

**DRIVING BUSINESS SUCCESS**  
*Issue 9 Volume 18 September 2022*

**PLUS:**

**ANNUAL TAXATION  
CONFERENCE**

Tax experts discuss Hong Kong's foreign-sourced income exemption regime

**PROFILE**

Ricky Chu, Chairperson of the Equal Opportunities Commission

**SECOND OPINIONS**

What can organizations do to improve their diversity and inclusion strategies?

# THE TALENT CHALLENGE



# PAIB CONFERENCE 2022

CPA Here and Now: Sustain, Transform & Deploy



**FACE-TO-FACE  
CONFERENCE**

Date: Saturday, 12 November 2022 | Time: 9:00 a.m. - 1:00 p.m.

Venue: The Grand Ballroom, Kowloon Shangri-La, Hong Kong



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**“Without compromising defences against the pandemic and the health of our fellow citizens, I look forward to further relaxations that will allow for a larger sense of normality and revitalization.”**



Dear members,

The number of COVID-19 cases has seen a steady decline over the past month, permitting the government to promptly adjust anti-epidemic policies. The newly enforced “0+3” arrangement for inbound visitors has been sorely welcomed by the community and shows great promise of what is to come.

Without compromising defences against the pandemic and the health of our fellow citizens, I look forward to further relaxations that will allow for a larger sense of normality and revitalization. As an international city, it is vital that we provide every opportunity for activities to resume and re-establish business connections between Hong Kong and the wider community.

To commemorate the 73rd National Day of the People’s Republic of China this year, the Institute, together with the Association of Hong Kong Accounting Advisors, Hong Kong Association of Registered Public Interest Entity Auditors Limited, Hong Kong Business Accountants Association, and The Society of Chinese Accountants and Auditors, co-hosted a celebration event on 23 September. The event is an important annual gathering for the accounting profession in Hong Kong. We were honoured to have Paul Chan FCPA, Financial Secretary and Institute Past President, alongside Li Xuhong, Deputy Director-General,

Department of Administration and Finance of Liaison Office of the Central People’s Government in the Hong Kong SAR, and Wang Qi, Director-General of the Department of International Organizations and Conferences of the Office of the Commissioner of the Ministry of Foreign Affairs of the People’s Republic of China in the Hong Kong SAR, attending as guests of honour.

While the celebration was held in the format of a ceremony, without food and beverage provided due to the pandemic, it provided an opportunity for the profession in Hong Kong to come together to foster a much closer alliance, and to promote unity and create solidarity.

The month of September also marked two important events that exemplify the Institute’s commitment to nurturing the next generation of talents for the profession.

Earlier in the month, we held the Institute’s Young Members Virtual Conference 2022, titled “Decrypting the future of the profession – Finding success in a sustainability-driven future and the new digital economy.” As the name suggests, the event included insights on trending industry topics such as sustainability, and environmental, social and governance, the metaverse, non-fungible tokens and more. The

webinar also included discussions on essential issues for young members, such as the types of skill sets young members should possess to become future-ready CPAs, tips on career planning, as well as how to excel at interviews.

On 24 September, the Institute also held the 22nd presentation ceremony for the top students from the December 2021 and June 2022 sessions of the Qualification Programme (QP) as well as scholarship recipients. We were honoured to have Joseph H. L. Chan, Under Secretary for Financial Services and the Treasury, as guest of honour to present awards to the outstanding students for the fifth consecutive year.

The ceremony was especially significant as the December 2021 session marked the completion of the roll out for the new QP, and signifies the Institute’s important role of ensuring our next generation of accountants are equipped with the relevant skills for a changing business landscape. I am excited to see our young awardees and scholarship recipients build on their success and continue to excel as they progress in their careers.

As we edge towards greater normalcy, I look forward to meeting our colleagues, young and old, on a more frequent basis, and hopefully, soon we will be able to hold major events over shared meals and without face masks.

**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.



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The digital version is distributed to all 47,254 members, 14,256 students of the Institute and 2,358 business stakeholders every month.

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# NEWS

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## Members' training needs study: Results out now

The Hong Kong Institute of CPAs conducted a Training Needs Analysis (TNA) through a survey and focus group discussions to better understand members' training needs. The summary of the TNA results are now available on the Institute's website. One of the key findings of the analysis is that the most preferred learning method is through e-format offerings including webinars. The summary also includes details on how the Institute is enhancing its continuing professional development (CPD) offerings to meet members' training and development needs.

### Importance of CPD declaration

Members are required to declare CPD compliance annually for membership

renewal. As a reminder, CPD records in MyCPA on the Institute's website do not equate to a declaration of CPD compliance, and members must still submit the CPD declaration with their Annual Return for Renewal to avoid non-renewal of membership. More details and other frequently asked questions on CPD requirements are available on the Institute's website.

### IT Virtual Conference 2022

The Institute's IT Virtual Conference 2022 will take place as a live webinar on 22 October. With the theme "From Masters of Digits to Masters of Digital Transformation," the conference will bring together speakers to share their insights on future trends as well as key technologies that can make digital

initiatives successful in organizations. The enrolment deadline is 20 October.

### Annual Auditing Update 2022

The Annual Auditing Update Conference 2022 themed "Strengthening Trust and Audit Quality" will be held on 29 October. The speakers will share the updates on projects of International Auditing and Assurance Standards Board, International Ethics Standards Board for Accountants, the Code of Ethics etc. Enrol by 27 October.

### Council meeting minutes

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

## Disciplinary finding

### Wong Yip Ming CPA (practising)

**Complaint:** Failure or neglect to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*; HKSA 250 (Revised) *Consideration of Laws and Regulations in an Audit of Financial Statements*; HKSA 315 *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*; HKSA 500 *Audit Evidence*; HKSA 505 *External Confirmations*; Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*; Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*; Practice Note (PN) 810.1 (Revised) *Licensed Insurance Broker Companies – Compliance with the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules*; PN 820 (Revised) *The Audit of Licensed Corporations and Associated Entities of Intermediaries*; and the fundamental principle of

professional competence and due care in section R113.1 under Chapter A of the *Code of Ethics for Professional Accountants*, and being guilty of professional misconduct.

Wong is practising in his own name with no staff. His practice was selected for its first practice review in November 2019. The reviewer identified various significant deficiencies in the practice's quality control system and its completed audit and compliance reporting engagements. Wong was responsible for the quality control system and the quality of his audit and compliance reporting engagements.

**Decisions and reasons:** The Disciplinary Committee reprimanded Wong and ordered the cancellation of his practising certificate, effective 6 September 2022, with no issuance of a practising certificate for four months. In addition, the committee further ordered Wong to pay a penalty of HK\$50,000 and costs of the disciplinary proceedings of HK\$63,704. When making its decision, the committee took into consideration the relevant facts of the complaint, Wong's conduct throughout the proceedings and his admission of the complaint.

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

# IT VIRTUAL CONFERENCE 2022



## From Masters of Digits to Masters of Digital Transformation –

Understanding the use cases, key learnings and necessary technologies to make digital initiatives successful for organizations big and small

Date: Saturday, 22 October 2022 | Time: 9:00 a.m. - 12:30 p.m.



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90%

The percentage increase in overall trading volumes in the four Hong Kong-listed exchange traded funds (ETFs) traded by Mainland investors through a new connect scheme in August. Trading volumes for the four ETFs hit HK\$8.16 billion last month, up from HK\$4.31 billion in July. There are 83 Mainland China-listed ETFs trading via the ETF Connect, which launched on 4 July.

160+

The number of Chinese companies that face potential delisting from exchanges in the United States, following a probe into the audit working papers of PwC and KPMG in Hong Kong, according to the *South China Morning Post*. Teams of U.S. audit inspectors from the Public Company Accounting Oversight Board arrived in the city this month and have begun scrutinizing documents and interviewing accountants to ensure the firms have the right quality-control systems in place.

**“We are greatly saddened to learn of the death of Her Majesty The Queen. We send our deepest condolences to our Founder, His Majesty The King Charles, and members of the Royal Family at this time.”**

– A statement Accounting for Sustainability (A4S) posted on its website following the passing of Queen Elizabeth II on 8 September. Her son, who will succeed her on the throne as King Charles III, founded A4S in 2004 and is a longtime supporter of the profession’s role in driving sustainability reporting.



Travel and tourism stocks rebounded on 23 September, the same day the Hong Kong government unveiled measures to scrap mandatory hotel quarantine this month. Chinese online travel agency Trip.com increased by 5.1 percent to HK\$206.80 per share, while the city’s flagship carrier Cathay Pacific Airways went up by 1 percent to HK\$8.92 a share. Hotel and restaurant operator EGL Holdings rose by 36 percent to HK\$ 1.05 while HK&S Hotels climbed by 3.2 percent to HK\$7.19, reported the *South China Morning Post*.

1698

The stock code of Tencent Music Entertainment Group, which is set to list on the Hong Kong Stock Exchange next month. It will be the second listing for the music streaming company, which is controlled by Chinese social media giant Tencent Holdings and backed by Spotify, and will come less than month after Mainland China and the U.S. signed an agreement to grant the U.S. Public Company Accounting Oversight Board access to Chinese audit data.

## Skandal! Bringing Down Wirecard

The name of a Netflix documentary released this month that investigates the downfall of insolvent German payment company Wirecard AG. Its former chief executive officer, Markus Braun, faces up to 15 years in jail after he was charged in March with fraud, breach of trust, and accounting manipulation. The company announced in June 2020 that €1.9 billion (HK\$14.2 billion) in cash was missing, four days after EY auditors refused to sign off its 2019 accounts.

4<sup>th</sup>

Hong Kong’s ranking as a leading financial centre, according to *Global Financial Centres Index*, a biannual report released this month by the China Development Institute and Z/Yen Partners which evaluates 119 financial hubs globally. The city, which ranked third in the previous index issued in March, was overtaken by Singapore. This month’s report ranks New York in first place and London in second place. Despite Hong Kong doing away with mandatory hotel quarantine on 26 September, the city’s almost three-year-long restrictions have had a negative impact on its economy. Singapore opened its borders to all fully vaccinated travellers in April.

## IFAC’s Action Plan for Fighting Corruption and Economic Crime

The title of an action plan issued by the International Federation of Accountants that seeks to enhance the profession’s contribution to, and support of, a robust anti-corruption ecosystem encompassing a diverse array of participants and policies. More information can be found in *Technical news* on page 39.

**“There is a very high chance for Hong Kong to record a negative GDP growth for this year.”**

– Paul Chan FCPA, Hong Kong’s Financial Secretary, told reporters on 22 September. Hong Kong, which has recorded two consecutive quarters of negative growth this year, will likely end the year in a recession, according to Chan, who cited rising interest rates and the city’s existing COVID-19 controls as factors that are affecting the economy.

