A+
DRIVING BUSINESS SUCCESS
Issue 6 Volume 18 June 2022

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

"We are especially buoyed by the fact that Financial Secretary Paul Chan FCPA will remain in office, while Professor Nelson Lam FCPA (practising) has been appointed as Director of Audit. Both are seasoned members of the Institute and have served on the Institute's Council in the past."

Dear members,

This year, Hong Kong is celebrating the 25th anniversary of the establishment of the Hong Kong Special Administrative Region, as well as the beginning of a new chapter of stability, prosperity and opportunity.

To mark the occasion, the Institute has joined hands with fellow accounting bodies including the Association of Hong Kong Accounting Advisors, Hong Kong Association of Registered Public Interest Entity Auditors Limited, Hong Kong Business Accountants Association, Society of Chinese Accountants and Auditors, as well as other members of the industry, to become the title sponsor of the Greater Bay Philharmonic Orchestra's "Celebration for the 25th Anniversary of the Establishment of the Hong Kong Special Administrative Region" concert.

The concert will be held in the name of the Hong Kong accounting profession in the Xiqu Centre's Grand Theatre in the West Kowloon Cultural District, featuring classical masterpieces as well as orchestral arrangements of Canto-pop classics. Complimentary tickets have been allocated among our committee members to thank them for their contribution to the Institute and the profession. I wish them an enjoyable evening and hope it will contribute to their work-life balance.

The milestone will also mark the establishment of the sixth term of the Hong Kong government. The illustrious governing team assembled by incoming Chief Executive John Lee, with an excellent mix of industry expertise and government experience, lends great confidence to Hong Kong's continued success and evolution as a global financial centre.

We are especially buoyed by the fact that Financial Secretary Paul Chan FCPA will remain in office, while Professor Nelson Lam FCPA (practising) has been appointed as Director of Audit. Both are seasoned members of the Institute and have served on the Institute's Council in the past as president and vice-president respectively. Their appointments are most-deserved recognitions of their expertise and achievements. While the Financial Secretary has already proven to be an inspiring leader, I am confident Professor Lam will also excel in his pivotal role in the Audit Commission to help the government and public sector enhance their performance and accountability. They will be role models for demonstrating how CPAs are the success ingredients in their respective roles.

The city and the Hong Kong government's gain is also the Institute's loss, as there is now a vacancy on the Council. In accordance with the Professional Accountants Ordinance, the Council has resolved to make a general invitation to all members to submit nomination of suitable candidates for consideration for appointment by the Council to fill the vacancy. Interested members may visit the Members' Area on the Institute's website for further details on eligibility and the nomination process.

Regardless, the Institute will continue to advocate on behalf of the profession and contribute the profession's expert opinion on relevant policy areas. For some time, the Institute has been urging the Secretary for Labour and Welfare to review and increase the relevant ceilings under the Protection of Wages on Insolvency Ordinance (PWIO) which had not been reviewed for over 20 years. We were therefore thrilled when a resolution to amend the PWIO was passed in the Legislative Council in June. The resolution increases the ceilings on outstanding entitlements owed to workers who are made redundant, due to the insolvency of their employers, and which may be paid out by PWIO.

The Institute is constantly looking for ways to be more valuable to its members and beyond, and that includes our different communication channels and publications, such as *A Plus*. Which is why you will have learned from various channels of the Institute that we are taking the exciting first step of going fully digital starting from September. This means those who have subscribed to physical copies of *A Plus* will no longer receive them beginning in the September issue, but will continue to have full access to the magazine in the existing digital, PDF and flipbook formats alongside other readers who have already made the jump.

In addition to being part of the Institute's sustainability plan and commitment to achieving net zero carbon emissions, the change will be part of a broader plan to revamp and enhance the overall experience for readers of *A Plus*. Please stay tuned as we make more announcements.

Loretta Fong CPA (practising)
President

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DRIVING BUSINESS SUCCESS

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

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

President Loretta Fong

Vice Presidents Roy Leung, Edward Au

Chief Executive and Registrar Margaret W. S. Chan

Director of Corporate Communications Dr Wendy Lam

Publication Manager Michael Wong

Editorial Coordinator Maggie Tam

Office Address
37/F, Wu Chung House, 213 Queen's Road East,
Wanchai, Hong Kong
Tel: (852) 2287-7228 Fax: (852) 2865-6603

Member and Student Services Counter
27/F, Wu Chung House, 213 Queen's Road East,
Wanchai, Hong Kong
Website: www.hkicpa.org.hk
Email: hkicpa@hkicpa.org.hk

M&L

Editor Gerry Ho
Email: gerry.ho@mandl.asia

Managing Editor Jemelyn Yadao

Copy Editor Jeremy Chan

Associate Editor Nicky Burridge

Contributor Thomas Lo

Registered Office
2/F Wang Kee Building, 252 Hennessy Road,
Wanchai, Hong Kong

Advertising enquiries
Advertising Director Derek Tsang
Email: derektsang@mandl.asia

ISSN 1815-3380

June 2022. Print run: 6,940 copies
The digital version is distributed to all 46,954 members, 13,924 students of the Institute and 2,358 business stakeholders every month.

A Plus magazine revamp coming soon

To enhance the overall experience for readers of *A Plus*, the Institute will be implementing changes to the publication in two phases.

In the first phase, *A Plus* will halt the production of physical copies, shifting fully online starting with the September 2022 issue. Members will continue to have full access to the magazine through the digital, PDF and flipbook versions with timely enhancements to the user interface. The move is part of the Institute's sustainability plan and commitment to achieving net zero carbon emissions.

In the second phase, the Institute will introduce a new approach to editorial content and shift towards a quarterly publication schedule starting next year. The last monthly publication will be the October 2022 issue with the first quarterly issue coming in January 2023. Look out for further updates on the revamped *A Plus*.

Filling a vacancy on the Institute's Council

A vacancy has arisen in the Council of the Institute. Professor Nelson Lam FCPA (practising), will take office as the Director of Audit in the Hong Kong government, effective 1 July 2022, and has tendered his resignation as Council member with effect from 24 June 2022.

A general invitation has been launched to all members to submit nomination of suitable candidates for consideration for appointment by the Council to fill the vacancy. Interested parties should refer to the latest notice in the Members' Area on the Institute's website for details on eligibility and the nomination process.

Short survey on Specialist Interest Groups

The Institute is conducting a two-minute survey on members' interest in the Institute's Specialist Interest Groups and their activities. The survey will help the Institute better understand and cater to the needs and interests of members, and to provide members the best possible support through the activities organized and the information provided. Members should complete the survey by 22 July.

The Institute welcomes passage of resolution to amend Protection of Wages on Insolvency Ordinance

The Institute welcomes the passage of the resolution in the Legislative Council on 16 June to amend the Protection of Wages on Insolvency Ordinance (PWIO). The resolution will increase the ceilings for wages in arrears, wages in lieu of notice, severance, untaken statutory holidays and untaken leave, under the PWIO.

The Institute has long been urging the Secretary for Labour and Welfare (SLW) to review and increase the relevant ceilings under the PWIO, in particular the limits on wages in arrears and wages in lieu of notice, which had not been reviewed for over 20 years. As the Institute's then president wrote in a letter to the SLW in April 2020, the Protection of Wages on Insolvency Fund has always been a vital source of early payments for workers who are made unemployed due to the failure and winding up of their employers, and who have not received their full entitlements. Given the increase in unemployment over the past two years, this had become an even more important issue. The adjusted maximum amounts came into effect on 17 June.

Stanley Dragon Boat Championships 2022

The Institute's dragon boat team participated in the Stanley Dragon Boat Championships 2022 on 3 June and won the first runner-up in the Mixed Bronze Cup. Congratulations to our athletes! Read about their experience and love of dragon boat racing on page 40.

Resolution by agreement

Fong Tak Ching CPA (practising) and Zhonghui Anda CPA Limited

Complaint: Failure or neglect to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 450 *Evaluation of Misstatements Identified during the Audit*, HKSA 260 *Communication with Those Charged with Governance*, and HKSA 230 *Audit Documentation*.

Zhonghui Anda CPA Limited audited the consolidated financial statements of Fresh Express Delivery Holdings Group Co., Limited, a Hong Kong listed company, and its subsidiaries for the year ended 31 March 2017. Fong was the engagement director of the audit.

The Institute received a referral from the Financial Reporting Council (FRC) about audit irregularities. The FRC noted that an immaterial overstatement of liability had not been adjusted in the financial statements, but the respondents failed to include the overstated amount in a summary of unadjusted misstatements. In addition, the respondents failed to prepare adequate audit documentation of their procedures carried out on the above misstatement and the determination of audit materiality.

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

1. The respondents acknowledge the facts of the case and their non-compliance with professional standards;
2. The respondents be reprimanded; and
3. Fong and Zhonghui Anda CPA Limited pay an administrative penalty of HK$35,000 and HK$50,000 respectively to the Institute, and they jointly pay the costs of the Institute of HK$15,000 and of the FRC of HK$112,967.

Disciplinary findings

Ng Kwok Ching, Jeremy CPA (practising)

Complaint: Failure or neglect to observe, maintain or otherwise apply HKSA 500 *Audit Evidence* and HKSA 230 *Audit Documentation.*

Ng is the sole proprietor of Jeremy Ng & Company (formerly known as Tang & Ng), a CPA firm. He is responsible for the firm's quality control system and the quality of its audit engagements. The Institute's follow-up practice review visit to the firm in 2016 found that a number of deficiencies noted in the initial practice review remained uncorrected, and the audit work performed on the sole client in the relevant period fell below the standard expected. The audit deficiencies related to obtaining evidence for a number of material items in the financial statements, obtaining management's representation letter and preparing documentation.

Decisions and reasons: Ng was reprimanded. In addition, the practising certificate issued to Ng was ordered to be cancelled with no issuance of a practising certificate to him for 12 months. Ng was also ordered to pay a penalty of HK$50,000 and costs of disciplinary proceedings of HK$55,000. When making its decision, the Disciplinary Committee took into account the particulars of the breaches committed in this case, the parties' submissions, and the respondent's conduct throughout the proceedings. The committee noted that the breaches were serious in view of Ng's failure to address the audit deficiencies found in the initial practice review, his lack of understanding at the level of competence expected of a professional accountant and the questionable accuracy of the audited financial statements.

Ng appealed the committee's decision. Following the Court of Appeal's dismissal of the appeal in April 2022, the practising certificate of Ng was cancelled with effect from 18 May 2022.

Jimmy Siu CPA (practising), Yip Kai Yin CPA and Elite Partners CPA Limited

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

Elite Partners CPA Limited expressed an unmodified auditor's opinion on the consolidated financial statements of L & A International Holdings Limited, a Hong Kong listed company, and its subsidiaries for the year ended 31 March 2017. Siu was the engagement director and Yip was the engagement quality control reviewer of the audit.

The Institute received a referral from the FRC concerning deficient procedures carried out by the audit team on impairment assessment of the company's interest in an associate. There was also inadequate engagement quality control review of the significant judgements made and conclusions reached by the audit team in the impairment assessment.

Decisions and reasons: The Disciplinary Committee reprimanded the respondents. In addition, the committee ordered the respondents to jointly pay a penalty of HK$500,000 and the costs of the Institute and the FRC totalling HK$258,871.65. When making its decision, the committee took into consideration the particulars in support of the complaints, the parties' submissions, and the respondents' admission and their circumstances.

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

HK$16.72

The closing share price of GOGOX Holdings on 24 June, when the logistics company listed on the Hong Kong Stock Exchange (HKEX), valuing the company at HK$10.4 billion. It was the first listing to be marked by a physical ceremony in the HKEX's listing hall after two years, with all listing ceremonies held online due to the pandemic.

ETF Connect

The name of a new scheme that will see eligible exchange-traded funds (ETFs) included in Stock Connect. The announcement, issued by China Securities Regulatory Commission and Hong Kong's Securities and Futures Commission this month, will allow investors in Hong Kong and Mainland China to trade eligible ETFs listed on each other's exchanges through local securities firms or brokers, starting 4 July.

Kelly Grier

The Chair and Managing Partner of EY United States, who stepped down from her role this month. Grier's resignation came after disagreements with EY's Global Chief Executive Carmine Di Sibio over the influence her business should wield within the firm's international operations, reports the *Financial Times*, citing people familiar with the matter.

Hong Kong's unemployment rate slid to 5.1 percent in the March to May period of the year. The figure, which is down from 5.4 percent seen in the February to April period, was announced by the Hong Kong government on 17 June and is attributed to support from the city's Consumption Voucher Scheme and relaxed social distancing measures.

HK$7.8 billion

The value of the loan Cathay Pacific will be able to access over the next 12 months. The loan facility is an extension of the rescue package granted by the Hong Kong government in 2020 to help the embattled flagship carrier stay afloat amid the impact of the pandemic on travel. It is the airline's second such loan extension in two years.

HK$862.5 million

The amount in debt that China Evergrande Group failed to pay, leading to the group facing a winding-up petition submitted by a foreign creditor. It is the first winding-up petition known to have been filed against Evergrande, Mainland China's second-largest developer by sales, which is reeling under more than US$300 billion in liabilities.

"You need the right systems to get the right data and internal controls, just to make sure that the information and data that is being used to support decision-making by senior management, and oversight by boards of directors, is as correct as can be."

– Kevin Dancey, Chief Executive Officer of the International Federation of Accountants (IFAC), told *Accounting Today*. IFAC released a call to action this month urging chief financial officers and finance leaders to improve the quality of sustainable information and processes by leading with an "integrated mindset."

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The number of additional members appointed to the International Sustainability Standards Board (ISSB). The IFRS Foundation Trustees announced the appointment of Richard Barker, Verity Chegar, Bing Leng and Ndidi Nnoli-Edozien as inaugural members of the ISSB.

40%

The percentage decrease in cash Hong Kong expects in initial public offerings (IPO) the rest of the year compared to 2021, according to a forecast released by PwC this month. The firm is the first of the Big Four firms to soften its IPO forecast for the year. So far, 22 IPOs in the city have raised HK$17.1 billion this year, representing a 92 percent drop compared to a year ago at this time.

SPEAKERS:
(from left)

DANIEL HUI
Partner of China Tax at KPMG Tax Services, and a member of the Taxation Faculty China Tax Sub-Committee (CTSC)

CECILIA LEE
Partner, Tax Services and Transfer Pricing Services at PwC, and a member of the CTSC

SARAH CHAN FCPA
Partner, Tax and Business Advisory Services, Deloitte China, Chair of the Taxation Faculty Executive Committee (TFEC), and Convenor of the CTSC

BRUCE LI FCPA
Teaching Fellow from the School of Accounting and Finance, the Hong Kong Polytechnic University, and a member of the TFEC and the CTSC

WILLIAM CHAN CPA
Partner, Grant Thornton Tax Services, and a member of the CTSC

SAM PANG CPA
Partner for the People Advisory Services at EY (China) Advisory Limited, Shenzhen Branch

CHINA TAXATION CONFERENCE 2022: NAVIGATING UNCERTAINTY

Expert panellists at the Institute's recent China Taxation Conference 2022 discuss challenges and opportunities as the country's tax administration continues to evolve, and how tax will play a vital role in its economic recovery. Jolene Otremba reports.

