's Future Fund, which was set up in 2016, and any ongoing expenses can be funded by government bonds and land sales.

Last but not least, while development and conservation will always be a dilemma, by leveraging expertise in our city and experiences from other countries, there is always hope to strike a balance and preserve both.

The Northern Metropolis Development Strategy is a key plan to map out the future of Hong Kong. I strongly believe the strategy will reshape the city for the better.



PETER C.W. CHOY FCPA
MANAGING DIRECTOR, TPJ MANAGEMENT
CONSULTANCY LIMITED, AND CONVENOR,
THE INSTITUTE'S PROPERTY, INFRASTRUCTURE
AND CONSTRUCTION INTEREST GROUP
ORGANIZING COMMITTEE

The outline of the National 14th Five-Year Plan expressly supports Hong Kong to enhance its competitive advantages and better integrate into the overall development of the country.

Through the formation of the “Twin Cities, Three Circles” framework, the socioeconomic collaboration between Hong Kong and Shenzhen in areas such as economic development, infrastructure, innovation and technology, and ecological conservation can be further improved to facilitate Hong Kong's integration into the overall development of the Mainland, including the Greater Bay Area.

The development of the Northern Metropolis will optimize land, manpower, ecological, environmental and cultural resources, economic and social capital pools, and synergies between Hong Kong and Shenzhen. It will see the upgrade of the Hung Shui Kiu/Ha Tsuen New Development Area to become the New Territories North Modern Services Centre, which will integrate with the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone. It will also see the introduction of San Tin Technopole, which will be an ecosystem supporting the IT industry with research and development, production, investment and financing services.

To achieve this target, the Hong Kong government will carry out five new railway projects – which will make the Northern Metropolis accessible by railway – four large-scale housing land expansion projects, two outdoor eco-recreation and tourism space projects, as well as develop three wetland conservation parks totalling more than 1,200 hectares.

The impact of the Northern Metropolis on Hong Kong will be seen over the next 20 years. After the full development of these new areas and infrastructure, the metropolis will be able to provide more residents with employment options, provide the city with a better chance to integrate into the development of Mainland China, and enable the sustainable growth of Hong Kong.

“The development of the Northern Metropolis will optimize land, manpower, ecological, environmental and cultural resources, economic and social capital pools, and synergies between Hong Kong and Shenzhen.”



RICKY CHOW CPA
PARTNER, TAX SERVICES,
PWC HONG KONG

The Northern Metropolis Development Strategy lays out a blueprint to expand Hong Kong's rural areas near Shenzhen into a metropolis with a total area of 30,000 hectares. To ensure its success, the introduction of relevant supporting policies that take a holistic view would be critical for propelling continued growth.

Development of the Northern Metropolis will take quite some time to complete. Consequently, it may be beneficial to initially prioritize public transportation infrastructure to ensure the area is easily accessible. In addition, the government should take the lead by relocating and developing some key government facilities in the Northern Metropolis. This would help build critical mass while drawing business conglomerates to the area. Given that nearly a quarter of newly created jobs are to be related to innovation and technology (I&T), the government will need to attract young talent living in urban areas to the Northern Metropolis. The unique metropolitan landscape featuring rich cultural and natural resources in the northern New Territories could be gripping incentives for new residents looking to live in a greener community.

Another focus of the development plan is the improved integration with Shenzhen in I&T areas spanning talent, capital and ideas. The San Tin Technopole is well poised to serve as one of the core facilities to advance the I&T economy and develop synergy between Hong Kong and Shenzhen. Nevertheless, a clear division of roles between the San Tin Technopole, the adjacent Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop, as well as the Shenzhen Innovation and Technology Zone, would be useful. These developments are contextualized by the consensus view that the I&T industry is the new economic engine to drive the global economy.

“These developments are contextualized by the consensus view that the I&T industry is the new economic engine to drive the global economy.”

The government should not underestimate the financial burden for carrying out this development plan. If the Northern Metropolis and the Lantau Tomorrow Vision are to be developed concurrently, partnership models will need to be utilized with the private sector to raise additional funds for these two ambitious projects. Raising funds from the debt market by issuing government bonds may be a viable option to unblock blended finance from banks and investors. The government could also seize the chance to strengthen the position of Hong Kong as the international centre for green financing by issuing green bonds to finance the development of the projects in the most environmentally-friendly manner.

A competitive fiscal policy to attract multinational companies and talent to Hong Kong is indispensable to the success of the Northern Metropolis.

The President of The Institute of Internal Auditors Hong Kong and Group Chief Auditor at The Bank of East Asia Ltd., on how the independent internal audit function can provide quality challenges and more value



How to enhance your internal audit function

To enhance the internal audit (IA) function is to make use of what IA is well-positioned to do – knowing how to identify blind spots from inside the organization, while also having the perspective of someone who is outside of it. The IA function can also find missing links, and connect the dots to present the bigger picture to stakeholders. Below are some thoughts for IA practitioners and key stakeholders' consideration:

Have the right focus

While internal auditors have the authority to audit anything in an organization, it is critically important for IA to not audit everything. Due to the limited resources, internal auditors must focus on the areas that truly matter to the board and C-suites, i.e. assessing the robustness of control mechanisms, instead of maximizing verification of individual controls which might not be applicable later on due to changing environments.

With business rules constantly rewritten and product lifecycles getting much shorter, internal auditors are essentially auditing “moving targets” most of the time. This requires them to stay on top of the latest developments and readjust audit focus areas promptly. They should audit what is most important to the organization, not what is convenient nor what they used to audit. However, some IA functions still audit discontinued services and obsolete processes. Cybersecurity has been ranked as the top risk by chief executive officers and chief auditors. A recent KPMG global survey shows that only 33 percent of chief auditors rate their “preparedness” for auditing tech-related risks as “good” or “excellent.”

Audit smartly

With accelerating digital transformation across all businesses, internal auditors must embrace technologies and big data. They must first understand how their organization is deploying technologies to assess associated risks and adopt the right audit approach accordingly. Secondly, the IA function needs to harness technologies in the audit process to improve audit efficiency and effectiveness. Through deploying artificial intelligence and cloud computing, the IA function of a food and beverage wholesaler, for example, is able to audit invoices 24/7 covering both financial and fraud risks. Possible fraud alerts identified are fed back into the process with more focused scrutiny for subsequent transactions. Compared with traditional manual sampling, which only covers a tiny fraction of the data population, technology enables internal auditors to widen audit coverage and the depth of reviews. Thirdly, internal auditors must know how to assess “soft” as well as “hard” controls –

any issue they identify may have wide or deep implications e.g. a corporate culture that involves hidden rules in the organization, which are harder to audit than written policies or procedures.

Expand the audit spectrum

Your company's 2022 annual IA plan is probably approved by audit committee by now, but there is always room to expand the nature and scope of the IA work. Be creative to expand the audit spectrum to achieve your objectives. For example:

- Include more variety of IA reviews. In addition to deep-dive, end-to-end process control audits, explore quick reviews to provide more timely, focused and task-based results;
- Try more advisory work such as benchmarking analyses and research studies; and
- Help to raise control awareness through sharing common audit issues and the transfer of governance knowledge, tools or skill sets to other functions – let others know that IA is here to help, not to criticize.

Be prepared for change

Despite having a very comprehensive 2022 IA plan and robust IA process, changes always go beyond the plan. Agility and innovation are more important than ever nowadays. COVID has not only forced us to live and work differently, but also made us think outside of the box to explore new ways of doing things, bringing in unbounded possibilities and opportunities. Remote auditing is one of them. Though we struggled with virtual audits at the beginning of the pandemic, remote auditing is now business as usual, and there is increasing sophistication in work-from-home audit processes.