# A NEW ERA FOR



**SPEAKERS: (from left)**

**Irene Lee CPA**, Partner, Global Transfer Pricing Services, KPMG China

**Gwenda Ho CPA**, Partner, Tax Services, PwC Hong Kong, and a member of the Institute's Taxation Faculty Executive Committee (TFEC)

**Eugene Yeung CPA**, Tax Partner, KPMG China, and Deputy Chair of the TFEC

**Benjamin Chan CPA**, Deputy Commissioner (Technical) (Acting) of the Inland Revenue Department

**Grace Tang**, Partner, Global Compliance and Reporting Services, at EY Tax Services Limited, and a member of the TFEC

**Doris Chik CPA**, Partner, National Tax Technical Centre, Deloitte China

Panellists at this year's Annual Taxation Conference discussed the impact of the proposed refinements to Hong Kong's foreign-sourced income exemption regime, and how the tax system should keep up with the rapidly evolving crypto space. [Nicky Burridge](#) reports.

**Photography by Leslie Montgomery**

In October 2021, the European Union (EU) placed Hong Kong on the so-called grey list or watchlist of tax cooperation due to concerns about the tax treatment of offshore passive income.

Based on its territorial source principle of taxation, Hong Kong generally does not impose profits tax on foreign-sourced passive income. However, the EU is concerned that businesses could exploit the rules by setting up shell companies in Hong Kong without having a substantial economic presence here and, potentially, benefit from "double non-taxation."

To strengthen Hong Kong's status as an international financial centre, minimize reputational risk arising from



# HONG KONG TAX



non-compliance with international tax standards and protect Hong Kong businesses against potential defensive measures that the EU may implement if its concerns are not addressed, the government has made a strong commitment to refine Hong Kong's foreign-sourced income exemption (FSIE) regime for passive income. Against this backdrop, there are various key principles that will be upheld, which includes maintaining Hong Kong's territorial source principle of taxation and its simple and low-tax system, as well as ensuring that the compliance burden of corporates will be minimized. The issue on the upcoming tax rules

on foreign-sourced passive income was one of a number of taxation challenges companies are grappling with in the digital era that was explored during a panel discussion at the Hong Kong Institute of CPAs' Annual Taxation Conference 2022 in July.

## Taxing intellectual property

To meet the EU's requirements, the refined FSIE regime is due to come into force on 1 January 2023. The revised rules will see foreign-sourced passive income, including income from intellectual property (IP), be deemed to be sourced from

Hong Kong and be subject to profits tax, if the income is "received in Hong Kong" by a taxpayer that is a constituent entity of a multinational enterprise group and that does not meet the relevant test of having substantial economic activities or nexus in the city applicable to the type of income.

Benjamin Chan CPA, Deputy Commissioner (Technical) (Acting) of the Inland Revenue Department (IRD), explained: "The very important thing is that as long as IP income is not received in Hong Kong within the meaning to be provided under the Inland Revenue Ordinance (IRO), it continues to be exempt from



Hong Kong tax, as only foreign-sourced passive income received in Hong Kong by a covered taxpayer will be taxable in Hong Kong.”

For foreign-sourced IP income that is received in Hong Kong, the nexus approach adopted by the Organization for Economic Co-operation and Development (OECD) will be used to determine the granting of tax exemptions. Under this approach, income from certain IPs (i.e. patent and patent-like IPs) will have preferential tax treatment based on a nexus ratio, which is defined as the qualifying expenditures of the Hong Kong constituent entity as a proportion of the overall expenditures that have been incurred by the taxpayer to develop the IP.

Chan explained that in this context, the proportion of research and development (R&D) expenditures will be used as a proxy for substantial economic activities. This aims to ensure that there is a direct nexus between the income receiving benefits and the expenditure contributing to that income.

Doris Chik CPA, Partner, National Tax Technical Centre, Deloitte China, pointed out that the

nexus approach Hong Kong proposes to take in determining the extent to which IP income can be exempted under the FSIE regime contains most of the key features set out by the OECD. With the jurisdictional approach to be adopted, qualifying R&D activities carried out by the taxpayer have to be carried out in Hong Kong to benefit from the tax exemption.

**“We will continue to listen to industry views to see how best we can refine the deduction side or even the income side to encourage more R&D activities in Hong Kong.”**

Chan noted that qualifying R&D expenditures, under the nexus approach, could also include expenditures incurred by the taxpayer for R&D activities outsourced to an unrelated party that are carried out either inside or outside Hong Kong, while excluding activities outsourced to a related party outside of Hong Kong. “There

is no room for us to deviate from this international standard,” he says.

But Chan added that, under existing rules, as an incentive for local R&D activities, Hong Kong companies can claim enhanced deductions for qualifying R&D expenditures in Hong Kong (of 300 percent for the first HK\$2 million and 200 percent for the remainder).

He said that while the government is currently focusing on the income side of the taxation of IP, on the deduction side, it has always welcomed ways to refine the tax system to promote R&D activities in Hong Kong. “We will continue to listen to industry views to see how best we can refine the deduction side or even the income side to encourage more R&D activities in Hong Kong. I would like to emphasize that it has always been the government’s policy to encourage such activities to be conducted in Hong Kong.”

However, Irene Lee CPA, Partner, Global Transfer Pricing Services, KPMG China, expressed concerns about the tax treatment of companies that have set up R&D centres outside of Hong Kong to benefit from making some of their profits in a low tax jurisdiction. “This [arrangement] would involve



foreign entities participating in a cost-sharing arrangement, so the Hong Kong entity may bear R&D costs, and if they are subcontracting that function out, they will be paying tax in Hong Kong, but not having the R&D costs deducted. As a result, it may diminish the attractiveness of having a cost-sharing arrangement,” she said.

Eugene Yeung CPA, Tax Partner at KPMG China, Deputy Chair of the Institute’s Taxation Faculty Executive Committee, and Convenor of its Taxation Faculty Budget Proposals Subcommittee, who was moderating the panel discussion, pointed out: “Based on recent discussions with the government and IRD on the FSIE and various topics, I think enhancing Hong Kong’s competitiveness is definitely on top of the government’s agenda. It is also very aware of the need to protect Hong Kong’s competitiveness when rolling out the FSIE regime.”

Meanwhile, Grace Tang, Partner, Global Compliance and Reporting Services, at EY Tax Services Limited, and a member of the Institute’s Taxation Faculty Executive Committee, expressed

### “Having an enhanced deduction may mean they have to pay more ‘top-up’ tax.”

concern that the current deduction system for R&D expenses may lead to multinational enterprises having a lower effective tax rate under the new base erosion and profit shifting 2.0 requirements. “This system may not be beneficial to multinational enterprises considering whether to set up R&D centres in Hong Kong because this may result in Hong Kong enterprises having an effective tax rate below the global minimum tax rate of 15 percent, and so having an enhanced deduction may mean they have to pay more ‘top-up’ tax.”

Instead, she suggested Hong Kong should introduce a refundable tax credit, similar to that in Australia and Ireland, to encourage more multinational entities to use Hong Kong as an R&D base. Chan appreciated the suggestion, though cautioned that under such a system, the government would not only forgo revenue but would also face a cash outlay that could have some impact on the government’s fiscal position.

### Guidance on cryptocurrency

Addressing other areas of the digital economy, panel members pointed out that there was still some uncertainty over Hong Kong’s tax treatment of cryptocurrency, with Yeung asking whether the government was considering providing more guidance or making a legislative amendment in this area.

Chan explained that, before the government considers making any changes to its rules in relation to the taxation of certain types of income, it needed to consider whether any new principles or rules were necessary; whether the existing rules could adequately address the general concerns or cater for the taxation of that income. “From our observations, we can still apply our basic tax principles based on whether the asset is a revenue asset or a capital asset, and whether the taxpayer is receiving the revenue in Hong Kong.” As a result, he said the government did not see a forthcoming need to change the law, although he added that it is contemplating to introduce some guidance on the taxation of crypto assets to reflect new developments





in this area.

Gwenda Ho CPA, Partner, Tax Services, at PwC Hong Kong, and a member of the Institute’s Taxation Faculty Executive Committee, agreed: “We don’t actually need any legislative changes generally because the existing framework is sufficient for most of the issues, but I do agree that a bit more guidance would be helpful.”

But she added that, as it takes time for the IRD to update Departmental Interpretation and Practice Notes, there was a danger that by the time updates were made, they would already be outdated. Instead, she suggested that the IRD could consider issuing other forms of guidance, such as “frequently asked questions” on its website, which is something other countries have done. “That would be helpful to keep taxpayers abreast of these developments and help them to understand their tax position,” she says.

Ho also pointed out that when dealing with tax questions from clients, it is necessary to understand the details of the business model and income flow, as well as to consider the accounting treatment. But where cryptocurrencies

are concerned, there is a lack of precedents from an accounting perspective. “Our accounting team needs to apply existing accounting standards on these new types of models, which is actually a very complicated process. If the IRD could provide some examples that would be helpful.”

Lee said that the challenge is further compounded by the fact that companies in the crypto space are often evolving very quickly. “We have a player that when they reached out to us, had 2,000 people in the group, who were quite scattered around the world. We were helping them with a complicated central entrepreneur business model, and how to split the profits they gained between different jurisdictions where core people were located,” she explained. “But two-to-three months into the project, they told us they now had 6,000 people, and we had to look at the functions again, and whether our transfer pricing model would still work and apply.”

Lee added that another issue for accountants dealing with digital business models was how to classify some of the entities around the central company. “Under our transfer pricing model, we call

**“Our accounting team needs to apply existing accounting standards on these new types of models, which is actually a very complicated process.”**

them routine service providers, but sometimes the way we classify them may not accord with what the regulators think.”

She explained that some regional exchanges in the crypto space do not have many staff, as they perform an automated function, but regulators do not always agree with defining them as a routine profit entity. “We have to think about how to define them from a transfer pricing perspective to the regulators, to ensure the model still works,” Lee said.

Another problem is that crypto players may experience significant losses, which they want to split across their different jurisdictions and entities. “But tax authorities in jurisdictions, where what we define as ‘simplified routine entities’ are



**“People say transfer pricing is an art not a science, but I would still like to have the lines drawn out so I know how we can set up everything, and how transfer pricing will work out.”**

located, may ask why these entities are taking a loss when they don't get any of the upside when there is a profit. There are a lot of these kinds of issues that we have to think about. It is different from the traditional business model,” Lee said.

### A holistic review of taxation

Going forward, Chik would like to see a holistic review of Hong Kong's tax regime to ensure that the city's competitiveness is not impacted by the new rules under the refined FSIE regime. “Because of FSIE, I think more IP income, such as income from patents and licensing fees that used to be foreign-sourced, will be taxed in Hong Kong, and the deductions are very limited under the current tax system. It puts Hong Kong at a disadvantage if income is taxable, but expenses cannot be deducted,” she says. Instead, she suggested that Hong Kong could consider

**“It puts Hong Kong at a disadvantage if income is taxable, but expenses cannot be deducted.”**

having a separate tax regime for onshore IP income to see if it would encourage more companies to base their R&D in Hong Kong.