Photography by Calvin Sit

When it comes to the latest tax trends in Mainland China, there continues to be many uncertainties and challenges brought about by COVID-19, as well as the evolving state of tax administration. In this environment, companies and individuals need to exercise greater due diligence when it comes to their tax reporting to ensure that they are compliant and remain on the right side of the law. This was one of the key takeaways at the China Taxation Conference 2022, hosted virtually by the Hong Kong Institute of CPAs in May.

Speakers and panellists engaged in a lively discussion over some of the main challenges and opportunities that have emerged as a result of Mainland China's efforts to develop its taxation system. Some of the key themes included the latest tax relief measures and the intensifying crackdown on tax fraud.

Facilitating the event was moderator Sarah Chan FCPA, Partner, Tax and Business Advisory Services, Deloitte China, Chair of the Taxation Faculty Executive Committee (TFEC), and Convenor of the Taxation Faculty China Tax Sub-Committee (CTSC). She started the conversation by explaining the theme of the conference, and issues that more robust tax administration has posed for taxpayers in Mainland China.

"For taxpayers, whether individuals or businesses, they are facing many more taxation costs today, and there are still many uncertainties because of the pandemic. This is why, beyond sharing the latest updates and notable changes in China tax, we have

invited seasoned experts and academics to talk about the real world impact these changes have on companies and individuals. Despite all these challenges, what are the opportunities for us to improve the taxation system?" she asked. "What can businesses and taxpayers expect? What's coming?"

To answer this question, Bruce Li FCPA, Teaching Fellow from the Hong Kong Polytechnic University's School of Accounting and Finance, and a member of the TFEC and the CTSC, said that practitioners need to grasp the bigger picture in Mainland China. He noted that the State Council held an emergency meeting on 25 May involving around 100,000 local government officials, with Premier Li Keqiang urging local governments to quickly implement economic stimulus policies to mitigate the economic impact of the lockdowns in cities like Shanghai. Bruce Li emphasized that the sudden announcement of the meeting signals that the Chinese government is earnestly making plans for an economic recovery while juggling the containment measures around the COVID-19 pandemic. Many of the stimulus policies were focused on expanding previous support measures such as tax reliefs, fee reductions and subsidies.

"The government has noticed the downward trends in its data, and they want to send a message before it's too late," explained Li. "It is a matter of balancing between costs and benefits. China understands the cost of its current COVID strategy, but it will not keep pumping more money in to solve the problem. The government feels that help can be from the bottom up, too."

He explained that the Chinese government understands that the pandemic measures have led to growing economic pressures, higher operational costs and disruptions in the supply chain, and this is why it has chosen to release a host of tax relief measures aimed at easing the economic burden on taxpayers, and small and medium enterprises (SMEs). At the same time, the meeting sent a strong message, warning local officials to focus on building up the fundamentals, and not simply rely on the state government for large stimulus packages.

Fellow panellist Daniel Hui, Partner of China Tax at KPMG Tax Services, and a member of the CTSC, said that the current tax relief measures are aimed mainly at SMEs in certain vulnerable industries, in the hope that they will be able to weather the current economic storm. "China is essentially using tax measures to help its people. They don't want to see these SMEs close down," he said.

For example, the government has pledged 1.5 trillion yuan of large-scale value-added tax (VAT) rebates to be doled out this year, and it has further issued directives on how to speed up the payments and refunds for certain businesses. The details were published through the 2022 *Report on the Work of the Government* released in early March.

Hui explained that the VAT rebates will be rolled out to companies that fall under six industries: manufacturing, scientific research and development and technology services, energy production and supply, software and information technology services, ecological protection and environmental governance, as well as transport, logistics, warehouses and postal. The panellists believe that supporting these industries makes sense, as it is in line with the Mainland's broader goal of shifting the country towards a more service-based economy.

For the same reasons, Mainland China has also been focusing on creating specialized tax zones, Hui explained. Pointing to Hainan Island as an example, he explained that making Hainan Island a free trade port was always part of the government's strategy to attract more foreign direct investment into the country. "The government wants to encourage foreign investment into these areas including the Greater Bay Area (GBA) as part of the strategic development plan. This has always been their long-term plan. They want to attract modern services and create international service centres, like Hong Kong, for bigger multi-national corporations (MNCs), and to improve the local area," Hui said.

To that end, the Mainland has

already relaxed visa requirements, and loosened restrictions on capital flows and data into these areas. Furthermore, to attract talent, it has reduced the income tax rate for qualifying individuals and companies in areas such as Qianhai, Hengqin and Hainan Island to just 15 percent, which is lower than the rest of the Mainland.

This prompted Sarah Chan to ask the panellists whether they thought it was attractive for MNCs to consider going into these areas, where the bar is set lower to do business in Mainland China. "Wouldn't it be worth putting your resources into specially-designated areas or particular industries that the government is encouraging?" she asked.

William Chan CPA, Partner at Grant Thornton Tax Services, and a member of the CTSC, commented that there are fewer incentives to take advantage of those specific areas for many MNCs that are also major manufacturers. "Many of these MNCs may already qualify for a 15 percent tax rate under the High and New Technology Enterprise programme, regardless of where they are set up. So for them, they are not locked into a particular geographical location," he said. "Especially since requirements may vary greatly for each area, making it more or less easy for MNCs to enter them."

Hui added that, for Hainan, in particular, its duty-free programme has made it an attractive destination for luxury brands, while insurance companies have targeted GBA cities such as Shenzhen, Guangzhou and Foshan to set up their services centres, as an entry point for future business opportunities, as the Cross-boundary Wealth Management Connect Scheme continues to evolve.

Cecilia Lee, Partner, Tax Services and Transfer Pricing Services at PwC, and a member of the CTSC, warned that while it looks like an attractive option, at the end of the day, "if you are a business and you want to go in there, you need to make sure you have sufficient economic substance," she emphasized, explaining that tax authorities have already put policies in place to identify shell companies with minimal substance.

The discussion then quickly turned to the fact that businesses are not the only entities that will benefit from new tax concessions. Individuals also stand to gain under these expanded provisions.

Sam Pang CPA, Partner for the People Advisory Services at EY (China) Advisory Limited, Shenzhen Branch, pointed to tax exemptions for foreigners as an example. He noted that in order to keep Mainland China competitive in the global talent market, the Ministry of Finance and State Taxation Administration had released Circular No. 43, extending tax exemptions for foreigners' fringe benefits to the end of 2023. Previously, as from 2022, foreigners working in the country were to lose some tax-free fringe benefits, such as housing rental and children's education costs.

While this was a welcome move, Pang noted that it also posed certain challenges for tax practitioners who wanted to do tax planning, because now foreigners would wonder if there would be further extensions after the new deadline. "What are the new expectations? How do clients plan beyond the end of the next year? We aren't able to give definite answers to many of these questions."

Risks and challenges

To further highlight some of these issues, Sarah Chan presented the panellists with a fictional scenario, where a Hong Kong company in the animation and video gaming industry decided to open several subsidiaries in Mainland China to develop intellectual property, as well as promote and sell their products in the Mainland. She asked the speakers, what were the issues, risks and challenges for the company, the tax authorities, and even for individuals who participated in promotion activities?

In examining the case, the speakers agreed that this was not an unusual set up these days, and that the case highlighted many of the problems that companies are facing when it comes to filing tax returns, or being tax compliant, in the Mainland's current tax environment, given the ongoing COVID measures.

For starters, Pang lamented that, unlike many other countries, Mainland China hasn't made any concessions for COVID-19 and there are no special facilities to address any tax problems. "So, a common problem now is that businesses or personnel who are supposed to work in Hong Kong are stuck in China, or the other way round, for more than 90 days because of COVID-related travel restrictions. Whether it's personal or business tax, there are real effects," he said.

Pang explained that, depending on whether an employee has been able to go back to Mainland China, or is in Hong Kong working in a China-based job, taxing is complicated for the authorities, too. "In such a scenario, the tax authorities would assess whether a foreigner has duties inside or outside of China by calculating their time apportionment, so as to collect taxes on a pro-rata basis, depending on what is China-sourced income versus what is Hong Kong-sourced income," he explained.

However, there are still many ways in which things can go wrong. Firstly, when it comes to calculating the time apportionment for people who travel in and out of the Mainland for work, Pang explained that if an employee doesn't stay in the Mainland for more than 183 days, there is an assumption that they don't need to pay taxes. However, if their income comes from an employer based in the Mainland, they may be liable to taxes.

Then there's the salary package, he continued. By breaking up the salary package, companies could structure their employees' packages so that it isn't taxable, he explained. But then the real question is: "How many salary packages can be broken down like this? The law only allows this to be done within reason. Well, what is within reason?" Pang said. "With so many ambiguities, mistakes can happen stemming from a misunderstanding or misinterpretation of the rules."

Vigilance is key

Hui took this opportunity to talk about the importance of corporate vigilance. He advised companies and individuals to be very careful as the trend is now for the tax authorities to continue tightening their supervision of businesses and their operations, especially in special ports like Hainan, which they do not want to become tax havens or locations for shell companies.

"The taxman may have given these concessions now, but industries must be very careful," Hui said. "The tax filings are now all online and taxpayers' information is in the system, so in this regard, China is quite advanced in data analytics. They're looking at your company's data and doing their analysis, so you need to know how your company is paying taxes in China, and you must be prepared when they come asking questions."

The panellists agreed that digitalization has accelerated the crackdown on tax fraud, and investigations are becoming much more prevalent today. Citing recent high-profile cases, such as the case of Chinese social media personality and e-commerce influencer Viya, who was fined a record 1.34 billion yuan (US$210 million) for tax evasion in December 2021, the panellists jumped into a lively discussion on how to tackle some of these taxation challenges, especially when it comes to cross-border businesses.

Referring to the hypothetical case that Sarah Chan had put forward, Lee suggested that companies like gaming companies could consider cost sharing as a way to ensure tax compliance. "If you cost share on everything, then there's no need to explain yourself. You can even share

A new era in China's Golden Tax System

This year, China is expected to roll out Phase IV of its Golden Tax System (GTS) in a bid to tighten its supervision based on big data.

This is a significant development that will lead to an increase in crackdowns, as Mainland China continues on its course to digitalize its entire tax system, according to Tony Yao, Director of Tax and Business Advisory Services at Deloitte China.

"Although the exact date hasn't been set, we know that, through the digitalization and centralization of all the data, the tax authorities can better look at taxpayers through a centralized, streamlined process and do quicker analysis to spot risks," he explained at this year's China Taxation Conference.

The move is part of the country's goal to better safeguard its largest source of fiscal revenue to speed up economic recovery, while moving the tax bureau towards a new concept of managing tax through data. The new system, an upgraded version of the GTS Phase III, will allow the tax authorities to expand their inspection to an enterprise's business, capital, personnel and other data, thereby making it easier to detect any evasion of taxes.

According to Yao, the new phase will have an impact both on the tax authorities as well as on businesses operating in China. Mainly, it will simplify the tax return process for the taxpayer, but it will also give the tax bureau a better overall picture to monitor the entire transaction chain through digital invoices. "By digitalizing the entire process and having this overview, the response rate and the analysis rate will be much more efficient and much faster," he explained.

Yao equates the latest upgrade to a real-time health check. "In Phase III, it was like seeing a doctor for a sore throat and the doctor would only look at your throat and that was it, but in Phase IV your overall health would be monitored by the hospital online in real time," he said.

In other words, "Using tax returns, data from other government authorities such as those extracted from customs returns and information on the Internet, they can immediately assess a company's risk in real time. It quickly shows where the risks are and then the relevant department can investigate. It's more targeted and faster."

The key breakthrough of this new phase is that tax information of all entities can be exchanged even more quickly between different levels of tax authorities, from the national headquarters, provincial offices down to the local tax bureaus. Under such comprehensive monitoring, it will become harder for offenders to fly under the radar.

the intellectual property rights, and then you just need to pay taxes on both sides," she suggested.

However, while Hui agreed that cost sharing is worth exploring, he said that another question that companies need to ask themselves is how can they overcome any issues around the base cost? "In China, the tax authorities are always looking at your invoices, so how would you support the overseas costs and allocate out, especially in terms of the cross-border movement of funds? How would you explain to the foreign exchange authorities? Companies need to think about different implications altogether."

Moving on, the discussion then turned to look at businesses where there are multiple cross-border stakeholders involved. When it comes to who would be responsible for what portion of the taxes, and in which jurisdiction the tax liabilities are due, Pang admitted these issues are complicated and ambiguous at best.

With so much uncertainty, Sarah Chan then posed the question, "With tax exemptions appearing to be a double-edged sword, what is your advice to businesses?"

Lee shared her usual advice to clients: "From an industry point of view, it is best to think about what your story is. Prepare your defence documents and consider an advance pricing agreement (APA), then you never have to worry about it." Indeed, Lee emphasized that APAs have become a trend in Mainland China in recent years, in part, as a way to prepare for the rolling out of Pillar One of the Base Erosion and Profit Shifting 2.0 project. "Go back to the drawing board and work out the transaction flows; know your big picture," she urged the audience, describing investigations these days as microscopic in nature.

The panellists agreed that tax planning has never been more important, and companies operating in the Mainland must have a very clear picture of how they are operating their business in the country. "Make sure that all your expenditures are in line with what the company says it is actually doing," Hui advised. "You can't be a shell company operating in China. You have to have substance otherwise it is very risky." Pang agreed, saying that for anyone flouting the rules, "there are dire consequences these days. Look at these high-profile cases, the penalties have been high and the consequences long-lasting."

Considering these developments, Sarah Chan asked the panellists what they thought the future trends and developments would be. "What is going to be the biggest challenge for CPAs?" she asked.

William Chan said that the most difficult thing to contend with moving forward are the uncertainties around tax planning and transaction planning. "There are so many uncertainties for all parties," he emphasized. "If there's an investigation, it can really go back 10 years. Are you confident that you can pull out all your reports from 10 years ago?

"Furthermore, will the tax bureau double tax if an investigation is launched in Hong Kong and the Mainland, and what are the rules around that? This is a real issue for accountants," he added. "There are so many uncertainties and navigating your way around this is going to be the biggest challenge."