The quality of IA depends on the quality of auditors. Continuously upscaling audit skills is not an option but a must to stay relevant. As boundaries across industries and professions blur, all functions are competing for similar talents, such as those with good business acumen, critical thinking, communication skills, and tech-savviness etc. A war for talent has started and will likely continue in 2022. There should be alternate plans for the IA function to ensure adequate resources, such as an internal rotational programme or guest audits to enable high flyers to work in IA, as well as co-sourcing with professional firms to tap into external resources.

With everything we've learned being redefined, IA has gone through dramatic changes in the last decade and continues to evolve as an indispensable part of a governance, risk and controls framework. It is a journey that involves continuous learning and improving. In order to provide quality challenges, the IA profession needs to reflect on its own and others' successes and failures to continue to explore what's possible for the betterment of their organizations.

A look at the prevalence of ESG assurance among Hong Kong-listed companies, according to a study conducted by the Institute



What does ESG assurance in Hong Kong look like?

With the accelerating demand for good quality environmental, social and governance (ESG) information, ensuring the accuracy, reliability and integrity of ESG reports is becoming increasingly important in helping to build stakeholders' trust in the information disclosed. There is a growing need for some form of external assurance of ESG reporting, however it is not a mandatory requirement under local rules and regulations. The Hong Kong Stock Exchange's (HKEX) upgraded *Environmental, Social and Governance Reporting Guide* (ESG reporting guide), which is under the Listing Rules, notes that companies may seek independent assurance to strengthen the credibility of ESG information.

To gain a snapshot of where Hong Kong-listed companies currently stand on ESG assurance, the Institute initiated a brief study last year. The study looked at the ESG assurance status of all 55 Hang Seng Index-constituent companies, investigating those that had published their sustainability/ESG report or incorporated a sustainability/ESG section in their annual reports for 2020/21, as at 28 June 2021. While 49 of them had published this ESG information by the cut-off date, only 23 out of 49 companies (around 47 percent) also sought external assurance on the information disclosed.

The situation of the Hang Seng Index-constituent companies, however, shows only a small part of the story. To further investigate the prevailing ESG assurance practices, the Institute has taken a broader look at listed companies with a financial year ended 31 December 2020, scanning roughly 1,900 companies.

Findings

The penetration of assurance on ESG reporting in the listed company sector in Hong Kong is still very low, according to the report. Among the 1,897 companies included in the research, only 85 (4.5 percent) of them obtained external assurance. This suggests that, currently, most listed companies in Hong Kong do not see the benefits of assurance. It may also indicate that they see ESG reporting as primarily an issue of compliance and obtaining assurance is not a requirement, or that they are not entirely confident in the data and other information that they are reporting on.

Based on the findings for December 2020 year-end companies, a significantly higher proportion of large-cap companies (around 20 percent) obtained assurance compared with other categories. Meanwhile, only a very small proportion of small-cap companies (less than 1.5 percent) obtained assurance. The level of assurance was "limited" in over two thirds of the cases (68 percent) and "reasonable" in only 14 percent of cases, and it covered only selected areas of information in around half the cases (47 percent).

Among the 85 companies with assurance, banks accounted for over 30 percent. This may be because banks are more attuned to ESG issues, given that the Hong Kong Monetary Authority has introduced various measures on sustainable banking and green finance and, at the international level, the recommendations of the

Financial Stability Board's Task Force on Climate-Related Financial Disclosures have been gaining increasing prominence.

The limited penetration of assurance on ESG reporting is believed to stem from several factors, including the fact that currently, there are no generally accepted ESG reporting standards other than the ESG reporting guide under the Listing Rules in Hong Kong.

Where assurance is obtained, the assurer was a CPA firm in around 50 percent of cases. This is expected given that that main assurance benchmark referred to by all forms of assurers, in nearly two thirds of cases, was International Standard on Assurance Engagements 3000, issued by the International Auditing and Assurance Standards Board. What may be more unexpected is that, where CPA firms undertook ESG assurance, it is generally not the company's auditor.

Recommendations

The formation of a new International Sustainability Standards Board (ISSB) to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs, announced by the Trustees of International Financial Reporting Standards Foundation last November, is expected to help enhance disclosure quality and instigate the development of rigorous ESG reporting standards. With the increased harmonization and comparability of standards, companies can be more confident in starting to adopt, or to expand, their assurance on their ESG information and data. This can help to validate and lend greater credibility to their ESG reporting.

With the more extensive requirements of the revised ESG reporting guide now in effect, this is also an appropriate time for companies to start, if they haven't already, considering what data and information should be a priority for assurance, if they do not feel comfortable seeking assurance on all of their ESG reporting. They should consider focusing initially on data that is most material to them and their stakeholders. Good stakeholder engagement processes and the development of a sound materiality matrix can help to identify the key information and data.

There should be more discussion on the merits of a company's financial statement auditor also being engaged to provide assurance on the company's ESG report, as opposed to engaging a third party assurer, which could be a different CPA firm, to perform the latter function. While the separation of roles may add to the perception of independence, having the same service provider perform both roles could help facilitate the integration of financial and ESG considerations, as well as corporate governance and ESG, which is something, we believe, regulators, including HKEX, see as the goal.

With the setting up of the ISSB, there is an opportunity for the profession to play a larger role in supporting ESG reporting and assurance. Because of their training, experience and skill sets, as well as their professional ethics and the requirement for them to undertake continuous professional development, accountants are well placed to play a pivotal role in the further development of this space.

Read more about the report, available in the "Thought leadership" section of the Institute's website.

FIVE QUESTIONS

PAIB & PAIP

What are the three biggest lessons in your career so far?

The first is to listen carefully to your business partners' or clients' needs and concerns. This is always the first step in solving problems, and sets the tone for everything that follows. The second is to communicate clearly and be direct. If the solution that I'm proposing is not straightforward, or if there's no straightforward answer, then I try and make it clear that that is the case. The third is to work efficiently. For many of us in the profession, we like to mention every minor detail and cover every possibility of risk, but I don't think that's helpful. It's always better to ask, "what's the objective?" or "what are the expectations?" Doing so helps to maximize results while using the optimal amount of effort.

What do you like most about specializing in tax?

Tax is involved in every aspect of a business. For example, when you're making cross-border payments, you need to think about things like withholding tax. When you're hiring an employee in another country, there are a lot of tax issues involved, and of course with mergers and acquisitions, tax is almost always part of the equation. As a result, practitioners like myself get a unique insight into the business and the opportunity to work with people from different functions and different walks of life. We need the technical skills to address various issues, and the soft skills to deal with different types of people.

How has your experience in practice helped you in your current role?

My experience at a Big Four was very important. It provided me with intensive training, which sharpened both my technical and soft skills. I was able to learn a lot from different mentors who



FIVE QUESTIONS FOR PAIB

Jethro Leung CPA

Tax Director, APAC and Intercontinental, at Gilead Sciences, a biopharmaceutical company committed to advancing innovative medicines, shares how his CPA training equipped him with the skills needed to switch from practice to biotech, and for a tax career in London

were all, in their own way, very effective and efficient in how they work. With that experience, I understand what it takes to deliver results. This really helped me to develop my enthusiasm for my work, which naturally carried over when I switched to an in-house role.

The international tax landscape continues to evolve.

What actions are you taking to prepare for changes?