Yeung went further and said he would like to see a holistic review of Hong Kong's entire tax system. “It was first written in the 1940s and the recent changes have been put into the IRO in a piecemeal way. A review to ensure the new regimes do not conflict with other parts of the IRO would be useful.”

But Chan pointed out that conducting a review of the whole tax system is a time-consuming exercise, and could lead to the rules being less responsive to developments in both the business and technology sectors. “Our reasoned approach to introduce new measures or amend our law whenever we come across new problems or developments appears to be a more appropriate approach for the time being,” he said.

One change Ho would like to see is the inclusion of crypto assets as qualifying assets for the unified fund exemption. “We hope that the government can consider extending the unified fund exemption to cover assets under crypto funds, so that more of these activities can be done

**“A review to ensure the new regimes do not conflict with other parts of the IRO would be useful.”**

with a better tax outcome,” she said.

Lee would also like to see regulations and guidelines relating to the digital world kept up to date, particularly from a transfer pricing perspective. “People say transfer pricing is an art not a science, but I would still like to have the lines drawn out so I know how we can set up everything, and how transfer pricing will work out,” she said.

Concluding the panel, Yeung said: “Technology advancement is one of the key drivers for economic growth and it is also the government's plan to develop Hong Kong into a technology centre to enable it to develop and integrate into the Greater Bay Area. We, as professional accountants, should continue to keep up to date and the Institute will continue to propose different measures and changes to the government and the IRD.”

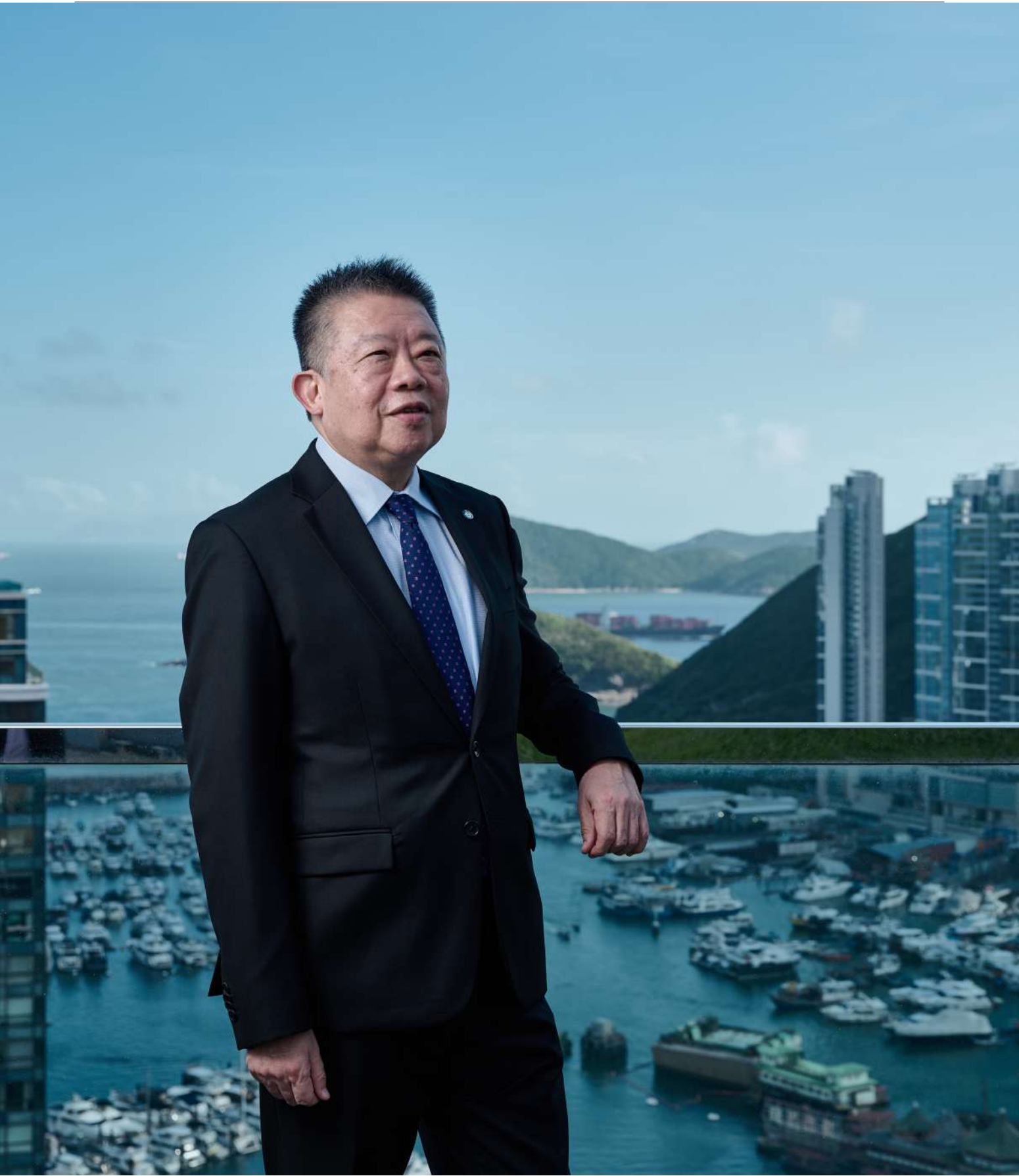


The European Union announced in October 2021 the inclusion of Hong Kong in its watchlist on tax cooperation as it considered that the non-taxation of certain foreign-sourced passive income in Hong Kong might lead to situations of “double non-taxation.” In response, Hong Kong is refining its foreign-sourced income exemption regime for passive income to bring it in line with international standards.



**PROFILE**

Ricky Chu







# CULTIVATING HARMONY

Hong Kong's anti-discrimination watchdog believes diversity, equity and inclusion is as much of a business issue as it is a social one. Ricky Chu, Chairperson of the Equal Opportunities Commission, tells **Jemelyn Yadao** how inclusive workplace practices can benefit business, how CPAs can help make diversity a reality within organizations, and the wide scope of the issues he is tackling

Photography by Calvin Sit

**A**t a time of global economic uncertainty, most companies will likely be more focused on building up a financial cushion than on making the workplace more diverse and inclusive. This reality bothers Ricky Chu, Chairperson of the Equal Opportunities Commission (EOC). “There’s this misleading perception that in times of recession, companies should find ways of making money instead of spending resources on abstract issues like diversity, equity and inclusion (DEI). But this is not a true picture,” he says, referring to policies and programmes that promote the representation and participation of different groups of people.

Citing a *Fortune* magazine analysis, Chu points out that from 2007 to 2009, while stock prices for S&P 500 companies plunged, companies that continued to honour their DEI commitments saw gains averaging 14.4 percent. “The truth is that if you achieve workplace DEI, even during a harsh economic environment, in the long term you get a more robust group of staff that can contribute innovative ideas. Your company’s reputation would be better, and it will attract more clients,” says Chu. “So we should encourage all components in a company – members of management, accountants, frontline staff – to pay attention not only to direct profit-making activities, but to creating a work environment where DEI is an essential consideration.”

As well as the topic of why DEI matters, the EOC is vocal about various other issues relating to discrimination. It has been particularly active recently in responding to discrimination issues related to COVID-19, and providing suggestions to tackle them.

Like the Hong Kong Institute of CPAs, the EOC was established as a statutory body. It is responsible for implementing and enforcing the four anti-discrimination ordinances, namely the Sex Discrimination Ordinance (SDO), the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance, and the Race Discrimination Ordinance, and investigates and seeks to resolve disputes in connection with these four ordinances. “Our establishment is based on the

## PROFILE

Ricky Chu



Before Ricky Chu first joined the Equal Opportunities Commission in April 2019, he worked at the Independent Commission Against Corruption, and was the secretary-general of the Independent Police Complaints Council.

passing of the SDO, which was the first anti-discrimination ordinance enacted in Hong Kong in 1995. It governs our approach as to how we tackle anti-discrimination. Our ultimate goal is to help build Hong Kong into an inclusive, diverse and harmonious society,” explains Chu, who was reappointed Chairperson of the EOC in March for a two-year term.

“But alongside the issue of discrimination comes the issue of harassment,” says Chu, adding that the EOC has legal powers to protect people from sexual harassment, harassment on the grounds of breastfeeding, as well as harassment on the grounds of disability and race. The nature of a discrimination claim is a civil dispute between the parties concerned. The threshold for the EOC to take legal proceedings

and assist a person to pursue a complaint in court is therefore comparatively low, he explains. “If the EOC is trying to prove a harassment act or discriminatory practice in existence, the level of proof that we need to achieve is a balance of probabilities – is it more likely that the misbehaviour happened than not? Unlike in criminal cases, where the prosecution has to prove to the level of beyond reasonable doubt.”

Resolving disputes between parties through conciliation is a key part of the EOC’s complaint-handling process. “Upon receiving a complaint in writing, the EOC will assess whether the allegation falls within the protected areas of the anti-discrimination ordinances, if so, follow-up actions will be taken by the EOC in accordance with the law.

In the course of investigation into a complaint, the EOC will endeavour to help the complainant and the respondent reach a settlement by way of conciliation, which is entirely voluntary. The spirit of all the anti-discrimination ordinances aims to iron out differences, trying to achieve a mutual consensus,” he says. On average, eight out of 10 cases attempted for conciliation are resolved successfully and not taken to court, says Chu. “We also grant legal assistance to about 10 to 20 cases every year, out of more than a 1,000 complaints that we receive annually.”

About 80 percent of the complaints the EOC has received are related to employment. Chu says that many cases that have recently gone to court are also pandemic-related. “We had a case where the employee

alleged the employer dismissed him because he had contracted COVID-19. In another case, the employee did not go to work shortly after being recruited because he suddenly contracted COVID-19 and was hospitalized. The employer then no longer wanted to hire that person. This would be unlawful under the Disability Discrimination Ordinance.”

### Addressing gender imbalance

Among companies listed in Hong Kong, women hold about 16 percent of board seats in 2022, according to the Hong Kong Stock Exchange (HKEX). To improve gender diversity at board level, starting from July the HKEX requires companies seeking to list in Hong Kong to have at least one director of a different gender. It has set a deadline of 31 December 2024 for every listed company to ensure their boards do not comprise just a single gender.

Chu sees the move as progress particularly as Hong Kong has been lagging behind in a global trend towards more diverse boardrooms. “Our number of female board directors is much lower than the number of female board directors of companies in the United States, Canada, Singapore, and Australia. We urged the HKEX, when it was reviewing its corporate governance code and related listing rules, to firmly advise listed companies to not just have a symbolic figure of one female in the board of directors. We actually encouraged having one-plus.”