The panellists also agreed that digitalization of the entire tax system will continue to be a trend, as will further developments in transfer pricing and APAs. But for now, 2022 is set to be a year when the country will see a greater number of crackdowns on tax abuses while it tries to navigate its way out of the pandemic.

Developed in 1994, China's Golden Tax System is a country-wide value-added tax (VAT) administration and monitoring system that relies on an online network of tax authorities to closely control VAT special invoices called *fapiao*, monitor corporate VAT tax status and ensure taxpayers' compliance. The digitalization and subsequent upgrades of the system have been seen as a significant step towards tax stabilization and the simplification of tax processes in the country.

BUILDING A BETTER TOMORROW

Sustainability has to be at the foundation of every business and building today, says Ricky Tsang FCPA. The Deputy Chief Financial Officer of Chinachem Group tells Jeremy Chan how he guided the group through change, enhanced its resilience by maintaining cash flow, and how his combined experience in governance, risk management, corporate finance, and real estate provides him with the foresight and skills to continuously add value

Photography by Calvin Sit

Ricky Tsang FCPA asks himself the same question everyday: "What can I enhance within the company to benefit the people, planet, all while ensuring group's prosperity?" It is a difficult question to answer, Tsang notes, but it serves as the backbone for the crucial decisions he makes as Deputy Chief Financial Officer of Chinachem Group.

The group, a leading property developer in Hong Kong, is unique, Tsang says, as it is neither publicly listed nor family-owned. This means it has the flexibility to place its people and best sustainability practices on the same pedestal as profits. "At Chinachem, we follow the Three Ps – people, prosperity and planet. We call it a 'triple bottom line,'" he says, adding that this is made possible through the group's heritage and real estate assets.

Chinachem Group was founded in the 1960s as an industrial building developer for the city's thriving manufacturing industry at the time. In the 1970s, the group invested in farmland and traded it for sites in areas such as Sha Tin, Ma On Shan, Fan Ling and Sheung Shui, where it developed large-scale community housing to cope with the rising population. The group is now focused on developing commercial and residential premises, and has completed around 200 residential developments, eight hotels, and many shopping centres around the city. "Our property portfolio has always helped to produce a strong, recurring cash flow. It has supported management in balancing the 'people and planet' aspect, rather than just focusing on

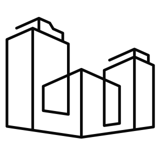
commercial returns," adds Tsang. "I find it very exciting to be part of the team managing the sustainable transformation of our business with this vision."

Opportunity amid challenges

The past two years, Tsang says, have been a challenging time for Hong Kong's property leasing market. He points out that COVID-19-related travel restrictions and social distancing measures have particularly impacted on the group's hotel revenue and retail footfall. "Our hotels, which saw an abrupt drop in occupancy and cash flow, were hit hardest," Tsang says. However, he notes that initiatives such as staycations, long-term stay packages, and then quarantine accommodation for travellers helped the group to sustain cash flow, avoid furloughing staff, or make employees redundant. "This helped to uphold the 'people' aspect of our Three Ps," he adds. "We offered rental concessions to retail tenants based on their circumstances, as many retailers saw a prolonged period of business downturn, with operating restrictions or compulsory closures applied to selective trades."

There is also reduced demand for high-end residential property resulting from border closures. "The ongoing border controls and quarantine requirements have affected Hong Kong's competitiveness and ability to keep expats in international companies, of which many have plans to relocate their talent, especially those with regional duties," Tsang says. "Border closures have also reduced the number of buyers coming in from the Mainland, and the increasing number of people relocating from Hong Kong to other cities has increased the supply of property in the second hand market. This has also led to buyers negotiating a lower price."

On the contrary, first hand luxury residential sale prices are holding up, with interest in the group's luxury property market stemming from local buyers and Mainland residents. "The location and quality of our properties attract buyers, especially after renovation," he says. Tsang believes this momentum will remain steady in light of eased restrictions. "As COVID-19 measures continue to relax in Hong Kong, we see more people coming out to view properties."



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> **"This makes us the second real estate developer in Hong Kong to have completed a science-based targets validation with a 1.5 degree celsius target aligned with the Paris Agreement goals."**

There is one particular project that Tsang looks forward to growing now that dining restrictions have eased and with more people out and about – Central Market. Managed by Chinachem Group and restored by the Urban Renewal Authority (URA), the HK$500 million project saw Hong Kong's 82-year-old Central Market building revitalized after being closed for 18 years. It opened to the public in August 2021, housing restaurants, cafes, bars, shops and small businesses. Tsang is proud to see the building restored and brimming with life, all while maintaining a rustic 1940s charm. "We've always promoted Central Market as a kind of 'playground' for all," he says. "We are, on one hand, preserving the heritage of the building, and on the other hand, turning it into a hot spot for entertainment, food and beverage, retail, and co-working."

Tsang, who played a role in monitoring the group's investment towards the revamp, hopes Central Market will be a hotbed for small businesses to grow. "We provide a 'plug-to-operate' opportunity to help local start-ups and small- and medium-sized enterprises operate with a minimum amount of capital expenditure and operating expenses," says Tsang. The group, which has been approved by the URA to be the main operator of the Central Market for a period of 10 years, is looking forward to the second phase of its opening plan, which will begin in the second half of the year. "We have diversified marketing programmes to attract different groups of visitors and a good mix of tenants," he says. "We look forward to incorporating a virtual reality zone, a STEM or science, technology, engineering and mathematics shop, as well as unique retail, and food and beverage offerings."

Sustainability first

Chinachem Group, Tsang says, places sustainability at the forefront of its operations and developments. In January, science-based targets set by the group were officially approved by the Science Based Targets initiative (SBTi). SBTi is a collaboration between the CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature, and provides companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions.

"We took action in 2021 to set our science-based targets and adopt recommendations by the Task Force on Climate-Related Financial Disclosures. We also set long-term targets in according to our science-based targets to reduce our greenhouse gas emissions," says Tsang. "This makes us the second real estate developer in Hong Kong to have completed a science-based targets validation with a 1.5 degree celsius target aligned with the Paris Agreement goals."

To ensure best sustainability practices, the group is using property technology, or PropTech, which refers to advanced technologies and software solutions that are used to solve the needs and challenges of real estate companies. PropTech allows developers and companies to integrate sustainable solutions to the development of properties and its facilities to reduce electricity and water consumption, waste, and in doing so, their overall carbon footprint. For example, by teaming up with a PropTech start-up in 2020, Tsang notes that the group is among the first developers in the world to replace diesel with clean energy at construction sites. Diesel generators are generally used to provide temporary power at sites. "We've introduced a portable battery storage system to a construction site at one of our residential property projects. By replacing traditional diesel generators, we can lower carbon emissions by 85 percent," he says.

In 2019, the group signed an agreement to partner with energy company CLP Power Hong Kong Limited in rolling out smart technologies at their flagship office tower in Tsuen Wan. "We collaborated with CLP Power significantly in search of solutions for our flagship building to conserve energy, and identify targets that would save a total of 14 gigawatts of electricity for the next five years," Tsang explains. One gigawatt of power is equivalent to a billion watts of energy, and is enough to power over 100 million light-emitting diode lightbulbs. "This requires deploying technology such as metering, energy efficient heat pumps, variable speed drives and controls, electric kitchens, smart lighting hardware and solar films to manage the energy consumption at Nina Tower." The group tests new technologies in their office building and has recently implemented systems to enhance cleanliness such as touch-free lift buttons, self-disinfecting door handles and robotic solutions to help keep the premises clean around the clock. "Nina Tower and our existing portfolio provide excellent pilot opportunities for these new technologies," he adds.

The group plans to implement the same solutions in its future developments. Doing so, Tsang says, will decrease carbon emissions across their projects and also set a good example for other developers to follow. "Building-related activities account for some 90 percent of Hong Kong's total electricity consumption – and generating this kind of electricity accounts for more than 60 percent of the city's greenhouse gas emissions," he says. "So from that basis, I consider improving the sustainability of the real estate industry to be critical. We recognize that the way we live consumes far too much of the planet's resources, which are limited and scarce. It's important that discipline starts from this generation forward."

Green finance within the property development sector has also risen in importance in recent years Tsang adds. "Measures on green objectives, such as higher energy efficiency and less carbon emissions, can now be written in as part of the financing contract," he says. Chinachem Group signed two bilateral sustainability-linked loans facilities, one with HSBC in December 2021, and one with Hang Seng Bank this month, worth HK$1 billion each. It also has secured a green loan worth HK$12.95 billion – the largest of its kind in Hong Kong – in partnership with Hysan Development Company Limited. "The pursuit of green finance reflects our group's commitment to creating a green future, and to help fostering sustainable development in Hong Kong's real estate sector."

As Deputy Chief Financial Officer of Chinachem Group, Ricky Tsang FCPA oversees the financial stability of the Hong Kong-based property developer. He leads the transformation of the group's finance function and pushes for best sustainability practices.

Transforming finance

As Deputy CFO, Tsang leads the transformation of the group's

Tsang began his career in Touche Ross as an auditor. He then worked in corporate finance before stepping into the property development sector, working for Hysan Development Company Limited, Hang Lung Group and Hang Lung Properties Limited, and MTR Corporation Limited.

finance function, and has helped to migrate and implement accounting and payment solutions to systems and processes. "I'm responsible for budgeting, reporting and finance operations, managing our capital structure and liquidity under the treasury, and the investment of our capital reserves. I also provide advice to other divisions on financial and funding matters," he says. His background in financial markets, Tsang adds, helps him to navigate the investment of the group's surplus capital and share ideas during meetings with the investment subcommittee.

Helping with change management, Tsang notes, is one of the more challenging aspects of his role. He recalls being caught in the midst of the company's transformation from day one, and the pressing need to ensure a smooth transition. "When I joined Chinachem two years ago, it had already begun embarking on a transformation journey, with the objective of rebranding the group, and building an image associated with quality buildings and services," he says. "This involved a major system overhaul and overturning most processes."

With the new mechanisms in place, Tsang needed to ensure that the company's financial performance would be properly reported. "My first task was to enhance our financial management, so I led a corporate-wide budget exercise to set targets and plan resources, and also revamp management reporting to enable more effective monitoring of the company's performance. Our reports also had to be produced within a much shorter timeframe," he says.

The finance team, Tsang notes, had to transition to a new accounting system, which presented another challenge. He saw that the finance and IT teams needed to communicate better to keep up with the changes. "This was another form of change management for finance staff, as well as for accounting processes," he says. "So we hired an external consultant with accounting qualifications and knowledge in accounting systems to act as a bridge between our finance and IT teams. We also formed a lot of working groups between IT, users and finance staff."

A foundation to build upon

Tsang's 30-year career saw him hone his skills and knowledge in the areas of audit, corporate finance, and property development. He began his career as an auditor at Touche Ross (now Deloitte) in the United Kingdom. "My four years working in audit provided me with a solid foundation in terms of the techniques to extract information out of data," he says. "I learned how to perform analytical reviews, assess and compare the performance of companies across different industries, and how to make use of comparative analyses on industry peers." His expertise in audit continues to help him in his current role. "My skills in financial review lead me to ask the right questions, ensure that records are complete, and assess key estimations and valuations," he adds.

The experience, Tsang says, also helped him to quickly sharpen his people skills at a young age. "The training gave me the confidence to meet, influence and convince the directors and senior staff of the companies we were auditing. I also learned how to manage my time, meet tight deadlines and always deliver at a high standard."

Tsang then stepped into the banking and finance arena, working for banks such as The Bank of Tokyo, Ltd. in London, before returning to Hong Kong to work at NatWest Markets, Morgan Stanley, and the Bank of Bermuda Limited. "I had the opportunity to work on corporate finance projects and was trained in understanding business models and valuations," he says. "I understood the importance of time value of money and cash flow, as companies can become insolvent – even if they are making profits."

He later ventured into the property development sector, joining Hysan Development Company Limited as CFO, then general manager – financial control at MTR Corporation Limited, and director – head of corporate audit at Hang Lung Group and Hang Lung Properties Limited. This established and refined his knowledge in the industry and, ultimately, prepared him for his role today. "At Hysan, the management team would always look at growth strategies, either by changing the mix of tenants at a property or repositioning itself through renovation, refurbishment or redevelopment," he says.

> "My skills in financial review lead me to ask the right questions, ensure that records are complete, and assess key estimations and valuations."

Tsang also learned the importance of a company's long-term vision. "At MTR Corporation, we looked at railway planning, maintenance and capital expenditure cycles that spanned over decades. This offered very interesting insight into a well-organized and well-controlled company with an established risk management and internal control framework, and one that is designed to provide a high quality of service over a long period of time."

A solid grounding

Tsang says his CPA skills have been instrumental throughout his career, and continue to help him add value in his job. "My CPA training reminds me to be professional and disciplined, open-minded, innovative and able to adapt to change," he says. "It has helped me to analyse a company's value and risk, and determine how macroeconomic, microeconomic or political factors are affecting them."

Understanding risk, and knowing how to navigate those potential risks in one's industry, Tsang adds, is also key to being an effective finance leader. "Understanding the strengths, weaknesses, opportunities and threats within the company and the industry you operate in is very important," he says. "This will help to foster a closer relationship with your business partners and understand their pain points."

It is also critical for individuals to stay up-to-date and avoid complacency, Tsang says, noting the merits of continuing professional development (CPD). "CPD is very important. The world is changing very quickly, and with my CPD training, I'm able to stay up to date on the latest trends affecting society, such as technology," he says.

Staying future-focused

When Tsang has time, he enjoys reading and being with his family, and says despite the impact of the fifth wave of COVID-19 earlier this year, he was able to spend more quality time with them while working from home. "We had a lot of fun baking, doing home exercises and watching a lot of movies together. We also made better use of our Netflix and Disney+ subscriptions," he laughs. An avid traveller, Tsang looks forward to travelling again to cities he used to frequent, and to new locations. "I do miss travelling a lot with my family and friends to tranquil places; ones that truly help me relax," he says. "I also love exploring new cities by driving around in places like Japan and Europe. I enjoy having a good time with good food, and understanding the local culture."