I cannot emphasize enough the impact that Base Erosion and Profit Shifting (BEPS) 2.0 Pillar One and Pillar Two will have on the international tax landscape. I'm based in London but cover the Asia-Pacific and Intercontinental regions, and there are still a lot of questions as to how these measures will apply to each jurisdiction because you have the overall international tax framework and then you have domestic legislations to consider. As an in-house tax specialist, it's important to keep up-to-date with the latest developments, share knowledge and collaborate with other tax specialists.

What do you love most about working in the pharmaceutical industry?

It sounds clichéd, but you really see the impact you're making on people, especially as our company develops drugs to prevent and treat life-threatening diseases, including HIV, viral hepatitis and cancer. Being able to participate in ensuring that the drugs get to patients on time, and making sure the tax aspects are taken care of, makes you really feel like you are doing good. Gilead developed the first antiviral drug approved by the United States Food and Drug Administration to treat COVID-19. When the pandemic first hit, it was all hands on deck trying to help as many people as possible. Being part of that process is very rewarding.

What is the biggest lesson in your career so far? A big lesson I learned is that sometimes one may not know exactly what he or she wants. After spending around 10 years in the first accounting firm I joined after graduation, I became so eager to explore a new career in the commercial finance sector. By that time, I thought I possessed the qualities that might better fit the non-audit sector. So, when the position of financial controller was offered to me, I couldn't say no. Ironically, it only took me a few months to realize that I was well-suited for the project-based professional work such as audit engagements and enjoyed the teamwork involved. Therefore, I rejoined the audit industry after less than six months and have remained in the profession to date. Sometimes you can only find out whether something is right for you after you have tried it out.

What do you like most about specializing in assurance and family office services? "People helping people achieve their dreams" is our global organization's vision. This is not only a motto of our organization but also a realistic and achievable goal when serving our clients, our colleagues and the communities. I like that I'm able to combine my assurance knowledge with the desires and dreams of personal well-being and the proper development of the younger generation, in order to deal with the challenges faced by individuals, families and even corporates.

In what ways has your CPA training helped you in your career? My technical knowledge in accounting and financial management helps me to tackle issues relating to accounting treatments and commercial implication of financials. While the CPA training has given me sufficient practical experience



FIVE QUESTIONS FOR PAIP

Frank Lam FCPA (practising)

Assurance Director and Leader of Family Office at BDO in Hong Kong, on how he came to focus on family wealth management and rejoined the practice sector

in the accounting and audit fields, I also learned how to communicate with people from different walks of life. I get great satisfaction from being able to demonstrate how accounting can benefit businesses to people with non-accounting backgrounds using the appropriate analogies.

The Hong Kong government has started the consultation on the family office tax concession regime. How will this impact the development of Hong Kong as a family office hub? I must say, the government is doing the right thing with the proposed tax concession, as it is necessary for turning Hong Kong into a family office hub for the region and globally too. Hong Kong's competitive advantages are quite obvious: free capital flows, an established common law system that is globally recognized, proximity to Mainland China, monetary and political stability, well-developed financial infrastructure and a large pool of talent. It is therefore natural to take Hong Kong as the preferred location to set up family offices. The proposed tax concession would bring Hong Kong to a level playing field with other leading family office centres such as Singapore and Switzerland.

How would you advise those who are interested in working in family office services? Effective communication is the most crucial aspect to succeed in the industry. Understanding the client's needs is central in family office services as such needs may not be apparent at the beginning. Sometimes, it takes key family members a while to recognize and appreciate their needs. One then needs to build trust with them through effective communication. To do this, apart from being familiar with the prevailing market sentiment, family office professionals must also understand the psychology of the family members.



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Entities listing on HKEX series

What to expect from a webinar series, which covers revised listing requirements for companies, related laws in both Mainland China and Hong Kong, and what companies should keep in mind throughout the initial public offering process



Vincent Li FCPA (practising), Partner, ShineWing China and Hong Kong, has over 35 years of experience in the fields of accounting, auditing, corporate finance, business strategies and development. He has extensive experience in providing audit and accounting services to international and multinational enterprises in Hong Kong and Mainland China. He also assisted various Hong Kong entities, Mainland state-owned enterprises and Mainland local entities in their listing on stock exchanges in Hong Kong, Singapore and Korea. He is also a member of the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.

Hong Kong Exchanges and Clearing (HKEX) has ranked top five globally in fundraising over the past five years with over HK\$1.45 trillion being raised by companies. As at 31 March 2022, there are more than 2,500 international, Hong Kong and Mainland companies listed on HKEX, with a market capitalization of around HK\$53 trillion. In 2021, HKEX announced certain listing rule amendments to enhance the attractiveness of the stock market and to attract more high quality companies to list on HKEX.

In May 2021, HKEX published its consultation conclusions regarding the revised minimum profit requirement for listing on the Main Board. From 1 January 2022, the aggregate profit requirement for the first two financial years was increased from HK\$30 million to HK\$45 million, and the profit requirement for the third financial year was increased from HK\$20 million to HK\$35 million. HKEX is also eligible to grant relief for the HK\$80 million profit requirement spread within the three financial years based on a case-by-case basis, provided that the listing applicant meets the new aggregate profit threshold of HK\$80 million. As at 31 March 2022, there are around 150 companies in the pipeline seeking to list on HKEX, out of which, around 100 companies submitted their listing application after the effective date of revised listing rules.

The HKEX also revised its secondary and dual-primary listing requirements, which took effect on 1 January 2022. From then, the “innovative” business requirement (e.g. Internet or other high-tech businesses), which was previously an essential condition for a secondary listing, was removed for all overseas companies without a weighted voting rights structure.

With the revised requirements published by HKEX, more companies, especially those with a lower market capitalization, will see benefits. The removal of the “innovative” business requirement is regarded as a big enhancement as it will enable more small-size “non-innovative” business companies to seek their secondary listing on HKEX.

A new guidance letter on “Change of listing status from secondary listing to dual-primary or primary listing on the Main Board” also became effective on 1 January 2022. Under the new guidance, the listing status of the secondary listed issuers changes in the following ways: (i) Primary conversion: the issuer is eligible to choose the voluntary conversion and “upgrade” the listing status from secondary listing to dual-primary listing; (ii) Overseas delisting: a secondary listed

issuer will automatically be regarded as a primary listed issuer on HKEX if the listed issuer was delisted from its existing overseas exchange on which it is primary listed; or (iii) Trading mitigation: a secondary listed issuer will be required to convert from a secondary listing to a primary listing on HKEX if a majority of the trading volume of the secondary listed issuer has been migrated to HKEX.

Recently, the United States Public Company Accounting Oversight Board said it was blocked from reviewing the audits of the Mainland companies listed on U.S. stock exchanges. The auditors of these companies stated that the current Chinese national security law prohibits them from releasing the audit papers to U.S. regulators. Under the U.S. Holding Foreign Companies Accountable Act, a company would be delisted from U.S. stock exchanges if they fail to comply with the audit inspection requirements for three consecutive years.

In view of the above revised HKEX listing rules and changes, it is expected that more U.S.-listed Chinese companies will choose to come back for a secondary or primary listing on HKEX, further boosting the city’s bourse as a fundraising venue in Asia.

About the webinar series

The “Entities Listing on HKEX Series” webinar series, which will run from May to June over 16 sessions, covers preliminary initial public offering (IPO) planning considerations, the IPO process, basic requirements for companies seeking to list on HKEX, asset valuation, company secretarial, general internal control, and the related laws in Mainland China and Hong Kong. It will also cover the reasons of returned and rejected listing applications by HKEX and discuss how companies can avoid having their listing application turned down, as well as the continuing obligations of a listed entity with the objective of enhancing participants’ understanding of the key aspects for listing, merger and acquisition of listed or listing entities on HKEX, etc. Furthermore, we will focus on the financial restructuring of listed companies in distress, the latest trends in the challenging economic situation amid COVID-19 and the most effective action to take when an entity encounters any alleged corporate fraud and financial accounting scandals.