Beyond the boardroom, Chu pushes for more gender diversity in leadership roles across the public and business sectors, and notes that companies failing on gender diversity risk missing out on top talent. He highlights a 2020 study the EOC jointly conducted with The Chinese University of Hong Kong titled *A Study on Public Attitudes towards Female*

*Political Leadership*. “The study found that one of the main hurdles barring women from joining the top echelons of company directors are the traditional social biases against females,” Chu explains. “We think that the ultimate solution is for society to change this kind of double standard. Many don’t believe that men should take care of home affairs but that women should. We urge employers both in the public sector and private sectors in Hong Kong to make reasonable accommodations to develop an environment that allows female employees to move upwards in their careers because they have the potential to really move up.”

### The business case

Chu says accountants can play a key role in creating a more inclusive corporate culture. “Accounting and auditing nowadays are not only about figures but about corporate governance. In preparing annual reports and in analysing the financial data, accountants’ recommendations should also include how the company can utilize available resources, either the surplus or through relocation of available funds, to meet the needs of staff in terms of workplace DEI. They have that insight.”

With decision-making in business mainly driven by facts and figures, Chu believes accountants can also help companies move beyond treating diversity and inclusion as a box-ticking exercise. “I know in reality there are still some companies that just focus on fulfilling the minimum environmental, social and governance requirements. The ticked boxes approach is a good first step, but now that we have it, accountants can help management to substantiate that tick through sharing what areas they think companies should focus on based on their detailed financial analysis,” he says.

While diversity and inclusion may be a good thing for the world, Chu understands that this is not enough for some companies to start

making it a priority. This is why the biggest hurdle to successfully implementing DEI initiatives at an organization is a mindset change, Chu notes. “Very often when staff or the management are asked to consider a new DEI-related initiative, there is usually some resistance as a result of traditional mindsets. ‘How will this initiative affect business results or key performance indicators? Will this slow down business growth?’” he says. “So we think the solution is to push this change from the top, the board of directors. The second hurdle would be motivating the frontline staff and getting them to accept this concept so that they can come up with some practical measures that are workable.” In this regard, Chu stresses the importance of a diverse staff profile. “The more diversified the staff profile is, the easier it would be for them to think of practical and successful measures in DEI.”

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In 2018, the EOC launched the Racial Diversity and Inclusion Charter for Employers, which gives interested employers a checklist of policies and practices they can implement to further their diversity and inclusion objectives. “We thought that if we could obtain a sufficient number of signatories consisting of companies of various sizes then we could strengthen our communication with these companies, and use the charter as a platform to exchange best practices to achieve a more racially embracing workplace,” says Chu.

Convincing companies to sign up to the scheme was difficult at



the start, he adds, with the first batch of signatories being mostly international companies in Hong Kong, including the Big Four firms. “In March 2019 when I first joined, we only had 11 companies signed up. Now we have more than 230. I really commend the accounting profession’s efforts as it was one of the prime supporters of the charter from the early stage.”

### Raising acceptance

With Chu’s reappointment as EOC Chairperson, he hopes to complete, if not make good progress, on certain projects. He is now focusing on exploring legislative amendment to advance equality for people in Hong Kong identified by their sexual orientation, gender identity or other sexual characteristics.

Indeed, the issue of lesbian, gay, bisexual, transgender and intersex (LGBTI) rights in Hong Kong, particularly in relation to getting same-sex marriage legally recognized, is a huge and complex topic involving many layers, notes Chu. “To be honest, if you focus on achieving this goal of legalizing same-sex marriage, then the matter will drag on for many years without success. The way I would tackle the issue is to separate the problem into three levels,” says Chu. The first level, he explains, is personal benefits (The rights of LGBTI individuals in the areas of education, employment, provision of goods and services, etc.). The second level is rights relating to relationships (taxation rights, inheritance and property rights, parental and other family rights etc.). The third level is same-sex marriage. “I think it has to be considered in isolation as it is the most complicated factor and affects the whole society,” Chu explains. “I intend to implement this approach by first studying how we can actually amend our sex discrimination law to achieve the first level of rights.”

Another priority for Chu is to continue tackling specific areas of

discrimination through creating specialized units. “We already have an ethnic minorities unit to deal with all racial matters, and an anti-sexual harassment unit to deal with issues involving sexual harassment, which is a very important concern. I have in mind that we should now look at disability issues because people with disabilities in Hong Kong make up almost 8 percent of the entire population, which is more than 600,000 people. There are different categories of people with disabilities, making this a very complex issue to tackle because their needs are different,” he says.

Chu adds that the EOC calls for employers to adopt universal design in the workplace so that all products and the work environment are fully usable by everyone, including those who are differently abled. “By making suitable adjustments to the workplace environment, for example by ensuring computers are equipped with applications that allow people with visual impairment to work, companies will be able to recruit more staff with different abilities, which will allow them to have a better life. We will need a specialized unit to raise awareness on this.”

### Anti-corruption to anti-discrimination

Chu’s first job after graduating from The Chinese University of Hong Kong was as a secondary school geography teacher. A colleague who suddenly left the school led to the start of his lengthy career in law enforcement. “I found out that he had left to become an Independent Commission Against Corruption (ICAC) investigator. That inspired me to also apply for a job at ICAC,” he says. “My childhood dream was to become a law enforcement officer because I thought it was an effective way to help society, especially the poor. I must have watched too many police movies,” he laughs.

His strong background in investigation, operations,

management and public administration can be attributed to the many years he worked at ICAC. He joined in 1978 as an investigator and rose through the ranks to become assistant director in 2010, responsible for investigations into private sector corruption.

Then, following a headhunter call, he became secretary-general of the Independent Police Complaints Council (IPCC) in 2011. As part of his role, he led and oversaw the restructuring of the council. “IPCC was established according to the enactment of the IPCC Ordinance in 2009 but before that it was a small administrative unit looking over the shoulder of the Complaints Against Police Office. With the enactment of the law, the IPCC needed to be an independent organization. So my job then was to set up a brand new operating system to enable the independent handling of complaints against the police, and recruit staff outside the government, which was both challenging and satisfying,” he says. Chu stayed there for over five years before rejoining the ICAC in 2016 as the director of investigation.

The same headhunter who called Chu about the IPCC job, called him again four months before he was scheduled to retire, this time about the Chairperson role at the EOC. “After getting the call, and in preparing for the interview, I read about the EOC and its anti-discrimination work and it immediately aroused my interest,” he says. “I could see that anti-discrimination work is so meaningful in Hong Kong because the scope is so wide. Much wider and deeper when compared with

**“I could see that anti-discrimination work is so meaningful in Hong Kong because the scope is so wide.”**

Chu was reappointed the Chairperson of the Equal Opportunities Commission for a term of two years commencing from April. His focus is now on raising awareness on the issues such as those faced by people with disabilities.



in marathons at least once a year, runs half-marathons once a month and does 10-km runs on a weekly basis.

He also loves playing bridge, and credits the trick-taking card game for developing his ability to take a logical and balanced approach to decision-making in his previous and current roles. “I think a person in these kinds of positions must possess two contrary characteristics. One is a logical and calm mind, but on the other side, you need to be compassionate. I need to be empathetic without losing my reasoning power. It’s a tricky balance. Without this, you won’t achieve the results you want,” he says, adding that this way of thinking helped him formulate his three-level strategy for tackling the issue



To further promote awareness among businesses on the benefits of implementing inclusive policies and practices, the EOC introduced its Equal Opportunity Employer Recognition Scheme in 2020. The scheme recognizes the achievements of employers that demonstrate a commitment to equal opportunities, diversity and inclusion in corporate strategies.

corruption issues.”

Chu also realized that outside the four statutory areas of discrimination, there were many other areas of discrimination and inequality where a lot of work needed to be done. He also faced the issue of Chinese values and traditions being incompatible with some of the issues the EOC advocated on. “While Hong Kong is a modern, developed economy, there are still a lot of deep-seated, traditional values that we need to reshape,” says Chu. These challenges, however, were not enough to deter him from taking up the post in April 2019. “I imagined how satisfying it would be to put

my hands on these issues and help resolve them.”

### Logical yet caring

Chu is a marathon runner. While supporting his son, who was participating in a 10-kilometre race in Tseung Kwan O, Chu spotted an elderly man, known as “Uncle Yip,” running at an impressive speed. “I later found out that he started running at age of 50 and he instantly became my idol,” he recalls.

Chu then took up running – he was 49 – and three years later in 2006 he completed his first marathon. Thanks to Uncle Yip, he is now a strong runner who, before COVID-19 restrictions, took part

of LGBTI rights.

Chu believes both his hobbies integrate to some extent into his professional life. Running marathons built up his resilience both on the track and in the endless pursuit of understanding and acceptance of diversity and equal opportunities. “To do the job well at the EOC, you have to be committed. You have to believe in the cause,” he says. “Of course, there is no way that I can complete all these tasks and resolve all those longstanding problems relating to discrimination. But if I can achieve something in my tenure as the Chairperson, then I can make my contribution to Hong Kong.”





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## QP Graduates – June 2022

The Institute is pleased to announce that 743 QP candidates successfully completed the Qualification Programme in the June 2022 Session. The list of graduates is as below.