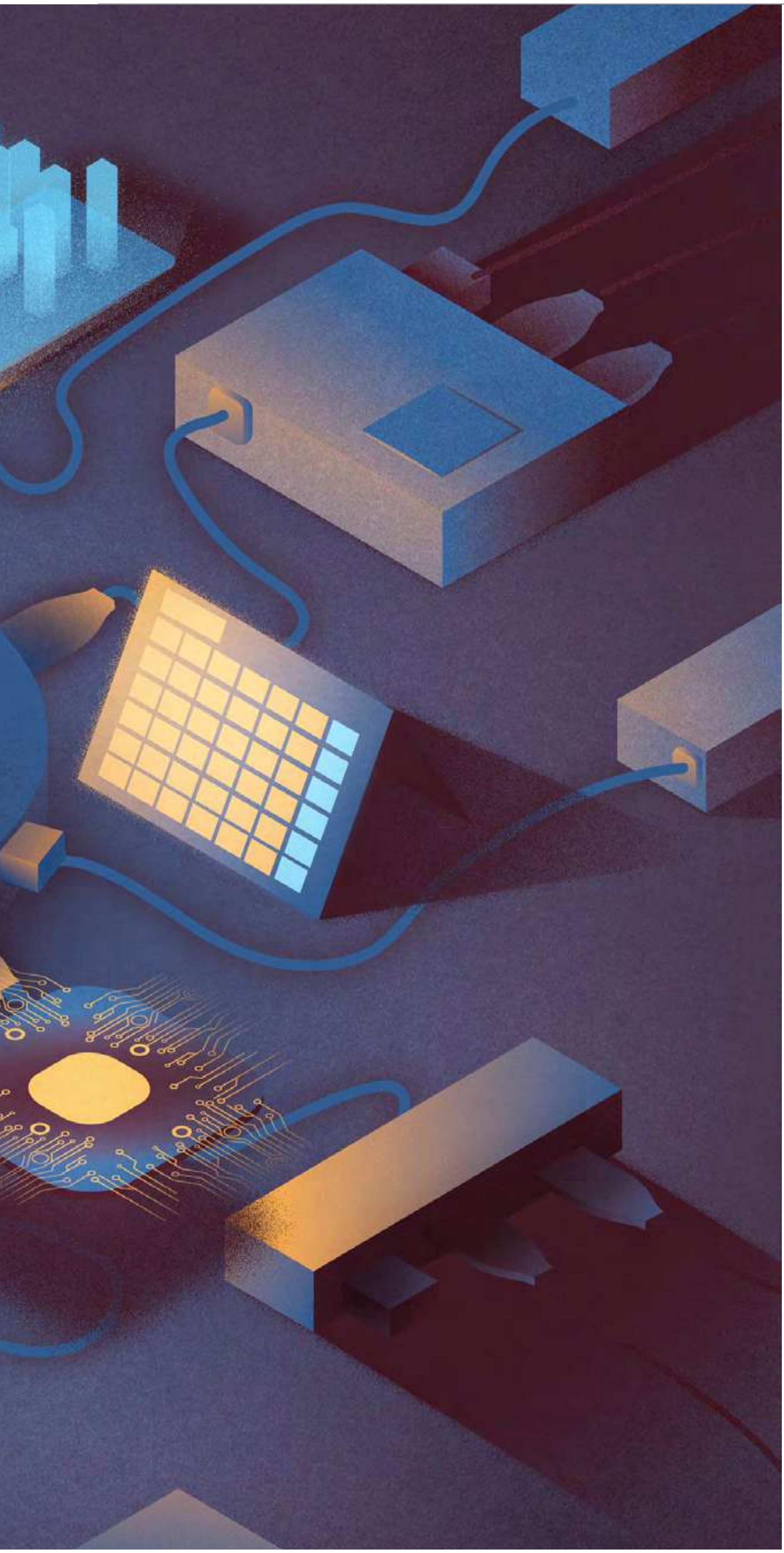
Tsang's sights for the next decade are set on helping with Chinachem Group's developments, including one project which will see the group collaborate with Hysan for a commercial project in Causeway Bay, slated for completion in 2026, and another development which will see the group develop a plot of land in Tung Chung East into a town. "The project, which is in line with the government's Tung Chung New Town Extension plans, will see us constructing a non-industrial site near the Tung Chung East Station," says Tsang, referring to a new MTR station that will extend the current Tung Chung line, due for completion in 2029. "We hope to develop shopping centres, offices and data centres there, too."

Above all, he looks forward to championing the sustainable development of property in Hong Kong, with the hope of creating a better tomorrow for society through his role. "I look forward to operating our business with the focus on and consideration for the Three Ps," he says. "It's important that we lead by example to push sustainability to be at the forefront and that we reduce our consumption of scarce resources, while balancing the needs of the future generation."

CENTRE OF ATTENTION

With its strong infrastructure and proximity to Mainland China, no other city has what Hong Kong will always have. But with challenges such as border closures and travel restrictions still standing in the way, can the city maintain its lustre and status as an innovation and technology hub for start-ups? Jeremy Chan speaks to entrepreneurs and experts about Hong Kong as a breeding ground for start-ups, and why start-ups should leverage opportunities and talent not just locally, but in the Greater Bay Area and around the world amid an increasingly challenging business environment

Illustrations by Gianfranco Bonadies



When Prenetics went public on the Nasdaq last month, there was a cause for celebration – not just for the Hong Kong-based genetics and diagnostics health testing start-up, but for start-ups in Hong Kong. It offered renewed hope for the city's position as a start-up hub, and for its start-up community, which have been rocked by uncertainty in recent years.

One of the main challenges has been the COVID-19 pandemic and resultant travel restrictions, which has made it difficult to raise funds and bring in overseas talent, and prompting some to reconsider whether start-ups can still truly thrive in the city. "Hong Kong has a strong start-up community and a large number of start-ups – but very few have actually reached a stage when they can go public. There are currently challenges, given the COVID situation and volatile global capital markets," highlights Prenetics' Chief Financial Officer, Stephen Lo FCPA.

Prenetics is also Hong Kong's first "unicorn," which refers to a start-up worth upwards of US$1 billion, to be listed in the United States. Lo hopes the listing inspires entrepreneurs to persevere and proves to young people that they, too, can succeed in the innovation and technology (I&T) sector. "They should know that they can also be disruptors who use their knowledge to bring about positive change and make an impact on society."

The company is one of thousands of tech start-ups capitalizing on the opportunities for growth in Hong Kong. Despite pandemic-related challenges and border closures, there are more start-ups than ever before in the city – with upwards of 3,700 start-ups in Hong Kong compared with just over 2,200 in 2017 – according to InvestHK's *2021 Startup Survey*. Increased government funding, such as more than HK$16 billion that will be allocated to I&T projects announced as part of Hong Kong's Budget 2022-23, and upwards of HK$130 billion that has been invested in I&T development over recent years, has accelerated development in the I&T sector. This, coupled with long-existing factors such as the city's strategic geographic location, diverse pool of talent, simple tax system and low tax rate, and ease in raising funds, continue to attract entrepreneurs worldwide.

These advantages make Hong Kong a prime breeding ground for start-ups in I&T in particular. According to the survey, the majority of start-ups in Hong Kong specialize in technology, including fintech, IT, data analytics, hardware, robotics, biotechnology and sustainable technology.

A strong starting point

Lo says start-ups are drawn to Hong Kong's status as an international financial centre and availability of talent. "People don't recognize the diversity of Hong Kong's talent pool – we have people from around the world," he says. "We have both a Chinese and English speaking community, and people who are educated locally and internationally. This is something unique." This city's talent, combined with its geographic location, present another key advantage, he adds. "Because Hong Kong is in the centre of East Asia, it makes it convenient for companies to cover the whole region in terms of time zones," he says.

Stephen Phillips, Director-General of Investment Promotion at InvestHK, agrees, noting that Hong Kong's proximity to Mainland China and its location within Asia Pacific provide a distinct advantage. "Hong Kong is a great place to headquarter a start-up – you've got the Hong Kong market, the scale of the Greater Bay Area (GBA) and wider China market, and access to ASEAN countries," he says. "Through Hong Kong, start-ups are able to access different markets, capital and talent."

Hong Kong is also home to more than 60 start-up incubators and accelerators, according to data from Tracxn Technologies Limited, an IT services company. Cyberport Hong Kong, which is managed by a company wholly-owned by the Hong Kong government, is home to the city's largest fintech hub and provides tech start-ups with the boost needed to bring their products or services to the market through benefits such as seed funding, exposure to investors and customers, and office space.

Tech hubs like Cyberport are key to Hong Kong's start-up ecosystem, and start-ups should utilize them, says its Chief Public Mission Officer Eric Chan, as they also have the premises to test, support and invest in a company's products. "With over 1,800 companies in our community, Cyberport is an I&T hub. We have our own hotel, office buildings, co-working spaces, and a shopping arcade. Start-ups can also meet our needs as a community and business," he says, explaining how Cyberport adopts start-up solutions for its infrastructure. "This allows us to be reference customers for start-ups. We also help connect start-ups to large enterprises, corporates or conglomerates."

Another hub supporting the growth of start-ups is managed by statutory body, Hong Kong Science and Technology Parks Corporation, which as of April, has helped to nurture over 1,100 start-ups in I&T. It has seen two start-ups become unicorns, and one start-up successfully list on the Hong Kong Stock Exchange.

Chan says that Hong Kong's start-up landscape has thrived over the years as a result of its support system of incubators and accelerators. "Back in 2014, there were no unicorns in Hong Kong," he says. "Now, there are roughly 18 in the city, and six of them come from Cyberport. Over the past 18 years, we've supported over 1,000 tech start-ups with our entrepreneurship programmes."

> "Hong Kong is a great place to headquarter a start-up – you've got the Hong Kong market, the scale of the Greater Bay Area and wider China market, and access to ASEAN countries."

William Lam, Chief Executive Officer of iFinGate, a Cyberport-incubated start-up, says that by headquartering in the city, his company has been able to tap into talent and clients from around the region. "Being in Hong Kong has helped us to easily build our regional footprint," Lam says. "Though we're based in Hong Kong, we have clients in the GBA, Singapore, South Korea, Taiwan, Australia and the United Kingdom."

Lam is aware that his start-up, which specializes in regulatory technology or RegTech, is operating in a niche field, but says that the city's existing regulations and openness to tech solutions have helped the company to thrive. "Hong Kong is a very well-regulated economy and financial centre, and the market is well aware of compliance requirements," he says, noting that initiatives from regulators such as the Hong Kong Monetary Authority (HKMA) have helped to boost the adoption of RegTech in recent years. For example, in June 2021, the HKMA launched the *Regtech Adoption Practice Guide* series, to provide banks with guidance on how to implement RegTech solutions. "This has helped us to grow our products more easily in Hong Kong," he adds.

Honnus Cheung CPA, Founder of Mojodomo, a Cyberport-based fintech company with offices in Taiwan, Singapore and Ireland, says Hong Kong's low tax rate and legal framework provide entrepreneurs with another incentive to set up in the city. "Hong Kong has always been a very business-friendly environment, and has maintained its low tax rate for many years," says Cheung. The city's corporate tax rate of 16.5 percent – which is lower than that of Mainland China, Singapore and Taiwan, for example – has indeed remained unchanged for almost 15 years. "Hong Kong's simple tax system makes it easy for start-ups to understand what tax they need to pay," she adds.

Tapping into talent

Recent announcements seek to fortify Hong Kong's status as an I&T hub within the GBA. In February, the government announced that as part of its Budget 2022-23, HK$100 billion will be set aside for its Northern Metropolis Plan. The project will see the development of a large metropolis near the Mainland China border over the next 15 years and, within it, a 240-hectare plot of land dedicated to a technology hub called the San Tin Technopole, which hopes to create some 150,000 jobs in the I&T sector.

Lam welcomes the idea, noting that the development will allow start-ups to access talent across the border and better leverage the vast opportunities for business expansion within the Mainland. "By hiring talent from the GBA, who may have a better understanding of the GBA market and connections in the Mainland, start-ups will be able to roll out products and services in the GBA more effectively," he adds.

The potential for growth within the GBA is immense, adds Chan, noting that start-ups need to leverage Hong Kong's proximity to the Mainland to access more opportunities. "Though many start-ups may think Hong Kong is too small for them to grow or become a unicorn, the GBA will provide them with more potential to expand and tap into its population of 86 million people and a slice of its GDP, which was 12 trillion yuan in 2021. This presents a huge market for start-ups."

Attracting and retaining the best talent is especially important, says Cheung, who notes that Hong Kong is experiencing a talent shortage in the tech sector. "People with technical skills in digitalization and tech are in demand globally – not just in Hong Kong," she says.

To cope with the lack of supply, Cheung's start-up decided to look beyond the city and tap into the availability of remote workers elsewhere. "I know a lot of companies that are considering outsourcing their tech or research and development (R&D) functions," she says, noting that her start-up ended up outsourcing its IT function to Taiwan. "There is more IT talent in places like Taiwan and Vietnam; more students choose to become developers in those places."

In addition to providing more robust facilities, Phillips believes that the San Tin Technopole will see Hong Kong act as a key connector between start-ups in the GBA and international markets. "It will provide start-ups with more space, high quality facilities such as labs, and also housing for key talent," he says. "The Northern Metropolis is inextricably linked with the development of the GBA as a whole. This means it will provide more start-ups with the space to continue growing; they'll be able to leverage the international status of Hong Kong and grow and scale within the GBA."

Lo believes the development of the San Tin Technopole will ultimately help to diversify Hong Kong's economy. "The city can't simply focus on its real estate or

financial services sector forever. We need different jobs and opportunities for people today and the next generation," he says. "Tech and transformation is very important for the overall economy. If you fail to innovate and fail to drive progress, you'll lose out in this global competition."

A need to adapt

Cheung says that the main impediment Hong Kong's businesses and start-ups still face is the city's mandatory seven-day quarantine for all incoming residents and travellers. This, she says, makes it difficult for entrepreneurs to meet potential investors or partners in person. "Travelling in and around Asia Pacific was very easy before the pandemic, making it easy for businesses to raise funds and conclude business deals in an effective and productive manner," she says.

Though meetings can take place virtually, they lack the personal touch that comes with in-person meetings, which Cheung stresses is key to building long-term trust with investors and partners who may be interested in a start-up's products or services. "Say a start-up needs to demonstrate a new product, conduct an on-site company visit, or meet investors in person for a deal. Though it's possible to meet via Zoom, it will never replace a face-to-face meeting," she says. "It's not a major disadvantage, but definitely a hindrance when it comes to networking or knowledge exchange. As a start-up founder myself, it's important that I'm able to set up or oversee things in person."

Start-ups are also operating in unprecedented times, which presents additional risks, notes Phillips. "Clearly, the world is facing geopolitical challenges now, whether it's in this region or the Russia-Ukraine conflict and the wider ramifications that they bring," he points out. Some younger entrepreneurs may not have developed the skills and knowledge in effectively navigating complex environments the way larger corporations may be accustomed to, he adds. "Inflation is rising sharply in many places and interest rates have been going up. Very few people in the start-up environment will have experienced such a complex and inflationary environment like this before."

> "Start-ups have to be aware that investors and clients may be more sceptical and want to know that they are investing in a company that will guarantee returns."