Each session will cover the key points of the listing rules, guidance letters, listing decisions, other relevant rules and regulations, and examples of published prospectus and circulars. The speakers will also share their practical experience on specific topics and common application issues.

The ethical attitudes of CPAs in Hong Kong

A look at the findings from the Institute's Ethics Survey 2021

The Hong Kong Institute of CPAs' Ethics Survey is designed to gain a better understanding of the ethical attitude of professional accountants in Hong Kong and how the *Code of Ethics for Professional Accountants (Revised)* (the Code) contributes to their performance of professional activities.

The survey was initially launched in 2019, and was recently conducted between December 2021 and January 2022 with the following objectives:

- Understand the perception of the profession with regards to the relevant regulatory requirements;
- Identify areas with higher risk of ethical non-compliance;
- Understand professional accountants' familiarity with the Code; and
- Identify any other topics that warrant further outreach activities.

The survey link was distributed to all Institute members through email. Responses were anonymous to encourage open and honest input. The survey was not designed for academic purposes, but to gauge members' views on ethics for the Institute to consider to better address members' need.

Questions of the survey covered four aspects:

- View on ethics;
- Experience on ethics;
- Ethics culture at workplace; and
- Ethics-related training.

In total, the survey received 315 completed survey responses and more than 300 verbatim comments and/or answers. The respondents' views and opinions have been summarized in a survey report, which has been made available on the New and Major Standards Resource Centre of the Institute's website. We thank those of you who have taken the

time to complete the survey.

The results of the survey will be used by the Ethics Committee to inform and evolve the Institute's ethics strategy and initiatives.

This article highlights key responses to the survey. Please refer to the full report for complete findings.

View on ethics

When asked how the Code had impacted their accounting profession, the top three responses included:

- It provides guidance to enable professional accountants to meet their responsibility to act in the public interest;
- It provides guidance to assist the decision-making process of professional accountants when carrying out related activities; and
- It provides guidance to ensure activities carried out by professional accountants are of high quality.

The Code places strong emphasis on the profession's responsibility in upholding public interest. In fact, the very first sentence of the Code is "A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest." (paragraph 100.1, Chapter A of the Code)

Experience on ethics

We asked respondents if they had acted unethically at work or knew of someone acting unethically in the last 12 months.

Among the 13 percent of those who indicated that they did, the top five ethical issues identified by respondents included:

- Conflict of interest;
- Undue bias;
- Manipulation of information, including

fraudulent accounting or financial reporting; altering income, expenses etc.;

- Distorting information by being overly optimistic in making judgements on accounting estimates, discount rates, impairments, going concern etc.; and
- Relying on information that is known to be overly optimistic in making judgements on accounting estimates.

Respondents stating that they acted unethically in the last 12 months were middle management or above at their employing organizations.

This might indicate that the more senior an employee, the more likely they would act unethically or be more aware of the ethics behind an issue, possibly because of the complexity of their roles and circumstances encountered.

"Did nothing" or "Did nothing because of pressure from management" were among the top five responses to the ethical issues encountered identified by the respondents. The rest included, "Reporting to the appropriate level of management," "Resign from the employing organization," and "Reported to appropriate external parties."

Ethics culture at workplace

We observed that respondents from the public practice (i.e. CPA firms) were the most likely to consider that their workplace strongly promoted and encouraged a good ethics culture. Around 80 percent of respondents from the public practice considered that their workplace strongly promoted or encouraged a good ethics culture, compared to 69 percent of overall respondents (see Figure 1). This may be due to CPA firms' emphasis on compliance with professional standards and regulatory requirements, hence a stronger motive to develop a good ethics culture in the workplace.

Figure 1

Does your current employing organization promote and encourage a good ethics culture?

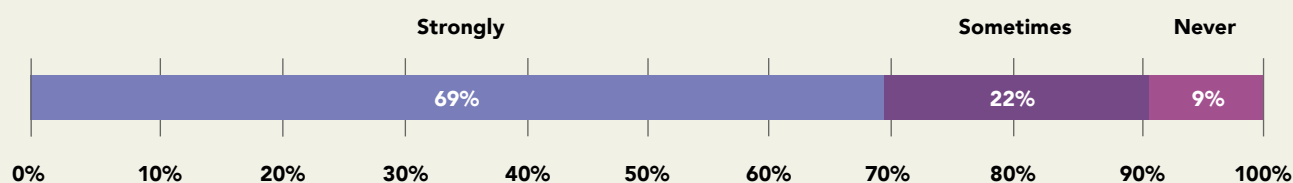
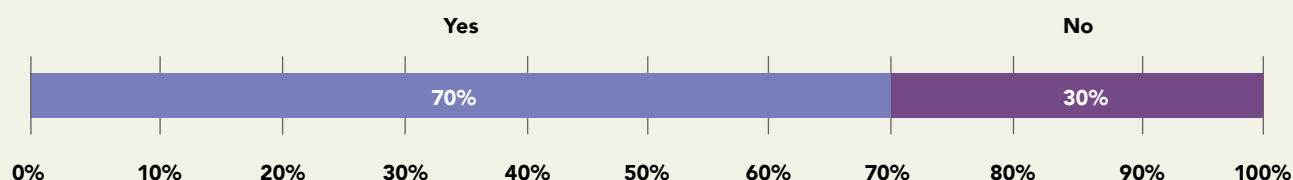


Figure 2

Do you think ethics-related training should be mandatory continuing professional development for Institute members?



Ethics-related training

As mentioned above, respondents from the public practice were more likely to display a higher ethical awareness and attitude than other respondents. We found that over half of them stated they had attended an ethics-training session within the last year, possibly due to the corresponding requirements adopted by CPA firms in general.

As illustrated in Figure 2, the survey also found that over 70 percent respondents believed ethics-related training should be included in mandatory continuing professional development for Institute members.

Conclusion and way forward

The survey results indicate that most respondents had a robust attitude to ethics, i.e. close to 90 percent of them considered ethics to be very important in the accounting profession; half of them considered their ethical awareness had strongly enhanced compared with their first year of their accounting career; 70 percent of them believed ethics-

related training should be included in mandatory continuing professional development for Institute members. As noted above, respondents from the public practice were more likely to display a higher ethical awareness and attitude than other respondents.

Survey responses also indicated that management's style plays a significant role in promoting ethics in the workplace. Respondents considered that, among others, key reasons for a good ethics culture at their employing organizations were **tone at the top, management's adherence to high ethical conduct and acting as role models for others to follow**. Meanwhile, major causes to ethical issues encountered by respondents or those they knew in the last 12 months were **pressure from management and insufficient ethical awareness at the employing organization**.

Despite the positive attitude towards ethics, less than half of all respondents undertook ethics-related training within the last year, while almost 20 percent of them did not attend any ethics-related training in the last five years. Furthermore,

around one-third of respondents reported that they were not aware of any of the revisions to the Code and their requirements in recent years.

The survey results suggest the following actions:

- Firms and employers to encourage and promote ethics culture and awareness at workplace; and strengthen their ethics and compliance policies, and monitoring procedures as counter-measures to malpractices at workplace;
- The Institute to continue the effort to raise members' awareness of updates to and requirements of the Code; and continue the provision of ethics-related trainings for professional accountants;
- Both firms/employers and the Institute to continue the communication and awareness on the "Dos" and "Don'ts" in common ethical scenarios, and consider whether ethics should be a mandatory area for training.