AO Lu	CHAN Wing Hong	CHEUNG Kam Tong Keno	CHU Ka Fung	HO Ka Leung	KWOK Lai Ying	LAU Ka Man
AU Ching Yee	CHAN Wing Ko	CHEUNG Kin Fai	CHU Lok Lam	HO Kei Ying	KWOK Ling Yee	LAU Ka Yi
AU Ka Ki	CHAN Wing Tung	CHEUNG King Man	CHUI Ka Ho	HO Kevin	KWOK Man Hei	LAU Kwun Yu
AU Ka Wing	CHAN Yan Ying	CHEUNG Lok Sang Adonis	CHUNG Chi Shing	HO King Hang	KWOK Tsz Chun	LAU Po Yu
AU Siu Hei	CHAN Yin Fan	CHEUNG Mei Ying	CHUNG Cho Ming	HO Man Chun Paul	KWONG Ching Ning	LAU Sing Yi
BIAN Ruiyao	CHAN Yuen Kwan	CHEUNG Ming Yiu	CHUNG Hiu Sing	HO Man Yee	KWONG Wai Yan	LAU Tsz Chung
CAI Huangming	CHAN Yuen Wa	CHEUNG On Ki	CHUNG Kai Yee	HO Po Wai	LAI Fung Pui	LAU Wai To
CAI Huiyan	CHAN Yui Hang	CHEUNG Shing Kit	CHUNG Man Kit	HO Siu Ching Adrian	LAI Ka Pang	LAU Wai Tung
CAI Lijuan	CHANG Chun Wai	CHEUNG Sui Kei	CHUNG Pak Shing	HO Sze Yui Cynthia	LAI Kwun Ting	LAU Yu Wing
CHAK Tsz Kin	CHANG Lap Yi	CHEUNG Ting Yan	CHUNG Sai Man	HO Wing Chi	LAI Po Yee	LAU Yuen Shan
CHAN Cheuk Yi	CHANG Matthew Hong Dian	CHEUNG Tsz Ching	CHUNG Ting Hing	HO Wing Keung	LAI Suet Fong	LAW Ho Ming
CHAN Chi Ho	CHANG Nathalie	CHEUNG Tsz Fung	CHUNG Wing Yin	HON Hing Lam	LAI Wai Ming	LAW Ka Lok
CHAN Chi Ho	CHAU Cheuk Wing	CHEUNG Tsz Yan	CHUNG Wing Yun	HON Po Fung	LAI Wenhui	LAW Nok
CHAN Ching Yi	CHAU On Yi	CHEUNG Wai Chi	DENG Ruonan	HONG Ching Sang	LAI Yung Hang	LAW Ping Keung
CHAN Chun Yin	CHAU Sau Tsun	CHEUNG Wing Chi	DENG Yujun	HSU Kenney	LAM Chi Man	LEE Chi Yuen
CHAN Chung Sing Ugo	CHAU Siu Ying	CHEUNG Yee Wing	DONG Hengyang	HUANG Danyi	LAM Ching Yuk	LEE Chun Pik
CHAN Chung Yin	CHAU Sze Ho Natalie	CHEUNG Yuen Ting	DONG Ning	HUANG Wenhui	LAM Chuen Wai	LEE Chun Ting
CHAN Hiu Tung	CHAU Ting Yan	CHI Sze Yan	DU Luxi	HUI Chi Hang	LAM Hing Fat	LEE Chun Ting
CHAN Hiu Tung	CHAU Wai King	CHIANG Chih Ping	DUAN Huiying	HUI Ching Yiu Daniel	LAM Ho Ching	LEE Chun Yiu
CHAN Hiu Yan	CHEN Annie Lee Han	CHING Long Ronald	FAN Ka Yee	HUI Sai Wa Ace	LAM Ho Kan	LEE Hiu Sin
CHAN Ka Ying Carey	CHEN Chen	CHING Yan Wing	FAN Man Shu	HUI Tsz Ching	LAM Ho Ying	LEE Jeffery Jun-Dung
CHAN Kam Fai	CHEN Cheuk Pan	CHIU Hong Yu	FAN Ping Lung	HUI Wing Han	LAM Hok Leung	LEE Ka Yu
CHAN Kin Shing	CHEN Hangli	CHIU Tsz Tong Daphne	FAN Suet Yu	HUNG Chiu Fat	LAM Jason Sui Kei	LEE Sau Fan
CHAN Kit Ting	CHEN Jianyu	CHIU Yan Tung	FENG Tian	HUNG Kam Kwan	LAM Ka Chun	LEE Shan Shan
CHAN Kiu Kwan	CHEN Kwan Po	CHIU Yu Yan	FOK Chin Hei	HUNG Shun Yat	LAM Ka Chun	LEE Shuk Fong
CHAN Kwun Fung	CHEN Lan	CHO Chun Hin	FONG Ho Lam	HUNG Wing Chung	LAM Ka Kit	LEE Tiffany Tsing Yan
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CHAN Man Chun	CHEN Nga Man	CHOI Kei Yung	FONG Kin Wo	IP Cheuk Chi	LAM Kai Ying	LEE Wing Kiu
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CHAN Sum Yi	CHENG Kit Ying Kim	CHOW Ka Yee	GAO Jiamin	KONG Sin King	LAM Yin Ki	LEUNG Chui Ting
CHAN Sze Chun	CHENG Kwan Ho	CHOW Ka Yu	GAO Rui	KONG Wei Han	LAM Ying Sing	LEUNG Fu Wa
CHAN Sze Ming	CHENG Lok Yin	CHOW Kei Yiu	GE Hairong	KONG Yuen Wah	LAM Yung Hin	LEUNG Ho Cheung
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CHAN Tsz Ning	CHEUK Kit Hong	CHOW Tsoi Yee	HE Junda	KU Ching Man	LAU Ho Yin	LEUNG Jun Kit
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CHAN Wai Wun	CHEUNG Chun Wai Arthur	CHOY Wing Suet	HO Cheuk Yan Sabrina	KWAN Kin Chun	LAU Ivy	LEUNG Ming Hin
CHAN Wai Yee	CHEUNG Hoi Shan	CHU Chin Hing	HO Chung Chi	KWAN Man Yuk	LAU Ka Chun	LEUNG Sin Man
CHAN Wai Yip	CHEUNG Ka Sing	CHU Chun Fung	HO Ka Chun	KWAN Pui Ying	LAU Ka Chun	LEUNG Sum Yu
CHAN Wang Shan	CHEUNG Ka Yan Stefanie	CHU Chun Kit	HO Ka Hei	KWOK Chun Yin	LAU Ka Ho	LEUNG Sze Ka



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LIU Wing Kei	NG Hillary Clare	SHUM Kelvin Morla	TONG Wing Yee	WONG Ka Hung	XU Tianyu	ZHANG Jingya
LIU Wing Yan	NG Hong Kiu Hanney	SHUM Wai Kit	TSANG Chun Hung	WONG Ka Tsun	XU Yiuwen	ZHANG Siyuan
LIU Xiaohan	NG Jasper	SIA Wing Ching	TSANG Chun Kiu	WONG Ka Tung	XU Yujuan	ZHANG Yixiao
LIU Yue	NG Ka Fung	SIN Cheuk Sang	TSANG Hing Pui	WONG Ka Wai	XU Zhehan	ZHAO Yue
LIU Yueheng	NG Ka Lun	SIN Ho Yan	TSANG Hiu Ching Vienna	WONG Ka Wing	YAN Kai Tai	ZHAO Yue
LO Douglas Hoi Fung	NG Ka Wing	SIN Hoi Ching	TSANG Hoi Tat	WONG Ka Wing	YAN Wai Shan	ZHENG Junyu
LO Hang	NG Ka Yan	SIN Sui Yan	TSANG Kwai Mui	WONG Kuen	YANG Chun	ZHONG Xin
LO Hau Yi	NG Kar Ho	SIN Wing Yau	TSANG Pok Hoi	WONG Lai Sze	YANG Wannng	ZHOU Jialin
LO Ka Hin	NG Man Him Andrew	SIU Lai Yui	TSANG Sau Pui	WONG Loi Yan	YANG Zhe	ZHOU Jingzhe
LO Ka Ki	NG Man Wai	SO Pak Hin Nico	TSANG Tze Lai Alvin	WONG Lok Man	YANG Zhu	ZHU Dibeai
				WONG Man Chung Mario	YAU Hei Man	ZHU Ming

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# WINNING THE TALENT WAR







The COVID-19 pandemic has uprooted the foundations of what it means to be happily employed. Beyond having a better salary or a corner office with the best view, employees now have other requirements – and companies are struggling to keep up. **Jeremy Chan** speaks to experts to find out what employers can do to attract and retain talent in today's complex hiring environment

Illustrations by **Gianfranco Bonadies**

**T**he office, as we remember it, was ready to go back to normal. With the availability of COVID-19 vaccines since early 2021, and billions of jobs administered to people worldwide over the next 18 months, all was in place for a safe return to pre-pandemic work routines.

But that hasn't been the case. Employers and employees around the world have since been locked in a delicate game of tug-of-war – on one end, are bosses who are hoping to return to “the way things were” prior to the COVID-19 pandemic and calling staff back to work at the office full time. On the other end, are employees – many of whom are decidedly content with “the way things are” now.

This unique situation has led to employees worldwide leaving their jobs en masse since 2021, known as “The Great Resignation.” The United States, for example, saw almost 48 million employees leave their jobs in 2021 alone, according to the U.S. Bureau of Labour Statistics, while in India, over a million in the IT sector resigned that same year. While Hong Kong has largely been spared from workers resigning in droves, many are actively considering it, according to PwC's *Global Workforce Hopes and Fears 2022 Hong Kong (SAR) Report*. The August study, which surveyed 1,043 workers in Hong Kong, found that 49 percent of employees say they are likely to leave their jobs, while 23 percent note that they are extremely likely to change jobs within the next 12 months – higher than the global average of 34 and 19 percent, respectively.



## RECRUITMENT

Staff retention



This new employment paradigm has put employers in a difficult situation which will magnify in complexity over the next decade. By 2030, millennials, or those aged between 25 to 34, will make up more than 40 percent of the global working age population, while generation Z, or individuals aged between 18 to 24, will comprise 26 percent of all labour, according to *Demographic Shifts: The World in 2030*, a study by Cushman & Wakefield. This larger pool of younger workers will make it crucial for managers to act now to understand their needs in order to gain their talents and long-term loyalty.

Joyce Fok CPA, Senior Recruiting Manager at Robert Half Hong Kong, says that the pandemic has essentially prompted employees across the world to re-examine what they want out of a job, leading many to leave if those requirements cannot be met. Flexible working

arrangements, she adds, is now a prerequisite for most employees. “Candidates are willing to accept a lower salary – provided it isn’t lower than their current package – with the promise of more flexibility. Some are also turning down jobs simply because they don’t offer remote work,” she says.

The PwC report found that 89 percent of employees prefer to work mostly or entirely remotely. It also found that only 45 percent of workers, however, have the option of working remotely. A separate study by Randstad, conducted between February and March, found that 35 percent of millennials would quit their jobs if they aren’t able to choose where they work. The issue is more apparent for generation Z with 41 percent noting they would leave their jobs if they couldn’t work remotely.

But increased flexibility is merely one of the requirements

that employees now have when looking for a job, and that will convince them to stay. Today’s talent, according to Louisa Yeung FCPA, Chief Executive Officer of recruitment agency KOS International, seek companies that cultivate a diverse and inclusive workplace culture, offer

**“Before the pandemic, the focus was on the usual – being next in line for a promotion, having a better title and making more money. Of course this is still important, but now, employees want a lot more.”**

opportunities for professional development, and are led by individuals who understand the importance of honest and transparent communication, and employee mental well-being. “Before the pandemic, the focus was on the usual – being next in line for a promotion, having a better title and making more money. Of course this is still important, but now, employees want a lot more,” she says.

### Why remote work is working

The pandemic essentially upended people’s work routines, leading to a lifestyle shift, Yeung says. The lack of a commute freed up time for other tasks, and the increased reliance on video calls and communication tools meant that employees didn’t necessarily have to be at the office, or even in the same country, to collaborate in real-time. “Before COVID, much of the global working population had to physically show up at the office five days a week. But now, people have the choice to show up at the office only when necessary, like to attend in-person meetings,” she says.