The economic slump is having a knock-on effect on start-ups, Lam explains, which is leading to dampened investor sentiment. "The world is going through a period of 'stagflation' now," he says, referring to an economy with high unemployment and little to no growth even as prices are rising faster than normal. "Under this situation, start-ups have to be aware that investors and clients may be more sceptical and want to know that they are investing in a company that will guarantee returns."

However, Lam points out the global economic slowdown may create opportunities for start-ups in the I&T sector. "The need for efficiency and automation may also create more demand. Clients and investors may seek products that are efficient, able to automate tasks, and could potentially reduce their headcount or processes."

Despite the current challenges, Phillips says start-ups tend to be better at dealing with uncertainty due to their smaller size and higher degree of flexibility to pivot the business. "For example, many start-ups have been able to cope with the challenges brought about by COVID in a much swifter way than some of the larger companies," he says. "Of course, this has meant changing their strategies, focus and priorities in a proactive and agile way to cope with and, indeed, leverage disruption and change."

Flexible solutions

With the pandemic changing employees' attitudes towards where, when and how to work, start-ups should embrace flexible working arrangements and in doing so, provide the right tools to facilitate it, says Lam. "Start-ups should have the right infrastructure in place in order to support remote work so that tasks can safely be done anywhere. This will help start-ups to attract more talent," he says.

Lo agrees, adding that the pandemic has opened up a new "global" talent pool, which entrepreneurs should utilize. "The pandemic has accelerated digital transformation and forced leaders to rethink how they should manage their talent," he says, quoting Brian Chesky, the Chief Executive Officer of Airbnb, Inc, who in April tweeted: "Companies will be at a significant disadvantage if they limit their talent pool to a commuting radius around their offices. The best people live everywhere." Though Lo says Prenetics doesn't plan on having a fully remote team just yet, he notes that it is up to start-ups to reconsider how they source talent and leverage the situation to their advantage.

> "Young people want to invest their time in companies that invest in them."

However, Phillips strikes a note of caution and says that start-ups should aim to strike a balance between flexible working and in-person teamwork. "Building an innovation-led business requires an extraordinary amount of collaboration and commitment. People are so critical and still need to speak and bounce ideas off each other in person," he says. Though there are online collaboration tools to support this, Phillips draws on his own start-up experience and says it won't be the same as in-person collaboration. "I can see why entrepreneurs are facing a bit of a conundrum now between working trends and building a successful business."

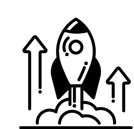
To retain talent, Chan says entrepreneurs need to find new ways to build a sense of loyalty among their staff as they continue working remotely. "Young people want to invest their time in companies that invest in them," he says. "By introducing a training and development programme, start-ups can demonstrate this commitment to their staff. They could also consider supporting employees who are pursuing or furthering their education." Chan adds that Cyberport also provides relevant training to start-ups through its Cyberport Academy.

All's well that starts well

As Hong Kong continues to pique the interest of entrepreneurs and talent globally, it is important that start-up leaders perform the relevant research and planning before setting up a business in the city. Doing so will help to ensure long-term growth and future relevance, says Phillips. "Entrepreneurs need to prepare well. This involves testing the market. There is a wealth of support and advice available, including from InvestHK. I encourage entrepreneurs to use it."

Start-ups need to have a solid "go-to-market" strategy, an action plan that specifies how a company will reach target customers and achieve a competitive advantage. This involves a well-thought-out marketing plan and sales strategy. "Some start-ups have really good technologies and ideas, as well as strong R&D and tech teams, but they may not have the right go-to-market strategy. Or, their products thrive in the market for only one or two years before becoming obsolete," he says. To prevent this from happening, start-ups should constantly be testing their products on select customers during the development stage. "So when the products eventually roll out, they'll be able to meet market needs."

Lo believes Hong Kong's tech start-ups and start-up communities will continue flourishing. Pursuing and pushing for innovation, he says, will help the city maintain its relevance and continue attracting only the best talent for generations to come. "A city is a sum of its industries and its people. With great talent and industries, it will thrive. But if the city doesn't innovate or change, it will eventually become irrelevant," he cautions. "The pace of digital disruption has increased, and Hong Kong has to be at the cutting edge of innovation – this will ensure that it remains competitive on a global scale and maintains its role as an international city in Asia."



There are more than 3,700 start-ups in Hong Kong compared with just over 2,200 in 2017, according to InvestHK's *2021 Startup Survey*. The majority of them specialize in technology, including fintech, IT, data analytics, hardware, robotics, biotechnology and sustainable technology.

SECOND OPINIONS: WHEN IS THE RIGHT TIME TO QUIT YOUR JOB?

ELLIS CHENG FCPA
CHIEF FINANCIAL OFFICER,
KERRY LOGISTICS NETWORK LIMITED

The ongoing pandemic continues to cast a shadow over the global economy. Amid an increasingly challenging business environment, many companies are being forced to make tough decisions about the size of their workforce.

Meanwhile, employees who have enjoyed the benefits of working from home are reassessing their work-life balance. Others have decided to start their own remote-working ventures or emigrated in search of a new role.

These circumstances have combined to create unprecedented levels of staff turnover. While it may seem like a tempting time to look for new opportunities, professionals ought to carefully consider what is really driving them to think about a new job. It is important that professionals understand whether they are being motivated by "push" or "pull" factors so they can make an informed decision about their future.

Push factors refer to any circumstances within an organization including a pay cut, restructuring or integration after an acquisition, or issues the employee might be experiencing at home.

Pull factors, on the other hand, relate to perceptions including better career progression opportunities, higher pay or a more prestigious job title.

When push factors mount within an organization, professionals can find themselves forced towards the exit and left with little choice other than to resign or to negotiate a redundancy package. The arrival of a colleague with a similar role or capabilities, fewer opportunities to influence decisions, or interact with superiors are among the signs an individual is being pushed out of a job. Push factors tend to lead to low motivation or boredom.

People may sometimes feel that while they are clocking up years of service, much of their work is repetitive and they are being starved of important exposure and experience. This could be a sign for change. However, accountants reading this will be familiar with the concept of opportunity cost and should apply that logic to weigh up whether they are comfortable with the implications of making a wrong decision for their career, in particular the "trust" they have built within the organization.

Sustainability should be at the forefront of everybody's mind when considering a change of job. It is crucial to question whether you could remain in any new role for a reasonable spell and whether a new employer's future is secure. Professionals must constantly evaluate how an employer can develop their competitive edge, particularly when considering a new role. Those in a management role ought to be aware that their judgement will be scrutinized by future employers, including past career decisions.

"People may sometimes feel that while they are clocking up years of service, much of their work is repetitive and they are being starved of important exposure and experience. This could be a sign for change."

LIZ MCCAUGHEY
PSYCHOANALYST, PSYCHOTHERAPIST, CHIEF EXECUTIVE OFFICER, AMINDSET PSYCHOLOGY SERVICES

Deciding to quit is a significant moment in anyone's professional career. It can be a difficult decision to make as it might mean pushing the pause button on steady income. Even when the negative biological signs exist, you daydream of a better life while working at a job you dislike. There are warning signs, for example those feelings of dread when it is time for work and an increased heart rate related to workplace stress, as well as feelings of exhaustion and energy depletion that lead to difficulty getting out of bed. You may experience increased mental anxiety when dealing with work peers, find yourself overreacting to minor problems and resorting to alcohol or even substance abuse to help you cope. Despite these signs, you carry on regardless, ignoring your happiness and well-being. The above biological signs are all good indicators that you need to take the blindfold off and objectively look at your life and decide if you want to make some changes – which may include a career move.

Though money is undeniably important, it is equally important to not ignore those cumulative moments of mental misery, unhappiness and anxiety you experience as a result of your job. Of course, you are not designed to be continuously happy, but neither are you meant to struggle every day. Indeed, a human's brain is predisposed to misery, but that does not mean you have to be miserable. The competing emotions of pleasure and pain fit the reality of the living experience. But if you work in an environment that results in any of the negative biological signs mentioned above on a near-daily basis, then it may be time to quit your job and walk away.

It is impossible to be happy all the time, but you are allowed to be happy sometimes. Having a job that you find fulfilling and rewarding, and that you look forward to each work day, is possible for everyone. Take a moment to reflect. Is it time to quit your job?

"Though money is undeniably important, it is equally important to not ignore those cumulative moments of mental misery, unhappiness and anxiety you experience as a result of your job. Of course, you are not designed to be continuously happy, but neither are you meant to struggle every day."

BENJAMIN ELMS
REGIONAL DIRECTOR, RANDSTAD HONG KONG

Most of us, at some point in our careers, have wondered whether it is time to leave our job or keep holding on. However, there are telltale signs that one should identify and think through in making our decision. Here are some signs:

When you have poor work-life balance: The consequences of a poor work-life balance are much worse than you think, and may result in adverse effects on your physical and mental health. Despite this, there are many employees who still choose to sacrifice their sleep for work because they have a strong desire to get a promotion, or fear losing their jobs.

However, there is no guarantee that your sacrifice will result in a favourable outcome.

At some point, we all need a break from work to spend time with family or friends, or to do the things we like. While you may choose to sacrifice your personal time for a high-paying job, it may not be worth it in the long run when you miss out on important life events. A good employer should care about your overall well-being and development.

There is no potential for career progression: Most of us have a timeline of when we want to take the next step to move up the career ladder. However, what happens when you are stuck in the same position while your employer keeps hiring new employees for senior positions instead of training and promoting you? Or what happens if your employer keeps promising you that they will hire more headcount for you to take on more managerial positions but don't fulfil their end of the bargain?

"A good employer should care about your overall well-being and development."

A good company should provide ample development opportunities. Getting passed on for promotions or not having enough training opportunities can leave a bitter taste in our mouths after a while. It can also be frustrating when your contributions are not recognized by your managers, especially when you put in your heart and soul into your work.

If you allow this to drag on, you may risk souring precious work relationships and sabotaging yourself of opportunities that could benefit you in the future.

Working for a company that doesn't invest in your growth doesn't only result in career stagnation, but it also compromises your salary growth potential. Instead of clouding your mind with such negative thoughts, seek opportunities with employers that are known to offer good career progression opportunities.

If your current role offers you a good salary and benefits but no career progression, or leaves you with poor work-life balance, you should take some time to reconsider your career priorities and find out if these factors are truly important to you.

by Kristy Illuzzi

The Principal of SME/SMP and Research at the International Federation of Accountants on the best way to get a firm succession-ready

How to develop a successful succession plan

As professional accountants grow older, their thoughts inevitably turn to their exit strategy – not only from the firm, but from practicing accounting altogether. As they consider their departure from business life, they may wonder if the firm they have built up will have value in someone else's eyes.

A successful succession plan allows for the orderly exit of the practitioner. This means it is not left to chance, and there is a plan in place, giving a degree of comfort to those involved, particularly staff.

The challenges of succession planning

The number of issues currently facing the profession has been well documented, including:

- The aging of the profession;
- Trouble attracting and retaining staff;
- Compliance and regulatory pressures;
- Time pressures; and
- Client requirements at a high level, leaving practitioners little time to focus on their succession plan requirements.

In addition, a large percentage of accounting firms are one- to two-partner firms. While this is what the practitioners wanted, many sole practitioners will need to consider taking on partners as part of their succession plan. A majority of them will find this difficult, as they will likely have been on their own for many years. This may seem contrary to the whole philosophy of operating as a sole practitioner.

The sooner the succession plan is underway, the sooner these issues can be dealt with.

Developing your succession plan

One of the best ways to enhance the value practitioners realize on exit is to plan for it in a structured manner.

The first step in succession planning is to get the firm "succession-ready." The best way to do this is to consider the questions a potential purchaser, or future partner will ask. You should then develop your firm in such a manner in order to give strong, positive answers to these questions. A purchaser will typically assess their purchase against specific criteria including:

- History and maintainability of fee and profit levels, impact of non-recurring fees and value of top five clients as a percentage of the fee base;
- Debtors' position, level of bad debts and collections history;
- The "work-in-progress" position and likelihood of converting to fees and debt collection;
- Stability of the client base, spread of clients across industry sectors and number of clients acquired over the last three years;
- Dependency on any one client or few clients;
- The quality of existing staff, including their competence, qualifications and experience;
- The internal infrastructure, processes, and quality management systems; and
- Any outstanding issues with government regulators or tax departments.

Whichever succession option the firm chooses, it may need to improve its financial position to be a more attractive investment option for potential purchasers. The key areas above are typically those in which a firm can improve and which will have a positive impact on financial performance. It is important that these improvements have been implemented and are ingrained in the firm before putting the firm up for sale.

Selecting your succession option

The next step is to consider which succession option is most naturally attractive and which will maximize the final settlement amount. Three options to choose from are:

- Expanding by joining with others. This ensures the firm has others who are in a position to buy the partners out. This could include partnerships, consolidation, and merger alternatives;
- Selling off the firm, whether in total, or selling a parcel at a time, or on a progressive sell-down basis; and
- A series of internal options, which include internal succession, the introduction of new partners, and a sale to existing partners.

Each option is quite distinct and brings its own set of considerations, including planning, taxation, funding, and an exit plan.

Firm valuation

The valuation of the firm is an important step in the succession plan. The traditional methods include:

- Capitalization of future maintainable earnings;
- Rule of thumb, or industry method;
- Net book value; and
- Discounted cash flow.

The most commonly used method is the capitalization of future maintainable earnings method, followed by the rule of thumb method. Where partnership agreements are in place, the agreement would normally nominate the valuation formula to be applied and identify certain key components, such as number of years' earnings to be included and capitalization rate to be used.

It may take a number of years for the strategies to have an impact on the value of the firm, which highlights the need to start the succession process early.

This article has covered many of the areas you should consider when making your succession plan. As it is likely to be one of the most significant occasions in your practice life, it is of great importance that you plan for it very carefully. More information on how practitioners can develop and implement a succession plan can be found in the International Federation of Accountants' *Guide to Practice Management for Small- and Medium-Sized Practices*.

Edward Au FCPA (practising)

The Vice President of the Hong Kong Institute of CPAs and Southern Region Managing Partner, Deloitte China, on what makes the SPAC regime an innovative addition to Hong Kong's investment and capital formation landscape

Hong Kong's SPAC regime brings excitement, innovation and investor protection

The new special purpose acquisition company (SPAC) regime of the Hong Kong Stock Exchange (HKEX) came into effect in January. So far, two SPACs have made their debuts and the listing applications of 11 others have been accepted.

Despite what might be seen as a slow start, the SPAC regime is a landmark reform that will boost Hong Kong's allure to future Asian unicorns and global investors.

For companies, Hong Kong's SPAC regime has created a new listing option that will have the added benefit of diversifying the HKEX, particularly by attracting more new economy companies from Mainland China and Asia in sectors like green energy, life sciences and healthcare, smart technology, and advanced manufacturing.