Read more about the ethics survey in the feature article on page 8.

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

TECHNICAL NEWS

The latest standards and technical developments

Members' handbook

Update no. 272 relates to amendments to *Preface to Hong Kong Financial Reporting Standards (HKFRS)* and *Preface to HKFRS for Private Entities*.

The *Preface to HKFRS* is revised to incorporate the due process of the *Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard* and post-implementation review policies. The *Preface to HKFRS for Private Entities* is revised to remove references to the Institute's Standards & Quality Accountability Board that was disbanded a few years ago, to update terminologies to align it with those used by the International Accounting Standards Board (IASB) and to reflect that the due process of the *HKFRS for Private Entities* follows that of the HKFRS.

The update also contains an editorial correction to Hong Kong Accounting Standard 24 *Related Party Disclosures* and the inclusion of a reminder when applying Accounting Bulletin 4 *Guidance on the Determination of Realised Profits and Losses in the Context of Distributions under the Hong Kong Companies Ordinance*.

Financial reporting

Institute submissions

The Institute has submitted its comment letters on the following IASB consultation documents:

- Non-current Liabilities with Covenants – Proposed amendments to International Accounting Standard (IAS) 1.
- Supplier Finance Arrangements – Proposed amendments to IAS 7 and IFRS 7.

Workshops and webinar on HKFRS 17 Insurance Contracts

The Institute will hold a series of face-to-face workshops in May for professionals who have acquired an understanding of the basic principles of HKFRS 17 *Insurance*

Contracts and now wish to develop a working knowledge of the standard.

- 16 May: General insurance – Deep dive application;
- 17 May: General insurance – Reinsurance, presentation and disclosures, interaction with other standards;
- 23 May: Life insurance – Deep dive application; and
- 24 May: Life insurance – Reinsurance, contract boundary, presentation and disclosures.

The Institute will also host a live webinar on 27 May, titled *Practical implementation issues on core aspects of HKFRS 17*, where speakers will provide a high-level understanding of practical challenges faced by entities when implementing HKFRS 17. The webinar will provide insights on identifying these challenges and ways in which these challenges should be approached.

E-learning: Year-end Financial Reporting Reminders for 2021

In this e-learning session hosted by the Institute, speakers share their insights on common application issues that warrant specific attention for 2021 financial statements. They also highlight new and amended HKFRS that are effective for 2021, and amendments to HKFRS that have been issued in 2021 but have yet to come into effect.

Publication: Financial Reporting Considerations for Closing Out 2021

The Institute has issued the publication *Financial Reporting Considerations for Closing Out 2021* which highlights key accounting considerations for entities preparing their December 2021 financial statements. The publication discusses new and revised HKFRS mandatorily effective from 1 January 2021, agenda decisions issued by the IFRS Interpretations Committee in 2021 that are relevant to Hong Kong entities,

COVID-19-related financial reporting considerations and climate-related reporting. The considerations highlighted in the publication are also relevant for financial years ending after December 2021.

Speech by IASB Chairman at ICGN conference

Andreas Barckow, Chair of the IASB, delivered the keynote speech at the International Corporate Governance Network's (ICGN) Global Sustainability Standards: Convergence and the Future event on 16 March. He discussed what the IASB already has in place on accounting for sustainability-related matters in the financial statements and where the IASB may go in the future.

IASB March Update

The IASB has published a summary of discussions at its March meeting. Topics discussed include primary financial statements, financial instruments with characteristics of equity, post-implementation review of IFRS 9 – classification and measurement, and business combinations under common control.

IFRS Interpretations Committee March Update and agenda decision

The IFRS Interpretations Committee *Update* provides a summary of discussions at its March meeting. It has also published its agenda decision on targeting longer-term refinancing operations III Transactions (IFRS 9 *Financial Instruments* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*).

Auditing and assurance

Update on impact of coronavirus outbreak on audits and auditors

The Institute's Standard Setting Department has put together an Alert highlighting the key matters that auditors

should consider that have been included in various publications issued by the Institute, international standard setters and other professional accounting bodies since the pandemic began. Auditors should consider the areas highlighted in these publications among others when conducting their 2021 financial year-end audit engagements.

Recording of virtual workshop on HKSA 315 (Revised 2019)

A recording is now available of the Institute's virtual workshop on Hong Kong Standard on Auditing (HKSA) 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement* – Key requirements and implications on auditing that provides an overview of the key changes and a deep dive on the requirements of the revised standard, and its implications on auditing which helps auditors to plan ahead of audits with year ends on or after December 2022.

The Institute's Auditing and Assurance Standards Committee meeting minutes

Minutes of the 397th meeting are now available.

IAASB March board meeting

The meeting summary of the International Auditing and Assurance Standards Board (IAASB) quarterly board meeting is now available.

IAASB digital technology market scan

The third market scan from the IAASB's Disruptive Technology team, titled *Artificial Intelligence – A Primer* is now available. It provides a high-level primer on artificial intelligence as it is one of the most significant and potentially disruptive technologies in audit and assurance. Previous digital technology market scans released by the IAASB's Disruptive Technology team covered topics on data standardization and API access.

Auditing accounting estimate implementation tool

The International Federation of Accountants (IFAC) released the Auditing Accounting Estimates: ISA 540 (Revised) Implementation Tool to help auditors implement the IAASB's International Standard on Auditing 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* by providing an overview of steps practitioners could take and related considerations.

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:

- *War in Ukraine: the auditing implications* – this publication gives an overview of the key areas auditors may need to consider where one or more components of group audits are located in Ukraine, Russia or Belarus.
- *Root cause analysis: finding the way and Resourcing root cause analysis* – these articles explain the increasing importance of root cause analysis (RCA) for audit firms to help identify the root cause(s) of the identified deficiencies for remediation under the new quality management standards and explore the respective benefits of keeping the RCA in-house and resourcing it externally.
- *Audit and Beyond March 2022* – this publication explores areas around fraud, audit quality, ISA 315 (Revised) etc. to offer tips for tackling these areas in practice.
- Resources and an online event series to help audit firms prepare for new quality management standards.
- Resource hub on articles, helpsheets and other practical resources and tools to support the implementation of ISA 540 (Revised).

Institute members can also subscribe to ICAEW's International Standards for free

to access a wide range of resources on auditing and ethics.

Ethics

Invitation to comment

The Institute is seeking comments on the International Ethics Standards Board for Accountants' (IESBA) Exposure Draft *Proposed Technology-related Revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code) by 20 May.

Revised non-assurance services and fee-related provisions of the Code of Ethics for Professional Accountants

Register for the Institute's e-learning session which covers specific provisions of the revised non-assurance services (NAS) and fee-related independence standards of the Code. The revisions significantly strengthen the guardrails around auditor independence in two important areas that have the potential to create incentives influencing auditor behaviour – NAS provided to audit clients and fees. They will come into effect in December 2022.

The Institute's Ethics Committee meeting minutes

Minutes of the 249th meeting are now available.

Exploring the IESBA Code, A Focus on Technology – Artificial Intelligence

This news instalment of Exploring the Code by the IFAC and IESBA highlights the application of the International Code, in particular, the relevance of its fundamental principles and conceptual framework to addressing ethics issues that might arise when artificial intelligence (AI) is used or implemented by professional accountants. Specifically, the instalment sets out an AI scenario to assist accountants in identifying, evaluating and addressing

threats to compliance with the International Code's fundamental principles.

IESBA March board meeting

The audio recording of the IESBA March board meeting is now available.