Though this meant attending to calls outside working hours, work-from-home arrangements continue to challenge traditional office work settings and hours, since they generally provide employees with more flexibility to manage their own professional and personal lives, and also enhances the general well-being of staff, says Becky So CPA, Director, Human Resources of a European investment bank. “Employees now prefer to avoid jobs with rigid work schedules. For example, some might prefer to start work a bit later but compensate by working longer in the evening and vice versa,” So says. “People also appreciate the flexibility to occasionally run some errands during the day.”

This independence is especially crucial for those who have family members to take care of, notes

Vincent Tam FCPA, Head of Talent Management at Hong Kong Productivity Council. “Employees like being able to choose when to start or end their day. This allows working parents to spend more time with their kids,” he says.

**“With a lot of young employees asking for remote work, more ‘old school’ CEOs are feeling the need to follow this trend. They don’t have much choice now.”**

But for flexible working arrangements to truly work, trust has to be established between both parties; employers should measure an employee’s performance based on the quality of work they produce, while employees need to be accountable for their own tasks, says Derek Yuen CPA (practising), People Partner, Audit, KPMG China. “We remind staff that we look at results and their collective team effort. We believe that accountability and delivering quality work is more important than their physical presence in the office,” he says. Not all duties, however, can be done remotely, Yuen cautions. “It isn’t easy for an auditor to work remotely all the time, as they often have to work within teams and need access to office space and equipment.”

Despite the advantages of working remotely, it isn’t for everyone, So says. “For some, their homes may have limited space to work; they may lack the right desk set-up or a separate room to attend calls, and there may be disturbances at home like children crying or pets. It depends on whether people can concentrate in their homes as well,” she says. “It also makes it difficult to bond with new joiners, and there can be a lack

of overall team spirit in the long run.” The option to work remotely equally depends on the industry the individual works in, Yeung says. “If one works in the food and beverage industry or in essential services, there’s no way they can work from home.”

Employees are also more susceptible to cyberattacks or phishing emails if they work remotely or from home, notes Tam. “Not all employees are provided with a laptop from the company. This exposes them to all sorts of risks, especially if their laptops don’t have any protective software,” he says. “It can be risky if employees are accessing work-related systems and potentially sensitive or confidential data. Companies have to find ways to address this early to prevent potential breaches.”

In spite of the potential drawbacks, Yeung is convinced that remote work is set to continue, making it crucial for companies to consider offering it to attract and retain talent. “As more traditional chief executive officers in their 60s and 70s start retiring within the next decade, many of whom still prefer the office, the younger CEOs of today are more likely to allow staff to work from home, as they are more open to remote models,” she says. “With a lot of young employees asking for remote work, more ‘old school’ CEOs are feeling the need to follow this trend. They don’t have much choice now.”

### Building a diverse and inclusive workplace

Beyond offering increased flexibility, employers need to cultivate a diverse and inclusive culture within the company. Doing so fosters a sense of belonging among employees, which Tam explains, can lead to a multitude of other benefits. “When employees feel included and respected, they are more willing to go the extra mile, and will likely produce work of a higher quality. This will lead

to better results and more satisfied customers,” he says, emphasizing that staff feel most valued by their company when they are heard and treated fairly. “When employees feel that their ideas aren’t being taken seriously, this could prompt them to consider leaving. It is crucial for employers to empower their employees and recognize their individual skills and talents.”

While diversity and inclusion (D&I) may not be as important as remuneration for jobseekers, it is key to retaining staff, especially younger workers, according to Deloitte’s *Global 2022 Gen Z & Millennial Survey*, which found that a company’s efforts to create a diverse and inclusive environment would encourage gen Z and millennial employees to stay on for more than five years.

In order to grow a diverse and inclusive culture within the workplace, the D&I tone has to come from the top, explains Tam. “D&I initiatives have to align with organizational goals and the company’s values,” he says, adding that employers could start by taking a second look at their recruitment process. “Management first need to get rid of their own biases. They should make a concerted effort to look beyond the candidate’s gender, ethnicity and nationality and focus purely on their qualifications, academic achievements and whether they are competent enough for the role.”

So agrees, highlighting that companies should set D&I-related metrics and targets to guide employers throughout the hiring process. “Companies are recommended to set key performance indicators (KPIs) to establish a target ratio of women in the leadership team and a target mix of overseas and local talent,” she says.

Offering the option to work remotely also counts as a D&I initiative nowadays, Tam points out. “This greatly benefits employees

### “Employees are proud to work for a company that doesn’t discriminate and are equal employers.”

who may have physical disabilities, allowing them to work directly from home,” he says. “They don’t have to worry about travelling back and forth to the office every day.”

For the top-down approach to D&I to truly work, companies need to ensure that their middle management is also composed of a mix of individuals, says Yeung. “Nowadays, it shouldn’t be weird to see people of diverse backgrounds making up a company’s middle or even upper management team,” she says. “Companies have to first set this example before they even start talking about D&I; they have to walk the talk.” A diverse middle management team, Yeung adds, will also ensure that D&I-related goals and initiatives cascade down from management and are successfully put into play. “Employees are proud to work for a company that doesn’t discriminate and are equal employers. They want to see companies objectively assess the skills and capabilities of different people and allow them to be promoted. This will help to attract and retain individuals from all walks of life.”

### A conducive work environment

Employers should aim to encourage collaboration, open communication, and provide regular and timely feedback, which may warrant a change in management styles, So says. “Some managers may still adopt a slightly more dictator-like approach; they would expect staff to strictly follow orders – but millennials may not appreciate this kind of style,” she says. “Nowadays, managers are advised

to carefully explain to staff why they need to do certain tasks and perhaps the consequences of their actions or inactions. A collaborative management style with an element of coaching would be a more welcomed approach nowadays.”

Fok agrees, adding that employees prefer managers who provide more autonomy and have a noticeably less intrusive style of management. “Though many employees still appreciate receiving training the first few months, employers should practice a more hands-off approach afterwards to allow candidates to learn on the job. As a result, employees will feel a greater sense of trust from their employers,” she says.

Yuen says younger employees also value receiving more frequent and honest feedback from managers. “Employees care about their performance, and it’s our goal to build a high performance culture at the firm. This means we need to be as transparent as possible in terms of what they can do better,” he says. Yuen adds it is therefore crucial for employees to be aware of the KPIs they need to fulfill in order to meet the company’s expectations.

In addition to providing feedback, Tam says that employers should create a workplace culture of recognition and appreciation of employees, regardless of whether they are commending large or small accomplishments. “Taking the time to appreciate or praise employees for their efforts can go a long way. Celebrating achievements will build upon that sense of belonging and also motivate them to perform better.” Employees also appreciate a workplace environment that values mental health. However, as many as 35 percent of millennials workers and 33 percent of gen Z staff feel uneasy about speaking with their managers about their stress, anxiety or any mental challenges they may be experiencing, according to the Deloitte report. “It starts with promoting a culture of ‘openness’





within the company. People shouldn't feel discouraged to share their feelings, especially if they aren't feeling their best," Yeung says.

It isn't only about retaining younger staff members, Tam emphasizes, noting that companies should provide ongoing training to all employees. "With so many new forms of technology available today, companies should provide training to help middle aged employees reskill or upskill. This will boost their confidence," he says. "It will also help them to cope

**“Celebrating achievements will build upon that sense of belonging and also motivate them to perform better.”**

with added job roles or projects and manage them in a more efficient or proficient manner.”

Regular communication with staff members may also help employers to unearth both their short- and long-term career goals, and help managers to understand what functions at the company they would be keen to try out, says Fok. "If an employee has already been working in the company for two or three years, they may have grown slightly bored of their current responsibilities and may benefit from rotating at different desks," she says. "This will allow them to learn different things while being at the same company." Yuen agrees: "It is up to the company to offer them different tasks. This could be through secondment opportunities, or taking on different functions through internal rotation programmes. This should be part of every company's retention strategy."

**Being worthy of talent**

Employers are encouraged to identify which areas to enhance within the company to lure and hold onto the best talent in today's competitive hiring environment. "The market is now more candidate-driven, so at this moment, employers have less bargaining power," Fok points out.

Employers therefore have to take initiative to proactively and mindfully promote themselves and the organization, Yuen concludes. "The dynamics of hiring have changed. Two decades ago, it was very one sided – we'd pick the employees – but it's two-way traffic now," he says. "It's now our responsibility to explain why the company is a good fit to each candidate. After all, it is people that make a business, so having the best talent is most important."



In Hong Kong, 49 percent of employees say they are likely to leave their jobs, while 23 percent note that they are extremely likely to change jobs within the next 12 months, according to PwC's *Global Workforce Hopes and Fears 2022 Hong Kong (SAR) Report*.



# SECOND OPINIONS: WHAT CAN ORGANIZATIONS DO TO IMPROVE THEIR DIVERSITY AND INCLUSION STRATEGIES?

**“For a diverse environment to flourish, everyone should be respected and given opportunities to contribute. It is not a matter of having a top-down or bottom-up strategy, but taking all-round actions to cultivate an inclusive workplace.”**



SHANICE SIU CPA  
TAX PARTNER,  
DELOITTE CHINA

Society, talent and regulators are increasingly expecting bolder diversity, equity and inclusion (DEI) actions from organizations, highlighting the importance of equal opportunities for all in today’s businesses, regardless of background, origin or gender.

A recent study by Deloitte has found that women hold 13.9 percent of board seats in Hong Kong, compared to 19.7 percent globally. Even though Hong Kong’s female board representation is above the Asian average of 11.7 percent, there is room for improvement when compared with other mature markets like Europe and the United States, where women hold 20-30 percent of board seats.

Embedding diversity into an organization’s culture can improve its business results. Research shows the correlation between gender diversity and better financial performance. An equal gender balance may attract more talent, and provide a better mix of knowledge and views, which can contribute to more effective decision-making and empower innovation.

Instead of seeing a gender equity programme as something that is nice-to-have, leaders should consider how it adds value to their companies, talent, clients, and society as a whole. Organizations are recommended to take intentional and strategic actions to promote a culture where every individual is embraced and engaged in a way that matters. From an organizational perspective, there should be equal opportunities in areas such as recruitment, retention, mentorship, advocacy, succession planning, and return-to-office work arrangements, with a view to developing a talent pipeline of female leaders. For a diverse environment to flourish, everyone should be respected and given opportunities to contribute. It is not a matter of having a top-down or bottom-up strategy, but taking all-round actions to cultivate an inclusive workplace.

To further Deloitte’s effort to advocate gender balance, we have seen the set-up of our DEI Council and Women Leadership Committee in different regions, to support female talent, raise the awareness of women empowerment, and ensure everyone is engaged on this important issue. Empowering female leadership is one of the priorities of our DEI Council.