The SPAC regime will also provide greater valuation certainty for companies looking to raise funds, as innovative and tech-driven growth companies can be difficult to price through initial public offering (IPO) book building due to a lack of comparable peers.

For sophisticated investors' portfolios, Hong Kong's new SPAC regime has created a new, viable exit option in addition to a merger and acquisition or a conventional IPO.

It should also provide a boon for family offices, offering a wider array of private equity investment opportunities in high growth companies, and in the process, bringing Hong Kong closer to its goal of becoming a regional family office hub.

For the accounting and professional services community in Hong Kong, the SPAC regime will create opportunities to provide finance, accounting, tax, regulatory and compliance support at each stage of the SPAC life cycle.

Ensuring quality

While it may be easy to get caught up in the excitement of Hong Kong's SPAC regime, it is comforting to know that the HKEX has put several quality control and investor protection measures in place to maintain market integrity.

To that end, Hong Kong is a "premium" SPAC regime, with comprehensive, secure parameters that ensure it targets a qualified niche of investors and businesses with substantive quality. Hong Kong SPAC IPOs are open only to professional investors, with retail investors only able to participate by buying the regular shares of a SPAC successor company. The priority clearly lies in ensuring quality listings rather than in attracting a high volume of SPAC IPOs.

These quality control and market integrity measures include a minimum IPO fund raising size of HK$1 billion, with suitability and eligibility requirements stating that at least one SPAC promoter is licensed by the Securities and Futures Commission.

Successor companies must also meet all of the HKEX's regular listing requirements, including minimum market capitalization requirements and financial eligibility tests, with de-SPAC transactions regarded as new listing applications. A de-SPAC transaction is defined as a company merger involving a SPAC, a buying entity and a target private business. In addition, the de-SPAC target must be large enough that its fair market value would be at least 80 percent of the initial funds raised by the SPAC.

Moreover, de-SPAC transactions must take place within 24 months of a listing and acquisitions have to be completed within 36 months of a listing, or the original SPAC will be liquidated and all funds returned to investors, with interest.

Other important measures in the SPAC regime include a mandatory independent third-party investment. This is staggered to cater for de-SPAC targets of different sizes, ranging from 25 percent of the negotiated value of a target where the negotiated value is less than HK$2 billion, down to 7.5 percent where the negotiated value is equal to or more than HK$7 billion. This aims to offer additional comfort on the valuation of the de-SPAC target by sophisticated and professional investors.

Protecting investors

Due to a SPAC's inherent structure, there will be a dilution of interest to post-merger shareholders, although the HKEX has put a cap on the promoter shares to 20 percent of the share count of the SPAC on listing. Sometimes, promoters may provide just 2 percent of an IPO's value, yet receive 20 percent of the SPAC's total equity.

That said, nearly every aspect of SPAC merger transactions is negotiable, and successor companies should be prepared to negotiate everything from their opening stock price and sponsor ownership stakes, to board composition, and beyond.

As more successor companies become engaged in negotiations, the quality and economics of deals are expected to improve in favour of post-merger investors.

Nonetheless, SPAC transactions come with unique challenges, and it is essential entities understand the associated risks and have a comprehensive project management plan to meet the demands of shorter merger timelines.

This tiered regime could enable Hong Kong to test a range of innovative investment products to see if they are suitable for the retail market, leading to the long-term enhancement of the investment and capital formation landscape while ensuring investor protection.

FIVE QUESTIONS FOR PAIB

Tim Wong CPA

Head of Treasury at West Kowloon Cultural District Authority (WKCDA), says the role of a corporate treasurer now goes well beyond the scope of managing cash and risk. He shares how he wound up in the world of infrastructure and why a lifetime learning attitude is the key to success

What are the three biggest lessons in your career so far? Firstly, as the career journey is usually long, join a company or find a job that you know you will enjoy and find meaningful. Secondly, it's important to adopt a lifelong learning attitude. As an example, cash management tools, financial instruments and investment products have evolved dramatically in the last decade. This requires us to stay up to date with the latest market trends and technologies. Lastly, when someone asks you to do something beyond your scope of work, try your best and learn from it. Approaching new experiences with a positive attitude always leads to growth.

What attracted you to the role? After I left the Big Four, I joined the Airport Authority Hong Kong as their treasury analyst. It was where I began to understand the value of infrastructure to society. I also participated in the feasibility study of building the third runway. At the time, I had heard about the development of West Kowloon Cultural District, and searched for a treasury-related job opening there, but there was none. After that, I headed the treasury team of a local construction company and a multinational focused on delivering infrastructure projects in Asia Pacific. This experience developed my interest in the field. Later on, a recruitment agent coincidently called me about the WKCDA role. For me, it was an opportunity to deliver meaningful infrastructure, while nurturing the cultural heritage of Hong Kong and the Mainland.

How have you seen the role of a corporate treasurer evolve? In the old days, corporate treasury was mainly a support function for the cash and risk management of the company. But that is not enough anymore. Corporate treasurers are now required to understand all types of new payment acceptance channels and bring in more cash collection options for customers. They also need to assist the company in updating its cash management workflow, such as by implementing automation through the enterprise resource planning system. Incorporating environmental, social and governance (ESG) elements into the company capital management and treasury objectives is also now inevitable.

In what ways has your CPA qualification helped you in your career? The qualification is not only about the knowledge we obtain, as accounting standards change from time to time. It provides us with the skill set to think and learn continuously. Being an Institute member, it is a lifelong commitment to maintain our professionalism and integrity, and to update ourselves on new market practices to develop a more transparent and fair financial market.

Tell us about your involvement in WKCDA's HK$4 billion Sustainability-linked Loan (SLL)? I was substantially involved, from exploring the financing options, negotiating the commercial terms with potential lenders, obtaining the required approval, negotiating the legal terms, setting the ESG targets and executing the legal documentation. It showcases how a statutory organization can link financing objectives with green and social targets. It's no longer about maximizing value for shareholders alone, as the government, finance industry and corporates are now working together to change the rules of the game and incentivize organizations that value ESG. As a corporate treasurer, I find it very meaningful taking part in this journey, which benefits both our organization and future generations.

FIVE QUESTIONS FOR PAIP

Gloria So CPA

Partner, Risk Advisory Services, SW Hong Kong transitioned from audit to risk management. She talks about the role of technology in her specialism, and the common obstacles to sound internal controls at companies

What has been the biggest lesson in your career so far? Be receptive to new ideas and information. The business environment is constantly changing, making it important for us to identify the latest trends. For example, instead of ordinary corporate governance practices, the Hong Kong Stock Exchange (HKEX) and listed companies now focus more on the environmental, social and governance-related risks and measures. Moreover, other than the ordinary vetting processes for listing applicants, the HKEX has recently introduced a special purpose acquisition companies listing regime. In order to adapt to these changes, we are required to equip ourselves with relevant knowledge from time to time. This learning process will remain unchanged for as long as we are still in this industry.

What do you like most about specializing in enterprise risk management? The objective of enterprise risk management is to independently review an organization's exposure to different sources of risks. By identifying, reviewing and evaluating the key risks that may affect our clients' ability to achieve its business objectives, we could assist management to establish effective internal control mechanisms and take necessary actions to prevent potential losses and risks from taking place. The benefits of this includes efficient use of resources and effective coordination of regulatory and compliance matters. Compared to auditing, the performance of risk management requires more soft skills as we need to understand the clients' industry, operations and objectives more thoroughly. Throughout the communication processes, we also have to assess their risk appetite and assist them to formulate a suitable mitigation plan. I find this highly interesting as I enjoy interacting with people.

In what ways has your CPA qualification helped you in your career? The CPA qualification opens up great opportunities for me to meet people from different backgrounds and expertise. From various networking events and development programmes, I am able to communicate with these professionals and exchange our views on the latest hot topics. Their comments from different perspectives always help to broaden my knowledge.

How is technology playing a role in helping to tackle risk management challenges today? Timely and accurate information is key to a successful risk management system. With enhancements in new technology that exploit big data and cloud computing, it is much easier for an organization to capture and analyse historic, current and forward-looking data. For example, real-time technology avoids the lag time between the occurrence of physical incidents and the receipts of information. As a result, management is able to react instantly to potential risks and implement suitable risk mitigation plans accordingly.

What are the most common internal control deficiencies you are seeing at the moment? Governance and culture are of utmost importance, as they set the organization's tone from the top. However, from many of the cases I have encountered, it is common for the management to not place enough emphasis on internal controls. No matter how well the policies are written or how many procedures are involved in the operating activities, without a sound governance culture, it can be challenging for an organization to establish a comprehensive and sound internal control system.

Taxation Faculty e-seminar: The latest employment trends 2022 and employee tax incentives

What to expect from an e-seminar on the latest employment trends and relevant tax implications

Michelle Hui, Director, Executive Search and Recruitment, KPMG China, heads the services operation of Hong Kong. She has over 20 years of experience in human resources, executive search, and structured assessment and selection processes.

Lynn Deng, Manager, Tax, People Services, KPMG China, has over 10 years of experience in Hong Kong and China individual income tax matters. She has worked on numerous local and regional projects assisting clients on global mobility compliance and consulting projects.

Over the past year, the economy and employment market have been on the road to recovery. From the second half of 2021, business activity has gradually picked up amid loosening social distancing measures. Along with the recovering economy, the outlook of the 2022 employment market is optimistic – with an overall increase in headcount expectations.

KPMG's *Hong Kong Executive Salary Outlook 2022* collected views from 794 business executives to take a measure of the employment market and trends in Hong Kong and other Greater Bay Area (GBA) cities.

Along with the burgeoning business activities in the second half of the year, Hong Kong's gross domestic product annual growth climbed to 6.4 percent in 2021. Overall, more than a third of the respondents expect a headcount increase in their Hong Kong operations this year. Both C-level executives and human resources professionals expect revenue generators to be the main area of focus for headcount increases, followed by operations and IT.

Signs that the employment market is opening up can be seen in job moves and salary increments. More respondents changed jobs in 2021 than during 2020 – and the salary increments for respondents who made career moves last year were found to be in line with their expectations, compared to 2020.

For those who stayed in their positions, pay rises and annual bonuses were more generous in 2021 than 2020 across most sectors, but particularly in the financial services sector. Currently, 63 percent of respondents anticipate a pay rise and 38 percent anticipate an increased bonus this year. In such a competitive talent market, employers should understand why employees seek new job opportunities in order to better manage talent.

Talent retention and attraction are major concerns for many employers. The drivers causing employees to seek a new job as well as the types of non-monetary benefits sought vary across seniority. Business leaders generally place greater emphasis on organizational culture when assessing new opportunities. While the assistant manager level and below put more emphasis on career progression and promotion, the manager and senior manager levels place greater weight on flexible work arrangements, work-life balance, workload and work pressure.

Meanwhile, offering an attractive compensation and benefits package forms a key component of pay strategy. Over the past five years, the key aspect driving employees to seek new job opportunities has consistently been the compensation package. Aside from the typical cash remuneration, medical and insurance coverage are commonly included as additional benefits. Many employers also offer talented staff a range of retirement, housing, flexible benefits and share scheme incentives. To remain a competitive employer in the talent market, it is essential for organizations to ensure their offerings are competitive and tailored to the talent being targeted.

With the fast-growing integration between Hong Kong and other GBA cities, the willingness of Hong Kong respondents to relocate to other GBA cities has consistently increased each year, reaching 72 percent in 2022 (compared with 52 percent in 2019). For the fourth year in a row, the innovation and technology, financial services and professional services sectors are believed to create the highest number of job opportunities in terms of GBA development.

Better prospects and travel convenience remain the top two drivers for such a move, while higher income has moved up the rankings, displacing broader work exposure from third place. Since 2019, municipal governments of the GBA cities have implemented a series of initiatives to attract top-tier or urgently-needed talent from outside Mainland China (including professionals with permanent resident status in Hong Kong, Macau and Taiwan) to work in the nine Mainland GBA cities. One of these initiatives is the availability of fiscal subsidies for qualified individuals.

Given the fiscal subsidies, and with respondents having an expectation of receiving a higher income or at least maintaining their current net income level upon relocation within the GBA, it is surprising to see that only a relatively small proportion are aware of, and have applied for, GBA income tax subsidies.

About the e-seminar

The e-seminar "The latest employment trends 2022 and employee tax incentives" available in June aims to provide our members with an overview of the talent trends and the relevant tax implications. With the backdrop of the improving economy but a tight talent market, our speakers will share highlights of the results and observations on the latest employment trends from KPMG's *Hong Kong Executive Salary Outlook 2022*.

Their discussion will also cover GBA opportunities and key individual income tax developments, as well as the major factors in attracting and retaining employees, including compensation trends and tax implications in this talent war.

Proposed revisions to the Code of Ethics

An overview of the Institute's response to two IESBA exposure drafts on the Code of Ethics

Recently, the Institute's Standard Setting Department responded to the International Ethics Standards Board for Accountants' (IESBA) requests for comments to two exposure drafts related to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code):

- The *Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits* establish provisions that comprehensively address independence considerations for firms and individuals involved in an engagement to perform an audit of group financial statements.
- The *Proposed Technology-related Revisions to the Code* seeks to enhance the Code's robustness and expand its relevance in an environment being reshaped by rapid technological advancements. The proposed amendments will guide the ethical mindset and behaviour of professional accountants in business and in public practice as they deal with changes brought by technology in their work processes and the content of the services they provide.

The Institute had responded to the exposure drafts after their local comment period. This article provides a high-level summary of our responses, which are available on our website.

Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits

In our response, we stated our support for the IESBA's proposed revised definition of engagement team and other proposed new terms which would align with the corresponding definitions in International Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* for consistency. We also agreed with the proposed new defined terms which align with the existing defined terms in the Code and those in the newly issued International Standard on Auditing (ISA) 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*.

However, we expressed our concerns on the proposed independence requirements for non-network component audit firms, where, when the group audit client is a public interest entity (PIE), the PIE independence requirements would apply to the non-network component audit firm with respect of its audit of the component even if the component audit client is not itself a PIE. The proposal would also prohibit non-network component audit firms from performing non-assurance services for a component audit client (which itself is not a PIE) when the group audit client is a PIE. The consequences altogether could limit corporates' choice of auditors, intensify the concentration of audit market, etc.

In this connection, we recommended the IESBA to reconsider the applicability of PIE independence requirements to the non-network component audit firm of a non-PIE entity component by providing exemptions in particular circumstances, rather than adopting a one-size-fits-all approach. For example, allowing components that (i) are not material in monetary terms, (ii) do not impose any significant risks to the group audit and (iii) has obtained consent from the group engagement partner to apply non-PIE independence requirements. Requiring the PIE independence provisions to apply to the non-network component audit firm with respect of its audit of the component as such, even if the component audit client is not itself a PIE, seems to be unduly burdensome.