Sustainability

Invitations to comment

The Institute is seeking comments on the following International Sustainability Standards Board (ISSB) Exposure Drafts by 13 June:

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.
- IFRS S2 *Climate-related Disclosures*.

The Exposure Drafts have been developed in response to requests from G20 leaders, the International Organization of Securities Commissions and others for enhanced information from companies on sustainability-related risks and opportunities. When the ISSB issues the final requirements, they will form a comprehensive global baseline of sustainability disclosures designed to meet the information needs of investors in assessing enterprise value.

IFRS Foundation and GRI to align capital market and multi-stakeholder standards to create an interconnected approach for sustainability disclosures

On 24 March, the IFRS Foundation and Global Reporting Initiative (GRI) announced a collaboration agreement under which their respective standard-setting boards, ISSB and the Global Sustainability Standards Board, will seek to coordinate their work programmes and standard-setting activities.

ISSB communicates plans to build on SASB's industry-based Standards and leverage SASB's industry-based approach to standards development

On 31 March, the ISSB Chair and Vice-

Chair communicated plans for building upon the Sustainability Accounting Standards Board (SASB) Standards and for embedding SASB's industry-based standards development approach into the ISSB's standards development process. As the IFRS Foundation Trustees committed to when launching the ISSB, it will build on the work of existing investor-focused reporting initiatives to become the global standard-setter for sustainability disclosures for the financial markets.

Corporate finance

Institute submission on HSIC's consultation regarding a new "comprehensive" China Index

The Institute issued a submission in response to the Consultation Paper issued by Hang Seng Indexes Company Limited (HSIC), which sought views from the market about creating a new "comprehensive" China Index that includes constituents from the Hang Seng China Enterprises Index and A-shares companies.

In general, we are supportive of the concept of a new "comprehensive" China Index and have provided some observations on specific questions for HSIC's consideration.

Insolvency

Implications of the Temporary Unemployment Relief Scheme for (Provisional) Trustees under the Bankruptcy Ordinance (Cap. 6)

The Official Receiver's Office has issued a letter on 23 March, advising on factors that should be considered in determining whether or not it would be appropriate to lay claim to the one-off subsidy of HK\$10,000 received by an undischarged bankrupt from the government's Temporary Unemployment Relief Scheme, as after-acquired property. The letter reminds office-holders that they should not apply across-the-board decisions to all cases and are encouraged to exercise their professional judgement and use

flexibility and discretion when assessing the bankrupt's domestic needs and considering whether to lay claim to after-acquired property during the pandemic.

INSOL London 2022

The next INSOL Conference will be a physical event held in London from 26 to 28 June. An early bird rate is available to those registering before 25 March.

Details of the conference are available at <https://events.insol.org/website/6198/home/>.

Taxation

Update on tax filing due dates from IRD

Given the impact of the fifth wave of the pandemic, and the resulting challenges faced by members and practitioners, the Institute has been communicating with the Inland Revenue Department (IRD) and requested extensions of upcoming profits tax, salaries tax and other filing due dates, as well as asking for clear and early guidance on flexibility around other tax deadlines.

We are pleased to see that the IRD has responded favourably to some of the main requests made by the Institute and other stakeholders, and has announced arrangements for certain longer extended tax due dates, in particular, under the Block Extension Scheme for taxpayers who are represented. A quick summary of the arrangements was provided in a message to members. Further details are contained in the *Circular Letter to Tax Representatives – Block Extension Scheme for Lodgement of 2021/22 Tax Returns*.

Electronic filing of Profits Tax Returns

With effect from 1 April 2022, Profits Tax Returns can be furnished by service providers. Corporations and partnerships satisfying the conditions specified by the Commissioner of Inland Revenue can file their Profits Tax Returns for any year of assessment from 2016/17 to 2021/22, and attach supplementary forms to Profits Tax

Return S1, S2, S3 and S4, electronically under eTAX, either directly by themselves or through service providers. Please visit the IRD's website for details.

New profits tax return forms

As you may be aware, the bulk issue of 2021/22 profits tax returns (BIR51) took place on 1 April. We note from the sample BIR51 that the Part 13 Declaration has been revised and service providers may sign on the tax return starting from this year. We have sought clarification from the IRD regarding the circumstances under which a service provider should sign the tax return and the relevant information is summarized below for your reference:

1. If a taxpayer has engaged a service provider to furnish the profits tax return on its behalf, the taxpayer itself does not need to sign the Declaration, but instead the service provider needs to sign it; and
2. A tax representative who only prepares the tax return and tax computation for a taxpayer is not required to sign the Declaration, if the tax representative is not also the service provider engaged to carry out the taxpayer's obligation under section 51(1) of the Inland Revenue Ordinance (IRO).

Please note that the term "service provider" is defined under section 51AAD(8) of the IRO to mean a person engaged to carry out a taxpayer's obligation under section 51(1). The service provider may or may not be the taxpayer's authorized tax representative. Members who are engaged as service providers in relation to a BIR51 should read the wording of the Declaration carefully and also be aware of the Notes and Instructions – Form BIR51, especially **section G, Part 13 (Declaration)** and **section E (Offences and Penalties)**, in the light of the new penalties relating to service providers in the IRO.

Announcements by the IRD

Members may wish to be aware of the following matters:

- Country-by-Country Reporting –

notification deadline.

- IRD issues profits tax, property tax and employer's returns for 2021-22.
- Preliminary edition of the IRD Taxonomy Package.
- Tax Representatives' Corner.
- IRD to resume public services gradually.
- Suspension of Service for Filing of Tax Return – Individuals through eTAX.
- Pay promptly as second instalment is falling due.
- List of Qualifying Debt Instruments (as at 31 December 2021).
- Stamp Duty statistics.

Legislation and other initiatives

Announcements by the government

Members may wish to be aware of the following matters:

- Transcript of remarks of press conference on anti-epidemic measures.
- Survey results of 2021 Annual Earnings and Hours Survey released.
- Government adjusts vaccination requirements of Vaccine Pass.
- Chain volume measures of Gross Domestic Product by economic activity for the fourth quarter of 2021 and the whole year of 2021.
- Unemployment and underemployment statistics for December 2021 - February 2022.
- Adjustment of the Base Rate.
- Hong Kong's latest foreign currency reserve assets figures released.
- About 6.3 million eligible people to receive consumption vouchers on 7 April.
- Resumption of airmail services to Australia, Canada and India.
- Hong Kong maintains third place in Global Financial Centres Index.
- Cross-Agency Steering Group releases assessment of carbon market opportunities for Hong Kong and next steps.
- Tentative issuance schedule for HKSAR Government Bonds under Institutional Bond Issuance Programme.

- Hong Kong Property Review 2022 preliminary findings released.

AML notices

FATF publication on high-risk and other monitored jurisdictions

The Financial Action Task Force (FATF) published a statement on 4 March regarding high risk jurisdictions subject to a call for action, calling on its members and all jurisdictions to continue to apply specific measures and actions on Iran and the Democratic People's Republic of Korea.

The FATF also issued a notice on jurisdictions under increased monitoring, referring to other jurisdictions that have been identified to have strategic anti-money laundering/counter-terrorist strategic deficiencies and that are working with the FATF to address these deficiencies. Following recent reviews, Zimbabwe is no longer subject to increased monitoring and updated statements are provided for some of the remaining 22 jurisdictions on the list. In addition, United Arab Emirates has been newly included on the list.

Sanctions

The updated 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 4 April.

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 2 April.