As part of the DEI Council, our national Women Leadership Committee is dedicated to enabling women empowerment through various programmes and advocating the realization of women’s achievements and contributions, within and beyond the firm. The committee also regularly organizes programmes to support female talent to rise to leadership positions, including executive coaching, training and networking activities. These platforms within the organization enable our talent to learn, grow, develop and succeed.

There is no one-size-fits-all approach. Every company will have to determine its DEI strategy by considering its own business model and specific needs. It is not a numbers game – what matters are values and beliefs. By shifting from a box-ticking mindset to one that truly places DEI at the heart of business strategies, we can move toward fostering a truly inclusive workplace for all.



**JAMES CLIFFORD DOWNES**  
DIVERSITY AND INCLUSION CONSULTANT  
AT A MULTINATIONAL INSURANCE COMPANY

For many of you reading this, DEI will probably be something on your company's agenda. But beyond a buzzword, how can you begin to make gains from the power that it can yield?

Over the past seven years I have supported organizations as a consultant, and up until recently as an in-house D&I Partner at Bloomberg LP to develop strategy and initiatives that respond to social, cultural and people needs in an ever-changing world. I am legally blind and leverage my lived experience to help others share their story to build empathy, understanding and action for driving DEI forward.

In my view, there are three symbiotic areas every organization should include as part of their DEI strategy; these are data, programming and accountability – all of which mutually benefit each other.

Do not underestimate the power that data will have when designing your initiatives and strategy. Identifying a baseline of the identities and background of your people will enable you to begin to think critically about communities that need the greatest attention and focus on the infancy of your strategy delivery. Self-ID campaigns, for example, are a great way to begin collecting this data. But you need to make sure you explain and educate why you are seeking to gather this.

Leverage this data to create focused and targeted programming for diversity strands such as gender, people with disabilities or local talent. Try including the voices of those who you are trying to support into the design and delivery of your initiatives. Often, initiatives fail when the perspectives of a group are not included in the strategy design phase. Essentially, make sure you have a seat at the table for everyone.

And finally, and I can't stress this enough, DEI is not a "human resources problem"; it is everyone's shared and collective responsibility. Include your business leaders, team leaders and key influencers into the design and, importantly, the delivery of your strategy. I have seen the greatest success among those businesses that attribute key performance indicators on diversity to their business leaders' end of year reviews.

DEI does not need to be an intimidating subject for your business. Coach, train and support the growth and learning of everyone. It is okay to fail, so be bold and share what steps you will take to avoid any future shortcomings. DEI is for everyone, and when we all work to build a strategy together, we all win!

**“Try including the voices of those who you are trying to support into the design and delivery of your initiatives.”**



**FIONA NOTT**  
CHIEF EXECUTIVE OFFICER,  
THE WOMEN'S FOUNDATION

Given the global talent shortage and an increased appetite among employees to work for companies that prioritize DEI, having a clearly defined inclusion strategy and accompanying set of practices for an engaged workforce is an imperative. As a core component of DEI initiatives, a strong focus on addressing gender diversity and equality will enhance and advance overall DEI initiatives across an organization. As such, here are four actions organizations may consider adopting to improve their DEI strategies:

**Remove bias from talent acquisition:** The criteria, writing, advertisement and location of roles both internally and externally are crucial to attracting a diverse talent pool. Recruitment and selection should embed inclusion and eradicate bias in sourcing, interviewing and protocols including considerations around accessibility and non-traditional education backgrounds, among other factors. Adopting simple online tools such as a gender decoder, which reveals hidden gender-specific words and offers alternatives to make your text less biased, can go a long way towards mitigating any unintentional gender bias in job ads around any language.

**Elevate employee support:** Ensure that policies aim to support men, women and people of all gender identities in advancing gender equality, for instance, offering gender-neutral parental leave for employees with the leave inclusive of all forms of relationships. It is also crucial to offer flexible or agile working which can support employees with caregiving responsibilities. In parallel, ensure performance metrics are recalibrated so that career progression is not hindered from employees using these policies.

**Foster an inclusive culture:** A culture takes time to build, but is vital to long-term adoption of DEI practices. Start simple – mark and celebrate diverse holidays and observances to increase awareness and understanding of different communities at a company. Create a safe space for discussion on critical issues around DEI where engagement is respectful and non-judgemental. Support inclusive language and practices that avoid biases and expressions that discriminate against groups of people based on their gender, sexual orientation, race, socioeconomic background, and ability.

**Evaluate the success of the DEI strategy:** Tracking diversity metrics is important. Every DEI action plan must have clear goals and accountability. Many diversity and inclusion programmes do not thrive because organizations fail to set concrete goals and metrics of success from the beginning. Organizations should establish an internal DEI task force of key stakeholders that measure and assess the company's progress to better execute initiatives and provide oversight to the effectiveness of the DEI plan.

**“Every DEI action plan must have clear goals and accountability.”**



## HOW TO

by Tracy Ho

Founder and Director of Frame & Fame Personal Branding, on the importance of mastering business etiquette in order to effectively communicate in today's business environment



# How to master business etiquette in the new normal

**T**he way we do business has always undergone change, but the COVID-19 pandemic has led to changes on a scale we haven't seen before – it has introduced businesses to new work standards to keep their operations afloat. As the world adapts to the new normal, companies are pushed to explore various options to be more practical, strategic and creative while battling the challenges of the global health crisis.

Over the course of the pandemic, numerous companies and corporate executives approached us for consultation and/or training on business etiquette in the so-called “new normal.” This did not come as a surprise as everyone has, at some point, had to embrace a work-from-home setup and utilize business communication apps and platforms.

As an executive presence coach, I support C-suites, senior executives, and business owners to be more mindful and strategic in terms of their image, communication, and composure – and business etiquette is one of the most frequently discussed topics. Usually upheld by custom and not always spoken of, this set of manners and practices plays a very important role in building executive presence, corporate credibility, trust, and an individual's overall personal branding. Therefore, it is important for business professionals to be able to uphold these standards even if most of their interactions with colleagues and business partners happen virtually.

## Common communication platforms

The pandemic gave rise to various external and internal messaging solutions. These platforms utilize various channels such as mobile phones and functionalities such as video conferencing, task management, and group messaging. Other platforms even have specialized features for project management, collaboration, file sharing, and customer messaging. As people get used to remote work, these platforms prove to be a big help in real-time communication and efficient task completion.

Some of the most popular communication apps that rose to popularity during the pandemic include Slack (internal messaging), Trello (collaboration), Asana (project management), and of course, Zoom (video conferencing). Not to mention personal and group messaging features of popular social media channels. Through these platforms, internal and external business communications are made fast and reliable.

Business communications, however, should not only be fast and reliable; it has to be kept professional as well. Otherwise, your credibility, executive presence, and overall personal brand could bear the consequences – something you wouldn't want to happen in a cutthroat business world.

## Video conferencing etiquette

Everyone's time is valuable. People working from their homes may have to tend to chores outside of their workload, so respect

their call schedules and demands. More importantly, make them feel that their presence is important and that you appreciate their time and effort. Here are some ways to enhance your etiquette for your next video call:

- Send colleagues or clients a calendar invite specifying the meeting's details;
- Dress up appropriately and look presentable;
- Prepare everything beforehand such as materials or presentations, etc. Test your audio and camera early on to prevent any technical difficulties during the call;
- Don't make them wait; hop on the call five minutes earlier if possible;
- Keep your camera in a stable position and focused at eye level. Use proper lighting and an appropriate background;
- Focus on the call or meeting by muting your smartphone and turning off any notifications that may distract you;
- Keep your focus when talking and listening. Look at your camera and not at yourself on the screen;
- Speak clearly and ask relevant questions. Take notes when needed;
- Mute your microphone when you're not speaking and ensure that you have good quality audio; and
- Send meeting notes or summaries via email (or any official communication platform) to note any discussed areas, action items, and agreements made. When people are working remotely, such notes often come in handy and will help increase clarity and avoid confusion.

## Sensitivity, empathy, and respect

I believe that business etiquette in the new normal all boils down to how you observe sensitivity and empathy towards your colleagues and business partners. Doing business in challenging times such as the pandemic should be easier when you know how to respect others and ensure others do the same.

Despite having a means to personally message co-workers, including higher executives, one must also be able to respect hierarchies and follow reporting protocols and communication flows. While there is open communication, it remains important to respect seniority and reporting lines when voicing out and addressing work-related matters.

As businesses go global and continuously embrace diversity and inclusion, multicultural communication etiquette is also given more importance than ever. Online communication tends to make interaction among people of different cultural backgrounds, ethnicities, and those who speak different languages more prone to misunderstanding. This underlines the importance of being culturally sensitive and aware of these differences in order to foster a good business relationship anchored on respect. One's presence and manners can say a lot about who they are as professionals, making it crucial for business etiquette to be observed to maintain professionalism in the workplace – be it online or in-person.

The Programme and Senior Director, International Ethics Standards Board for Accountants, on the essential role ethics and independence play in the reporting and assurance of sustainability



## The centrality of ethics to sustainability

**E**nvironmental, social and governance (ESG) funds and climate investing are two of the fastest-growing segments of the investment industry. Globally, hundreds of new funds are added each quarter, totalling some US\$2.5 trillion, according to *Morningstar*. Investors are paying nearly a record premium for shares of companies with the best ESG scores over the ones with the worst ratings, according to Bank of America analysts. Surveys from the Index Industry Association and others show investors are making ESG more of a priority while snapping up green bonds and investing in climate start-ups.

These developments, among many others, sum up a plain fact – the ship has sailed on sustainability. While governments grapple with the scope, direction and intensity of policymaking on sustainability, capital has been flowing freely and abundantly where investors see the greatest opportunities – ESG or, more broadly, sustainability. This major shift in capital allocation has been accompanied by a voracious appetite among investors, rating agencies, data providers and other market participants for sustainability data. The result has been a wake-up call for the global regulatory community, which has raised significant concerns not only about the consistency and comparability of sustainability-related information but also about greenwashing.

Recognizing these public interest concerns and the pace of developments in sustainability, in June the International Ethics Standards Board for Accountants (IESBA) decided to take timely action to develop fit-for-purpose, globally applicable ethics and independence standards as a critical part of the infrastructure to support transparent, relevant and trustworthy sustainability reporting. This recognizes the essential role ethics and independence play in the production, reporting and assurance of sustainability information, and the major role of professional accountants in this regard. Importantly, this strategic commitment positions the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) as the third pillar to trustworthy sustainability reporting and assurance, alongside the standards being developed by the International Sustainability Standards Board and the International Auditing and Assurance Standards Board (IAASB).