To enhance clarity and align with the requirements of ISA 600 (Revised), we also suggested the Code to require the group engagement partner to take responsibility for confirming whether the component auditor (including non-network component auditor) understands and would comply with the relevant ethical requirements, including those related to independence according to the Code's provisions.

In our comment letter, we also suggested the IESBA to reassess

the application of PIE independence requirements to the provision of non-assurance services to a non-PIE entity component audit client of a PIE group.

Proposed Technology-related Revisions to the Code

In April, we invited all Institute members to participate in a survey to provide comments to IESBA's *Proposed Technology-related Revisions to the Code*. Comments received from the survey were reflected in the Institute's comment letter submitted to the IESBA, as appropriate. We thank those of you who had taken the time to complete the survey.

Overall, we stated our support for the IESBA's proposed technology-related revisions in order for the Code to remain relevant and fit for purpose in response to the major trends and developments in technology on the work of the global accounting profession. We found the proposed guidance in the exposure draft useful to supporting professional accountants' performance of professional activities amid the increasing risks and challenges to compliance with the fundamental principles, such as inclusion of factors and examples to "routine or mechanical" services, "close business relationship" etc.

However, we were conscious that the proposed thought process to be undertaken, when considering whether the use of technology by a professional accountant might create a threat to compliance with the fundamental principles, might be especially difficult to apply among inexperienced professional accountants and those without sufficient IT competency. Also, professional accountants might find it difficult to substantiate their thought process in hindsight when subsequently challenged by regulators, who might assess prior incidents or decisions by professional accountants using the latest understanding in technology. Accordingly, in our comment letter, we recommended the IESBA to provide further guidance, such as how to document professional accountants' judgement on their use of or reliance on the output of technology objectivity, particularly in hindsight. We also suggested the IESBA to enhance or clarify some of the proposed materials, such as description to "complex circumstances," to avoid inconsistency in interpretation and practice.

IESBA's next steps

IESBA is considering comments and suggestions received as a result of the exposure drafts. It is anticipated that the IESBA will approve the final pronouncement of *Revisions to the Code Relating to the Definition of Engagement Team and Group Audits* in December this year and align its effective date with that of ISA 600 (Revised), and to approve the final *Technology-related Revisions to the Code* and determine its effective date by March 2023.

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

TECHNICAL NEWS

The latest standards and technical developments

Members' handbook
Update no. 273 revises a number of auditing and assurance pronouncements in Volume III of the members' handbook, among others, to:

- Withdraw Auditing Guideline 3.283 on 30 June 2022.
- Reflect conforming and consequential amendments as a result of Hong Kong Standard on Auditing (HKSA) 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement* which will be effective for audits of financial statements for periods beginning on or after 15 December 2021.
- Insert "Section 2: Effective for audits and reviews of financial statements/ other assurance and related services engagements beginning on or after 15 December 2022" to contain the pronouncements and those containing conforming and consequential amendments as a result of the new and revised quality management standards (QMS amendments) which will be effective for (a) audits and reviews of financial statements for periods beginning on or after 15 December 2022; and (b) other assurance and related services engagements beginning on or after 15 December 2022. The effective date of the QMS amendments does not amend or override the effective date of Hong Kong Standard on Quality Management 1.

Update no. 274 updates the Code of Ethics for Professional Accountants (the Code) to incorporate the post-implementation review policy to identify and address issues arising from the application of the Code. These changes are effective upon issuance.

Financial reporting

Institute submission
The Institute has submitted its comment letter on the International Financial Reporting Standards (IFRS) Interpretations Committee tentative agenda decision on *Lessor Forgiveness of Lease Payments*.

IASB *Investor Update* May 2022
The International Accounting Standards Board (IASB) *Investor Update* includes an interview with Dr Kenneth Lee, Associate Professorial Lecturer at the London School of Economics and Political Science, and member of the Capital Markets Advisory Committee. It also includes a summary of news about the International Sustainability Standards Board (ISSB) and a reminder about the current consultation on the ISSB's exposure drafts.

IASB May 2022 podcast and update
The IASB podcast, with its chair and executive technical director highlighting the projects discussed during its May meeting, and a summary of the May meeting, are now available.

IFRS Interpretations Committee agenda decision
The IFRS Interpretations Committee has published its agenda decision on *Principal versus Agent: Software Reseller – IFRS 15 Revenue from Contracts with Customers.*

Audit and assurance

Getting ready for the quality management standards
The Institute has issued an alert reminding firms requiring to comply with the suite of quality management standards to have their systems of quality management (SOQM) designed and implemented by 15 December 2022 and evaluate their SOQM within one year of the effective date. Firms which have not yet started the preparation for the new suite of quality management standards should take immediate action now to meet the new requirements.

Visit the Institute's New and Major Standards Resource Centre for available resources.

Recordings of the New Quality Management Standards Series
Register for the e-learning series which covers key requirements, applications and illustrated examples on how small and medium practitioners can meet the requirements of the new quality management standards.

IAASB audits of LCEs conference key takeaways
The International Auditing and Assurance Standards Board (IAASB) published key takeaways from its recent Paris conference on the audits of financial statements of less complex entities (LCEs). Key takeaways focus on themes around the continuing need for a timely global solution comprising a separate, standalone standard; working towards a common understanding of what an LCE is and that this should also appropriately include audits of group financial statements; ways to support adoption and implementation of the standard; and the importance of communication about how the standard helps serve the public interest.

Balancing urgency and effectiveness in international sustainability assurance standards
An article by the IAASB discusses the next steps to be taken for new standards for environmental, social and governance assurance. The article describes the growing desire globally to develop reliable, high-quality sustainability reporting as a key element of corporate reporting, which is leading to new requirements and heightened expectations, as a critical moment. In addition to the well-established principles-based and subject-specific standards and guidance that are being effectively applied, the IAASB is committed to leading this effort to create new "sustainability bespoke" assurance standards and is now in the process of identifying the specific approach to building these standards that will have the greatest impact on establishing high-quality assurance to support reliable sustainability reporting. The IAASB expects the sustainability assurance standards will need to be developed in a phased approach and will keep stakeholders updated of the progress.

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:

- International Standard on Quality Management (ISQM) 1: The role of tech and training covers experience sharing by a practitioner of a small-sized firm on how she established her firm's SOQM by using the available training materials, webinars and guidance provided by the ICAEW, the IAASB and the International Federation of Accountants. It is also emphasized that the firm is solely responsible for designing, implementing and operating the SOQM. Each firm has its own quality risks and should tailor its SOQM accordingly.
- Quality management guide targeting resources from service providers highlights the standard requirements in relation to resources from service providers and the types of information that audit firms are needed to obtain from service providers.
- Resources to help audit firms prepare for the new and revised quality management standards under ISQM 1, ISQM 2 and International Standard on Auditing (ISA) 220 (Revised).
- Summary of links to technical help, webinars, publications and events to all stages of an audit.
- Resources and support tools on auditing accounting estimates under ISA 540 (Revised), such as webcasts and articles with practical illustrations.

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

Ethics

Institute submission
The Institute has submitted its comment letter on International Ethics Standards Board for Accountants (IESBA) Exposure Draft *Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits.*

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

IESBA commits to readying global ethics and independence standards timely in support of sustainability reporting and assurance
The IESBA announced that it commits to develop fit-for-purpose, globally applicable ethics and independence standards to support transparent, relevant and trustworthy sustainability reporting. The related work will proceed in tandem with the development of IFRS Sustainablity Disclosure Standards by the ISSB, and sustainability-related International Standards on Assurance Engagements by the IAASB. The IESBA will issue in the near term guidance to draw the attention of professional accountants and other market participants to the fundamental principles and key provisions of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* that already apply broadly to sustainability reporting and assurance.

IESBA's discussion on sustainability and ethics
Watch a sustainability and ethics discussion by the IESBA that examines the critical role complying with ethics standards (including on independence), plays in ensuring the reliability and trustworthiness of sustainability information. Speakers provide key insights about the applicability of the Code to the preparation and presentation of sustainability information and the provision of assurance thereon.

Sustainability

Four further members appointed to the ISSB
The IFRS Foundation Trustees announced the appointment of Richard Barker, Verity Chegar, Bing Leng and Ndidi Nnoli-Edozien as inaugural members of the ISSB.

ISSB outlines actions required to deliver global baseline of sustainability disclosures
The ISSB has outlined the necessary steps required to establish a comprehensive global baseline of sustainability disclosures. The ISSB's global baseline presents a unique opportunity to reduce the existing and further fragmentation of sustainability disclosure requirements. The global baseline builds upon, incorporates and protects the heritage of the existing investor-focused sustainability disclosure standards, including those of the Task Force on Climate-related Financial Disclosures, the Climate Disclosure Standards Board, Sustainability Accounting Standards Board Standards, Integrated Reporting and the World Economic Forum's metrics.

Integrated Reporting: articulating a future path
The IASB Chair Andreas Barckow and the ISSB Chair Emmanuel Faber have communicated plans for the future role, governance and development of the Value Reporting Foundation's Integrated Reporting Framework and Integrated Thinking Principles.

Corporate finance

SFC proposes amendments to the SFO to strengthen enforcement
On 10 June, Securities and Futures Commission (SFC) issued a consultation paper to seek views from the market about its proposed enforcement-related amendments to the Securities and Futures Ordinance (SFO), which may enable SFC to take more effective enforcement action. The amendments include amending section 213 of the SFO to expand the basis for applying for remedial and other orders against a regulated person by the SFC, and broadening the insider dealing provisions to address insider dealing perpetrated in Hong Kong involving overseas-listed securities and insider dealing involving Hong Kong-listed securities perpetrated elsewhere.

Please refer to the press release for details. The deadline for responding to the consultation paper is 12 August.

Insolvency

Proposed resolution to amend the Protection of Wages on Insolvency Ordinance
A proposed resolution to amend the Protection of Wages on Insolvency Ordinance (PWIO) was passed on 16 June in the Legislative Council (LegCo). The resolution increases the ceilings for wages in arrears, wages in lieu of notice, severance, untaken statutory holidays and untaken leave, under the PWIO.

Summary procedure order applications by provisional trustees in bankruptcy cases

The Official Receiver's Office (ORO) has issued a letter, advising that due to a lack of consistency in applications for summary procedure orders (SPOs) by different provisional trustees in bankruptcy cases, the court has approved a template and two checklists, which the ORO considers appropriate for use in all cases, to streamline the application process. With immediate effect, provisional trustees are expected to follow the template and complete the relevant checklist in every SPO application. Please refer to the letter and the annexes for further details.

Taxation

Announcements by the Inland Revenue Department (IRD)

Members may wish to be aware of the following matters:

- Inland Revenue (Amendment) (Tax Concessions for Certain Shipping-Related Activities) Bill 2022 gazetted.
- Order to reduce levy rate of business registration gazetted and the Business Registration Office's notice.
- Frequently asked questions and illustrative examples on tax deduction for domestic rent.
- LegCo question (LCQ) 20: Facilitating family offices to come to Hong Kong for development.
- LCQ11: Establishing dedicated tax regime for maritime industry.
- LCQ12: Consolidating Hong Kong's position as international maritime centre.
- LCQ3: Development of innovation and technology in Hong Kong.
- IRD issues over 2.4 million tax returns for individuals.
- IRD notice – file your tax return on time.
- Enhancement to online appointment booking for business registration office counter services.
- Fraudulent email purportedly issued by IRD.
- Stamp duty statistics.

Filing tax returns through eTAX

IRD encourages taxpayers to consider filing their Tax Return through the IRD's eTAX system to enjoy personalized online tax services. To save paper, you may also choose to receive notices and documents electronically.

Legislation and other initiatives

Announcements by the government

Members may wish to be aware of the following matters:

- Government announces details of 2022 (Phase II) Consumption Voucher Scheme.
- LegCo to consider proposed resolution on reorganizing government structure.
- Free use of leisure facilities set for 1 July to celebrate HKSAR's 25th anniversary.
- Financial Secretary's office alerts public to deceptive advertisements purported to be interviews with the Financial Secretary.
- Chief Executive welcomes LegCo's passage of amendment bill on abolishing "offsetting" arrangement under Mandatory Provident Fund.
- LCQ22: Enhancing the competitiveness of the securities market of Hong Kong.
- LCQ14: Promoting liquidity of stock market.
- LCQ10: Supply of talents.
- LCQ8: Land title registration system.
- LCQ5: Promoting development of digital economy.
- LCQ4: Regional comprehensive economic partnership.
- Ministry of Finance issues Renminbi Sovereign Bonds through Central Moneymarkets Unit of Hong Kong Monetary Authority.
- Hong Kong's latest foreign currency reserve assets figures released.
- Official launch of counter-terrorism reporting hotline.
- Professional Services Advancement Support Scheme invites new round of applications.
- HKMC Annuity Plan product enhancements and promotional offer.
- Exchange fund abridged balance sheet and currency board account.
- Joint guidebook by InvestHK and PwC highlights business opportunities for foreign companies in the Greater Bay Area and winning strategies via Hong Kong.
- Consumer Price Indices for April 2022.
- Unemployment and underemployment statistics for February – April 2022.
- Government reminds members of public commencement of Vaccine Pass third stage.
- "LeaveHomeSafe" hotline to commence operation.

AML notices

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 30 May.

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 28 May. See the relevant UNSC press releases – SC/14913 and SC/14914.

The United Nations Sanctions (Yemen) Regulation 2019 (Amendment) Regulation 2022 was gazetted on 27 May.

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

The Hong Kong Institute of CPAs' dragon boat team during a practice session near Tiu Keng Leng Pier

MOVING AS ONE

In Chinese tradition, the Dragon Boat Festival is associated with warding off evil spirits and avoiding plagues. With the easing of pandemic-driven restrictions, the famous paddling competition returned this month after a two-year hiatus. Institute members talk to Thomas Lo about their experience competing at the Stanley Dragon Boat Championships 2022

Photography by Anthony Tung

Against the rhythmic sound of drums and the energizing cheers from spectators, paddlers on "dragons" hit the water at Stanley Main Beach under the scorching sun. Sitting at the front of the Hong Kong Institute of CPAs' dragon boat was Yale Leung CPA, Senior Tax Accountant of Swire Pacific Group. After crossing the finish line, he raised his paddle with his sore arms in a moment of triumph and let out a cheer with his team, taking in the thrill of the long-awaited dragon boat competition.