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

FURRY FRIENDS

Pets are a great source of happiness, and are also lifelong commitments that bring physical and financial responsibilities. Institute members tell [Thomas Lo](#) how their animal companions help them grow as a person and bring balance into their lives

Getting home after work is always a frenzied moment for Vanessa Chan CPA. As she opens the door, eight spirited toy poodles greet her with wagging tails and warm cuddles. “When I’m with them, I’m never bored. Spending time with them is the best part of my day. I am always excited to come home and see them,” says Chan, a proud pet parent of eight dogs for 12 years.

Animals are a big part of many people’s lives, including CPAs. Outside the numerous responsibilities pets bring, Institute members, like Chan, see furry companions as a way of counteracting the stress brought by hectic work schedules, and the current pandemic.

Bobo is Chan and her husband’s first and oldest dog. In 2008, Chan’s husband presented her with a special gift that he chose for himself – a puppy. “I was surprised by my husband’s bold decision. We spent most of our dates visiting different pet stores. We would often come very close to buying one, but we would always hold back due to our hectic work schedules. But when I saw Bobo for the first time, all my worries were gone,” Chan explains.

In 2009, they decided Bobo needed a companion in the house, and got their second dog, Mui Chu. Both of the puppies soon got along and in 2010, Mui Chu gave birth to two male puppies, which they named

Mocha and Tiger, and four female puppies, which they named Big Mac, Oreo, Healthy and Lucky B.

“I have never considered myself as a mother-type. Yet, Mui Chu has shown me the miracle of motherhood,” says Chan. “After much research, we learned that toy poodles often have four babies in one go, but when we took her for an ultrasound scan, we saw five puppies on the screen, and that already exceeded our expectations. After she gave birth to the fifth puppy, we started to clean up the place. But then we were shocked to find her giving birth to a sixth puppy even though we only saw five in the ultrasound! Hence, the name Lucky B,” Chan explains.

Taking eight poodles out for a walk, she notes, can be challenging. To cope, Chan mostly takes the highly energetic Bobo, Mocha and Tiger for walks. With the others, Chan plays hide and seek with them at home to release any pent-up energy.

During the pandemic, Chan, like many others, decided to stay home more. “The silver lining was that I could spend more time with my puppies. The more time I spend with them, the more I understand unconditional love. No matter what happens, they love you. You are the centre of their universe,” she explains. “Me and my husband’s experience of being the parents of our eight pups is something I will always cherish.”



Vanessa Chan CPA, is the proud owner of eight toy poodles. She is pictured here with Tiger, Big Mac and Bobo.

“No matter what happens, they love you. You are the centre of their universe.”



Adding new meaning to life

While adorable kittens charmed their way into the hearts of several potential owners at the Society for the Prevention of Cruelty to Animals (SPCA) in Wan Chai, Jackie Li CPA, spotted a lonely domestic shorthair in the corner, with a cone around her head. Intrigued, Li and her husband approached the one-year-old cat who suddenly perked up. Li remembers how the cat walked up to her wrist and waited for Li to stroke her. “I used to believe that I was a fan of dogs, but at that moment, I felt a strong connection with Sophie and knew I had been chosen by Sophie to be her mother for life,” says Li.

Initially, Li wanted a dog, but after hearing about her husband’s experience of growing up with three adopted cats, she decided to adopt one too. “I used to think cats were distant and cold, but Sophie proved me wrong,” she says.

After bringing her home for the first time, it took a while for Sophie to feel comfortable in their apartment. She would hide under the sofa most of the time, which inspired her name. “Sophie is the exact opposite of other cats. She is warm and friendly,” says Li, adding that there are particular moments where Sophie’s affectionate personality really shines. “During winter, she sits on my chest when I lie in bed. And every morning, right before my husband heads out to work, she sits on his lap while he ties his shoes.”

As cat owners know well, there are many seemingly harmless things that are poisonous to cats, such as grapes and raisins or plants like poinsettia. “I used to enjoy buying plants for fun, but now that I have her, I research a plant’s impact on cats before purchasing. The anxiety we had when she was sick once reminded me how difficult it is to be a parent. She keeps me on my toes,” Li says. “In a way, having Sophie in my life made me realize the weight that comes with being



Jackie Li CPA is pictured here with her cat, Sophie.

fully responsible for someone’s life, which is scary yet deeply rewarding. Thanks to Sophie, I have a newfound appreciation for my parents.”

Sophie has accompanied Li through the ups and downs of both work and life, teaching her some valuable lessons. “Along the way of taking care of her for five years, I understand the meaning of responsibility. She has become a major part of my life, and I cannot make a decision without thinking

about her first,” Li adds. “She is my reason to work harder. I want to offer her the best life possible. The longer I have her around, the more meaningful life is.”

Days of snow and sun

In 2017, Raymond Chiu CPA, Senior Audit Manager at Crowe (HK) CPA Limited, was invited to his friend’s home to see their newborn kittens. When he arrived, he saw six little British Shorthair kittens

“I used to think cats were distant and cold, but Sophie proved me wrong.”

bobbing along around the house. As Raymond made his way to the sofa, he felt a little itch around his ankle. When he looked down, he saw a furry white kitten, resembling a white ball of fur. It was at that moment he decided to bring the kitten home and name her Snow. “I bonded with her immediately, and I would say it was love at first sight,” he says.

Raymond and his wife, who both work in audit, believe cats are the perfect pet for them. “Working in this field is quite stressful and busy, especially in certain seasons. One of the best things about cats is that they are very independent and do not require my full attention,” he explains. However, in 2020, knowing how lonely Snow can get during the peak seasons, they decided to find her a friend, and brought Sun, a Ragdoll, into the family. In contrast to Snow’s slow-paced and quiet nature, Sun is curious and energetic.

Making the time to play with the cats can be challenging for Raymond, but he manages to squeeze time from his hectic schedule every day. “They provide us with a strong incentive to return home every day,” Raymond adds. “While grooming their hair, I feel relaxed and at peace. Playing and exercising with them helps me to stay active and keeps them healthy too, so it’s a win-win situation.”

Every morning at 7:00 a.m., Snow finds ways to wake up Raymond to feed her, he says, adding that unfortunately Snow will never know the difference between a workday and a holiday. “I used to sleep in on weekends, but she would step on my face to wake me up and make her breakfast,” he says. “After a while, I saw this as an opportunity to develop a habit of waking up early, every day. I include my daily chores, goals and playtime in my schedule to fully utilize my day. I’ve since felt more organized and disciplined after following this new routine.”

Raymond says Snow and Sun have helped to further strengthen

his relationship with his wife over the years. By taking turns looking after the cats, the couple formed an even more solid bond, knowing they can rely on each other. “Ever since I have adopted them, my life has been filled with affection and happiness. The support, unconditional love and joy you receive from them are incomparable,” he says.

Bolt of energy

Over the years, Terry Chiu FCPA has had dogs, goldfish and turtles as pets. Two dogs accompanied him throughout his youth, and during early adulthood, he took care of goldfish and two turtles. “I had them for a year, but had to find owners who could treat them better than I could, since I had to travel a lot due to the nature of

“They provide us with a strong incentive to return home every day.”



Raymond Chiu CPA, Senior Audit Manager at Crowe (HK) CPA Limited, owns two cats, which he named Sun and Snow. He is pictured here combing Snow.



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“I never thought that a cat could be this friendly and energetic. Most of the cats I met before were distant and cold, but not Miao Miao.”

my work and couldn't offer them the attention they deserve,” Terry explains, who was then able to focus on his career until retiring in 2015.

In 2016, he wanted to have a pet again, but this time he was looking for a more interactive and manageable type of animal

companion. Through the SPCA, he was introduced to a family that wanted to put their newborn kittens up for adoption. “The kittens were around three months old and were very charming – but one cat stood out from the rest,” Terry adds. “She was playing with a fluffy ball. When I saw her jumping around,

I was filled with so much joy and knew that I had to bring her home.”

“I first named her Siu Mai, as her head was small and yellow,” he says, referring to the popular Hong Kong street snack. “But she did not respond quite well to the name. So I tried to ‘speak’ or ‘meow’ like her, and she replied to me. We had a conversation as if we were speaking the same language. Ever since then, I call her Miao Miao,” Terry explains.

Having Miao Miao around the house adds colour to Terry's daily life. He usually spends 30 minutes a day playing hide and seek with her. “I never thought that a cat could be this friendly and energetic. Most of the cats I met before were distant and cold, but not Miao Miao,” he adds. “She always finds ways to hide in drawers and open doors where I least expect her to. She once ‘broke into’ my bedroom by pulling the door handle in the middle of the night. She is like a bolt of energy that is full of surprises.”

Taking care of Miao Miao and watching her grow up has taught Terry many lessons. Young cats, he soon found out, tend to scratch furniture to sharpen their claws, which became an issue. Despite Miao Miao damaging his leather sofa and TV wiring, he now responds with a bit more patience and understanding. “In the end, you can't stay angry with her for long, especially when you look at her adorable face – it feels like having a daughter in your house. The energy around the house has completely changed,” Terry says. “I've become more empathetic. It is, indeed, a blessing for me to have her in my family.”



Terry Chiu FCPA, who is retired, with his cat Miao Miao.



Only 9.4 percent of Hong Kong households keep dogs and cats as pets, according to a 2019 study by the Census and Statistics Department.



YOUNG MEMBER OF THE MONTH


Midi Ying CPA

MIDI YING CPA

Assistant Manager at
City Super Limited

Photography by Anthony Tung





As an Assistant Manager at City Super Limited, Midi Ying CPA plays a key role in managing the accounts of the company's different business lines. She tells *A Plus* why she appreciates the opportunity to add value at a retail chain and the lessons she has learned from working in both practice and business

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

I'm an Assistant Manager at City Super Limited, a supermarket retail chain. I prepare the consolidation of the group's businesses, which include our city's super supermarkets, LOG-ON lifestyle stores, and cooked Deli, our food court business. I'm in charge of reviewing our affiliate companies' management reports, account reconciliations, handling the company's balance sheet and appraising statutory accounts. I also liaise with auditors during year-end audits. I've worked here for around half a year and though it has been challenging, I have enjoyed it so far.

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

The most challenging aspect is staying on top of changes to accounting standards and practices, and incorporating technology into our work to help facilitate better and faster results. There are always going to be better ways of doing things, and finding solutions to everyday problems is a constant part of the job. It gets harder to find these solutions, however, as accounting standards change and you need to always be updated on what the correct treatment for a transaction or auditing procedure is. You won't be able to find solutions if you aren't prepared or fully knowledgeable of the items you are dealing with. Since being promoted to a more managerial role, using the skills that I had developed to help solve problems and teach younger accountants is the most rewarding aspect of the job. I appreciate the company culture, and I'm grateful for the privilege to work with an energetic, friendly and enthusiastic team.

What inspired you to become an accountant?

I was inspired by my secondary school teacher. I remember that she was also a CPA who had worked at a Big Four as an auditor. Even though she was often very serious and strict, she made the subject interesting. I knew I wanted to be as successful as her. After secondary school, I decided to major in accounting at Hong Kong Shue Yan University.

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 enjoy learning new things through working in different industries, so I look forward to learning as much as I can in this company. I began my career at a local firm and then joined RSM to work in audit. I then worked in the food and beverage industry for three years and now I work in the retail sector. It's very different from working in audit, where you have the opportunity to work with companies from different industries, sometimes for a few weeks or over a month during audit engagements. By working in the commercial sector, I have the opportunity to learn a lot about the operations behind the company and how they all work together to ensure the business turns profits.

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

The biggest challenge I've faced in my career is applying Hong Kong Financial Reporting Standard 16 *Leases* at my previous job at Café de Coral, which was a new accounting standard at the time. I had to lead my team to properly apply the new standard and fulfill statutory reporting requirements. I remember having to work closely with the IT, sales and leasing teams to create a new system for our reporting. My time working in audit taught me the importance of time management, which is a skill I believe I have improved upon. I've learned the importance of always planning in advance and knowing what I need to accomplish. I'm now able to work more efficiently and manage my time a lot better throughout all my tasks.

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

The QP is a very important course for those who wish to become CPAs. It equips them with the skills to, for example, help companies prepare their statutory financial and tax reports. The business assurance module helped me a lot, especially when I was an auditor. Now that I work in the commercial sector, I've found the financial reporting module very useful – it gave me in-depth knowledge in all accounting standards and reporting requirements that I need to follow in my role and taught me how to properly disclose financial statements.

AFTER HOURS

As recommended by Institute members

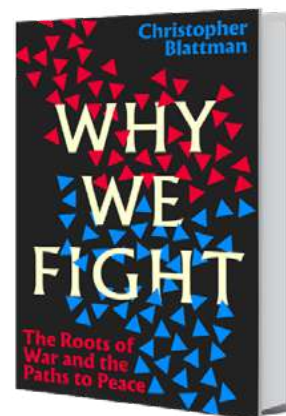


Eat

“While it may be tempting to eat out now that the dining restrictions have eased, we should remain vigilant and avoid visiting crowded areas. For this reason, I recommend visiting Pier 1929 in Wan Chai. The venue boasts a size of over 10,000 square feet and is currently seating less than half its capacity. It’s the perfect place to enjoy an afternoon tea set (with champagne) along with 270-degree panoramic views of Victoria Harbour. The lobster and peach salad, brioche toast, and the New York Cheesecake are my favourite. Do book in advance and request for a window seat – you would not want to miss the sunshine while enjoying these delicious treats.” – Arthur Lui CPA (practising), Finance Manager, Standard Club Management (Asia) Pte. Limited

Read

“Russia’s invasion of Ukraine has entered its third month. The conflict has seen thousands of people lose their lives and triggered a massive refugee crisis in Europe. I recommend reading the book *Why We Fight: The Roots of War and the Paths to Peace* by Christopher Blattman during this difficult time. The book speaks on why most rivals loathe one another in times of peace. Blattman, who is a faculty member at The Pearson Institute for the Study and Resolution of Global Conflicts at the University of Chicago, contends that countries should find ways to compromise, in order to avoid the high cost of violence and war. The book lays out the root causes of war by analysing the five reasons why conflict sometimes still wins over compromise and how peacemakers can turn the tides during war. This is a book that sheds light on how conflict turns into war and also how to prevent it from occurring. It is worth reading, especially amid this intense situation.” – Derek Lo CPA, Senior Consultant, Deloitte China



Sergei Rachmaninoff



Listen

“*Piano Concerto No. 2 in C minor, Op. 18* is a masterpiece composed by Sergei Rachmaninoff, a piano virtuoso and composer of the late romantic and early contemporary period. At the time of composing, Rachmaninoff was experiencing a difficult time and was seeking a cure for his four-year-long period of depression with the help of his psychiatrist. Each movement expresses the intense emotions he was going through while composing this concerto, including turbulence, melancholy, passion and longing. Sit back and listen to this inspiring and gorgeous piece – it will help you ease your stress and take a load off your mind.” – Charis Wong CPA, Senior Tax Manager, PwC



Success symbol



Success ingredient

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