The Institute's team was one of 20 teams that competed in the mixed standard boat division of the Stanley Dragon Boat Championships 2022 on 3 June. It was the first dragon boat competition in two years amid the COVID-19 pandemic restrictions. The team became the first runner-up in the Mixed Bronze Cup Finals by completing the 270-metre race in one minute and 26 seconds.

Leung, who is a certified dragon boat coach, has more than 26 years of paddling experience. He is a team member of multiple dragon boat teams, including the Hong Kong China Dragon Boat Association (HKCDBA) men's team and Buddy Dragon, which he co-founded with close friends in 2016. He has

From left:
Eric Wong CPA;
Portia Wong CPA;
Yale Leung CPA;
Lina Xie; and
Nick Ng CPA

taken part in over 200 dragon boat contests, both locally and internationally, and was part of the National Team in 2017 and 2019, winning bronze medals at the International Dragon Boat Federation's World Dragon Boat Racing Championships.

However, Leung admits that the Institute's team has a special place in his heart. "After I qualified as a CPA, I was invited in 1997 by a friend to join the Institute's team," Leung recalls. "I still remember being unable to wring my towel after the first training session as my forearms were so sore. Though I am also a member of other dragon boat teams, I still love attending every race with the CPA team, where I can share my experience and provide assistance."

Leung says the team was only able to practice twice before this year's competition, as they were not given much notice before the race. "The CPA team usually starts training on the first Sunday of March and continues practicing every week until October. We would gather at the Tseung Kwan O Sports Ground at 9:00 a.m. to do warm-up exercises and then walk to the waterfront nearby to start paddling," he explains. "Because of the pandemic, we were not told that the contest was going ahead until early May. When we finally gathered all of our teammates for the race, it was already 18 May. Fortunately, the result was satisfying considering the limitations we faced."

Despite the less-than-ideal training situation, Leung says the experience is a "warm-up" for the upcoming CPA Cup, which is part of the National Day celebration dragon boat invitational race in Shau Kei Wan Aldrich Bay on 9 October. On that day, the Institute's team will be racing against teams from universities and other Hong Kong professional institutions.

Years of being in the Institute's team has refined Leung's leadership and interpersonal skills. Leung's strength, endurance and experience puts him in the front of the boat. "The main job is setting a rhythm that the rest of the team can paddle along to," Leung says. "However, ensuring that a team of 20, or even more in some cases, paddle in unison is a challenge. Being in a mixed team relies on communication and cooperation even more so due to our differences. But this is what I love the most about the sport – there is no star but only a team. It is always about cooperating and moving as one."

Balance in life

Sitting behind Leung is Portia Wong CPA, Assistant Vice President of DBS Bank (Hong Kong). Wong is also an experienced paddler with 15 years of experience, and has participated in more than 100 dragon boat contests.

In 2007, Wong met Leung at a gathering organized by the Hong Kong Chartered Governance Institute (HKCGI), where he invited her to join the HKCGI's dragon boat team. Wong ended up joining a practice session out of curiosity. She immediately recognized the benefits and it quickly became her favourite sport. "It brings balance to my life. Before 2007, I did not exercise regularly and would get tired easily, so I was looking for a way to move more," Wong explains. "After the first training session, it almost felt like my body was falling apart, yet it was also satisfying and relaxing."

Seven years later, in 2014, the HKCGI's team was dismissed due to HKCGI's change of activity plans for their members, and she was invited by Leung to join the Institute's team. In 2016, Wong and Leung formed the Buddy Dragon, a dragon boat team gathering like-minded dragon boat enthusiasts. A year later, she joined the women's team of the HKCDBA. By then, Wong had developed a habit of training three to four times a week. "Unless there is a case of extreme weather, I will train regardless of the season or the temperature," Wong adds. Before training on water with the team, she goes for a five-kilometre run to prepare for the intense training. During the pandemic, when all group training was suspended, Wong did different calisthenics exercises at home and went on long runs to maintain her stamina.

"Aside from helping me feel and look young, the sport is my way to blow off steam and connect with others," Wong adds, noting how the sport requires one's undivided attention. "One teammate is enough to stop the boat or divert its course, so the sport requires your full attention to be in sync with the team."

Wong loves the feeling of getting off the boat after a race or training. "You feel relaxed. It is rewarding to have a nice meal after every training session," she says. Wong also appreciates the team camaraderie. "In the CPA team, you will never run out of conversation topics since we all share so many things in common."

"One teammate is enough to stop the boat or divert its course, so the sport requires your full attention to be in sync with the team."

It can be challenging for a mixed dragon boat team to find the right pace, Wong notes. She sits in the second-row, ensuring the male team members sitting at the first row are not paddling too quickly.

She was thrilled to be back on the boat and racing against other dragon boat enthusiasts. "The dragon boat community is full of friendly and energetic people. It's great seeing members from different teams saying hello to each other behind the starting line," Wong says. "It's not about winning or losing. The smile on our faces and the atmosphere of the audience matter the most."

Shouldering the team

For most people watching a dragon boat race, chances are that they'll pay the most attention to the paddlers or the drummers sitting at the front. But a key member of every dragon boat team is the helmsman, who can be found at the back of the boat. Nick Ng CPA, Finance Manager at Yanchang Petroleum Group (Hong Kong) Co., Limited, is the helmsman of the Institute's team.

Ng would not have imagined participating in a team sport like dragon boat racing when he was younger. "It's very different from my former hobbies. I used to do indoor sports like weightlifting and a Japanese martial art called Kendo, so I'm used to only thinking of myself," Ng explains. But that all changed in 2010 when he received an email from the Institute's Dragon Boat Interest Group. "I thought it was a great chance to develop a hobby and meet other CPAs – I fell in love with the sport after a few training sessions."

After six years, Ng decided to change his role in the team. In 2017, he took a year of lessons from the HKCDBA and obtained his helmsman certificate. By standing at the back, helmsmen are able to monitor the current and course of the boat. They give orders to the team to dodge waves and avoid crashing into other objects. "It is a heavy responsibility to shoulder, but I like it. It is my job to keep the team safe," he adds.

Ng has witnessed the unique challenges that the Institute's team face. "The CPA team is full of brilliant minds. Though some of us are seniors at work, we're 'juniors' when it comes to dragon boat racing, which means we need to adjust our mindset," he explains. "The most challenging part of forming a team of CPAs is helping them to take orders and consider how to contribute to the team. I have become more aware of this when working with others."

Managing a large group like a dragon boat team takes communication, a strong bond and a mutual goal between teammates, especially in a mixed group. "It is also about sharing. As seniors, we have to learn how to communicate with the new generation and new

members of the interest group," Ng adds. "If I want the group to keep running, I have to motivate them or help them understand how fun it is being part of the team."

Holding on tight

While everyone was cheering after passing the finishing line, Lina Xie, Finance and Investing Manager at Luda Shipping Co., Ltd., and a Qualification Programme student, was catching her breath. She had just conquered her first dragon boat race at the Stanley Dragon Boat Championships and couldn't be happier.

The novice paddler teamed up with other Institute members to race against other corporate teams. "Initially, I joined the interest group for fun and to meet new friends with similar backgrounds – I never thought of being in a race," Xie adds. "I was a bit nervous as the only paddling experience I had were the two training sessions before the race and the training I participated in every Sunday from September to November last year."

After being encouraged by the team and taking it as a personal challenge, Xie decided to continue her training. "I hesitated to join the race knowing that one teammate being out of sync is enough to disrupt the boat's motion. Ever since last year, every group practice was cancelled, but I remember how sore I was after my first training session," Xie explains. "I was both exhausted and starving. I was worried that my stamina would not be enough to last until the end and that I might hinder the team's progress." To stay fit, Xie jogs for an hour, three to four times a week. Running, she says, helped her to handle the intensity of training when group practice sessions returned.

"Only by knowing how to be at the back, will you know how to be at the front."

With her position as the sixth-row paddler, Xie focuses on imitating the paddler's movement in front of her. "I would like to 'paddle' my way up to the front and be in charge of the pacing one day. But only by knowing how to be at the back, will you know how to be at the front. It takes time," Xie adds.

She notes that one of the best things about the sport is how people, or strangers, can instantly come together. "In your team, there may be people you have never met before. In spite of that, you will all become in sync with each other during a race."

Xie says he will never forget that sense of accomplishment she felt at the end of the race. "It felt unreal when I realized the team had just passed the finish line. Competing gave me the chance to learn about perseverance, facing my own insecurities and having faith in others."

The Institute's dragon boat team participated in the Stanley Dragon Boat Championships 2022 on 3 June and won the first runner-up in the Mixed Bronze Cup after completing the 270-metre race in one minute and 26 seconds.

CHRISTY LAM CPA

Manager, Technical Accounting at CLP Holdings Limited

As Manager, Technical Accounting at CLP Holdings Limited, Christy Lam CPA helps her team through problem solving and ensures that business proposals follow the latest accounting rules and standards. She tells *A Plus* what she enjoys about being the in-house go-to person on the application of accounting standards

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

As Manager, Technical Accounting at CLP Holdings Limited, I advise on in-house technical accounting enquiries and offer support and training to our finance teams on the implementation of new accounting standards, policies and regulations. I also review business development proposals to ensure that accounting policies have been properly implemented. I also lend support in the production of our annual and interim reports. I joined CLP just over a year ago, and though the role has been challenging so far, things have been going very well.

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

Reviewing business development proposals can be challenging as it involves working with the operations team, many of whom do not have an accounting background, so my role is to explain accounting implications in a manner that is accessible and easy to understand. Accounting rules and regulations are constantly changing, so another challenge is making sure I'm constantly learning on the job. The most rewarding aspect is the opportunity to constantly develop my technical skills and utilize my knowledge to help colleagues solve their accounting problems. I also appreciate being able to help the company identify any accounting issues in our business development proposals. It's also a privilege to work for a large utility company like CLP. The company has given me a chance to apply the knowledge that I developed when I was an external auditor, and the experience I gained from auditing different companies in various industries. I also get to apply these insights to the business development of the group.

What inspired you to become an accountant?

I first heard about the career from my aunt, who is a CPA, and found it interesting. I started taking accounting courses in secondary school and quickly learned that it was something I wanted to do. So I studied it in university and began my career as an auditor at one of the Big Four after graduation. Accounting truly is the language of business – it's a way to analyse the operations of a business, assess its activities and evaluate how it is performing.

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?

There is still a lot of opportunities to grow within this company. I hope to advance to a more senior role within the finance department, where I can provide professional guidance and add value to the team and group. I'd also like to continue working in technical accounting. When there are new accounting standards to be implemented, I enjoy being the first one to study and to understand them, and to identify and highlight the potential impact on the group to my colleagues.

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

You have to be curious and never be afraid to ask questions, whether you're an external auditor or in-house finance professional. Curiosity really is the key to learning new things. You develop a better relationship with your colleagues or team by being inquisitive. As a member of the in-house finance team, curiosity drives me to understand the rationale of different operations. This helps me to provide the most appropriate advice on accounting treatment and identify whether there is anything being overlooked by the project teams. You also need to embrace change. Most people are afraid of change, but embracing it can lead to new and different opportunities. Being open to change can help you to identify and seize new opportunities that can lead to career growth, maintain your passion for learning new things, and to apply new knowledge to new areas.

Which of the continuing professional development (CPD) courses did you find most helpful in your day-to-day work or in getting you to the next stage of your career?

I recently joined the Institute's Business Valuation Programme. In my day-to-day work, I need to review some business models in business development proposals, and the programme has definitely helped me to better understand a company's valuation. I also appreciate the CPD courses on Hong Kong Financial Reporting Standards. The courses detail how new standards will impact financial statements and accounting policies, and cover any related future developments. All of these courses have helped me in my day-to-day work.

AFTER HOURS

As recommended by Institute members

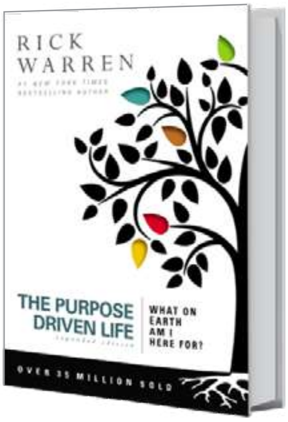
Damnoen Saduak Floating Market

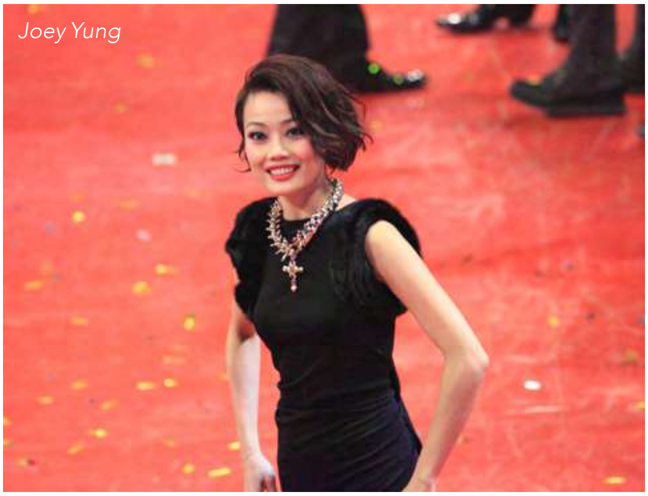
Travel

"Now that travel is slowly resuming, especially in Asia, I recommend visiting Bangkok. See the city by cruising down the Chao Phraya River, or by doing some shopping at ICONSIAM shopping mall. For a more rustic Thai shopping experience, visit one of the traditional markets, such as Damnoen Saduak Floating Market (about 100 kilometres southwest of Bangkok), or Maeklong Railway Market. Best of all, there are direct flights to and from Bangkok, making it an easy city to visit." – Frank Ho FCPA, Assistant Accounting Manager, Siemens Logistics Limited

Read

"I recommend *The Purpose Driven Life* by Rick Warren. The book takes readers on a 40-day personal spiritual journey and presents what Warren says are God's 'five purposes for human life on Earth.' We all face challenges every day, and knowing one's purpose in life can make a great difference. For me, my Christian faith has always guided me through many difficulties. This book has helped me to reflect and in doing so, to understand my purpose – and God's purpose for me." – Bosco Lin CPA, Co-founder and Chief Executive Officer of DTTD





Joey Yung

Listen

"My favourite artist is Joey Yung, who is, in my opinion, one of the best female singers in Hong Kong's Canto-pop scene. What I like about her the most is her perseverance and how she strives for excellence in every performance. I was deeply impressed by her determination when I attended her concert in 2013 and saw how she still delivered a flawless performance despite being sick and almost having lost her voice. I also enjoy singing very much and can sing almost all of her songs! Of all her songs, I like *世上只有* the most, which translates to 'My whole world.' It is a soothing and touching song about the greatness of a mother's love." – Cynthia Chan CPA, Compliance Manager at a bank