The need for coordinated, interoperable global standards addressing sustainability reporting and assurance has been recognized by the Financial Stability Board (FSB). In its July 2022 roadmap for addressing financial risks from climate change, the FSB affirmed that the IAASB's and IESBA's development of robust sustainability assurance, ethics and independence standards will be important for reliable climate-related

disclosures. In mid-September, the International Organization of Securities Commissions (IOSCO) announced its backing for the IAASB's and IESBA's plans to work towards high-quality, global assurance, ethics and independence standards that are profession-agnostic and can support assurance of sustainability-related information.

The IESBA is working quickly but systematically to respond to these high expectations. It has established a Sustainability Working Group that has been diligently working to formulate pathways to developing (1) ethics standards addressing the mindset and behaviours of professional accountants involved in sustainability reporting, and (2) independence standards geared towards sustainability assurance engagements. These new standards will, by design and necessity, be principles-based, recognizing the wide diversity of sustainability subject matter information, and will leverage the existing robust principles and conceptual framework in the IESBA Code.

The IESBA is intensely considering how to best respond to the call for profession-agnostic standards with respect to sustainability assurance as it is in the public interest for all assurance providers, whether or not from the accounting profession, to be subject to the same high bar of ethical behaviour and independence. This is not a hypothetical question as the market for sustainability assurance in some major jurisdictions, such as the European Union under its Corporate Sustainability Reporting Directive, has now been open to all assurance providers. In others, such as the United States, regulation is being developed that will allow assurance on climate-related disclosures to be provided by an audit or non-audit firm. While it is for regulators to mandate who must comply with the IESBA's standards and to enforce them, the IESBA has a unique opportunity to make available to any assurance providers high-quality ethics and independence standards, provided that these providers also fulfill the competence, quality management and other prerequisites to performing high-quality sustainability assurance engagements. Establishing a level playing field in this regard is a crucial matter of the public interest. Without it, there is a clear danger markets will pivot to the lowest cost providers, potentially harming investors and other stakeholders, and ultimately undermining public trust in sustainability assurance.

The IESBA has set a December 2022 target to approve a project plan addressing sustainability reporting and assurance. Regardless of the pathways it takes, its commitment to robust due process will be a hallmark of its work in the public interest. In the meantime, the IESBA is proactively engaging with key stakeholders to hear their views and insights.

**“It is in the public interest for all assurance providers, whether or not from the accounting profession, to be subject to the same high bar of ethical behaviour and independence.”**

## FIVE QUESTIONS

PAIB & PAIP

**What are the biggest lessons in your career so far?** One is to stay humble and keep learning. Investment banking is a rapidly changing industry. You need to constantly learn about new industry sectors, investment trends, and regulatory policies to stay ahead of competition, which can often be fierce. Another is to embrace a growth mindset. People with a growth mindset view challenges as opportunities, and mistakes as valuable lessons. Adopting a growth mindset has helped me become a person who is always ready to embrace change and different kinds of challenges.

**In what ways has your CPA qualification helped you in your career?** It helped me stand out to potential employers, and more importantly, the training I did as part of getting qualified equipped me with strong accounting knowledge for financial statement analysis and modeling, which are the foundations of the work involved in an investment banking career. In addition, my CPA qualification and audit experience gave me the opportunity to explore and work in corporate positions such as chief financial officer and in-house corporate financial manager.

**How do you currently view the growth of the medical and healthcare industries in Mainland China?** At Ping An of China Capital (Hong Kong) Company Limited, which is the leading global financial services group's Hong Kong investment banking arm, my role is to provide comprehensive corporate finance solutions to clients, especially in medical and healthcare industries. From vaccine development to innovative drugs and biotechnology, Mainland China's healthcare



## FIVE QUESTIONS FOR PAIB

### Archie Fong CPA

Head of Healthcare and Corporate Finance at Ping An of China Capital (Hong Kong), on the growth potential of Mainland China's healthcare industry, and how he views the future of Hong Kong's IPO market

companies have seen strong growth, outpacing some of the world's leading industry players. Over the last decade, the country's healthcare sector has grown into an industry worth 6.8 trillion yuan by market capitalization, making it one of the largest sectors in the market. I believe with the continuing healthcare reforms in Mainland China, as well as the increasing demand for high-quality healthcare products and services, there is great potential for growth in the Mainland's healthcare industry.

**What is your forecast for initial public offerings (IPOs) in Hong Kong for next year?** As a result of ongoing geopolitical issues, regulatory changes affecting many industries in the Mainland China, speculation of interest rate hikes and reduced bond purchases, the Hong Kong IPO market slowed in the first half of 2022. But Hong Kong has remained a resilient international financial centre given its unique advantages. A new listing regime is expected to be introduced for non-profit technology companies with the corresponding consultation expected to come around the fourth quarter of this year, so more leading technology companies may choose to list in Hong Kong via this route. It may spur a new chapter in Hong Kong's IPO market and drive activity.

**You've been involved in numerous voluntary work related to helping start-ups and young people. What drives you to do so?** Many different people have helped me throughout my career, so I feel the need to give something back to the community using my abilities. I believe helping start-ups and young people is one way to do so. I learn new things and I'm able to see things from new perspectives by communicating with those young entrepreneurs.



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

One is how to be a problem solver. When I started off my career as an auditor at the Big Four, I had to deal with tasks from multiple engagements simultaneously and make sure these tasks were completed within a designated timeframe. I also had to think outside the box to make sure we completed every audit engagement efficiently and effectively. Another lesson is how to run a start-up. When some other partners and me started our practice, everything was started from scratch. Serving clients to a high standard is a must, but we also need to have a forward-looking and innovative mindset in order for the practice to be sustainable and stand out. Lastly, when the practice kept upscaling, we learned how to manage different functions within a firm. For the long-term development of a firm, operations, human resources, marketing, IT and admin, etc. need to be managed in an organized and systematic way.

**What was the most challenging aspect of starting a firm?**

Team building, talent management, and building trust and relationships with clients are the most challenging aspects. It's difficult doing everything on your own, so having the right team is crucial during the initial stage as they help build the firm in every aspect. Secondly, attracting and retaining talent as a start-up is an art due to a lack of resources. Lastly, building relationships and trust with clients takes time. But after clients acknowledge that we are helping them with a detailed mind and heart, and see that we can deliver effective solutions and value-added services, then the relationship will be lifelong and priceless.

**What do you like most about specializing in audit and assurance?**

When carrying out audit engagements, we work with



**FIVE QUESTIONS FOR PAIP**

**Rex Leung FCPA (practising)**

Partner at Linkers CPA Limited, on his experience starting and growing a firm using a change mindset and lessons learned as a Big Four auditor

clients in different industries to understand their businesses and operations. By substantiating their financials, one can quickly get a full picture of each business, which can be quite fascinating when building your career as a CPA. As a professional accountant in practice, audit and assurance is essential to almost every business and also in terms of a company's corporate governance. By consistently delivering professional services and advice to clients, we become trusted business advisors. This is what I like most about this specialization – apart from performing our professional duties, there is also that meaningful interaction we have with clients.

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

During the qualification process, I learned to be determined and persistent in achieving my goals. As an entrepreneur and a partner at a firm, my qualification and CPA training have given me a systematic and analytical mindset, allowing me to clearly visualize goals and priorities, even when I'm dealing with multiple tasks under pressure.

**As a SMP, how have you been adapting to the rapidly changing economy?**

The pandemic has reset businesses and led to permanent changes in the workplace. This "new economy" continues to dominate the change and growth agenda. I have had to adopt a change mindset, and be prepared for anything new or potential future changes. It has always been my vision to have clients treat us as their asset, and to view us as their trusted business advisors. We strive to be reliable business partners who can offer the right solutions and add value to the growth and development of their businesses amid a rapidly changing economy.

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# Risks to consider before investing in uncertain times

What to expect from an e-Series that covers corporate failures in Hong Kong and Mainland China, and the risks to consider when investing in Asian bond markets



**Duncan Tang**, Managing Director of UNI Consulting (HK) Ltd., and a speaker at the Institute's Corporate Finance Series, has more than 25 years' professional experience in corporate finance, credit and structured product analysis at various major United States and European corporate and investment banks.

**W**ith the COVID-19 pandemic, the conflict between Russia and Ukraine, as well as the high inflation in Europe, investors believe that the shape of the global economy is deteriorating and that the world is facing an unprecedented financial crisis. As a result, many enterprises are eager to seek financial support in order to keep their businesses alive and avoid triggering a breach of bond or loan covenants in the debt market.

Listed companies, of course, are able to raise funds in a relatively flexible manner compared to private companies as they are provided with additional access to equity funding by means of issuing new shares such as share placements, rights issue and open offers. While these corporate actions may meet their financial needs, how many of these corporate actions are genuinely required?

The stock market is flooded with various financial gimmicks. Listed companies may propose a rights issue or open offer to invite existing shareholders to purchase additional shares. At first glance, the disclosed reasons for and benefits of carrying out the fundraising exercise may seem reasonable and valid, but in fact there may be other reasons behind the rights issue which shareholders are not aware of.

A rights issue is an offer by way of rights to existing shareholders that allows them to subscribe for securities in proportion to their existing holdings. Such rights can be sold in the market within a specified time period. If a listed company proposes to raise funds by way of a rights issue, it might be disclosed by that listed company to the public that the proceeds raised thereunder are to be used as general working capital (i.e. operating capital), however this could be a "phantom." The real reason why the company is proposing a rights issue may be to accommodate controlling shareholders to acquire shareholding in the company at relatively lower subscription costs compared to traditional subscriptions.

This trick is a type of "financial gimmick." Professionals such as accountants should equip themselves with adequate knowledge

of the mechanics behind financial gimmicks and various window dressing techniques of listed companies to deliver valuable advice to their clients and help them make properly informed assessments before they make an investment decision.

## About the e-Series

The Institute's Corporate Finance Series include webinars that help to unveil the true rationale behind various equity fundraising activities such as rights issue, open offers, share placements and other issues to consider. These courses are also supplemented with practical applications to illustrate the true rationale behind corporate actions and the related risks and returns to investors.

The e-Series will help accountants, chief financial officers, financial controllers and banker lenders to understand the current risks of the unprecedented financial crisis ahead. I will conduct two webinar courses in October titled "Red Flag Alerts for Hong Kong Listed Companies during COVID-19," and "Asian Bond Investments during Uncertain Times."

The webinar "Red Flag Alerts for Hong Kong Listed Companies during COVID-19" is specially designed for financial professionals who are interested in knowing the real reasons behind corporate failures in Hong Kong and Mainland China. This course explains the early warning signals of listed companies and explains the structural screening framework used in analysing red flags. It also shares some current quantitative and qualitative red flags seen in relatively high-risk industries from bankers' and fund managers' perspectives.

The webinar "Asian Bond Investments during Uncertain Times" is designed for finance professionals or investors who are interested in the dynamics of investing in Asian bonds when global economies are affected by high inflation and COVID-19-related events. The course explains the different features of bonds in Asia and the related risks and rewards of the Asian bond market. I will also share some practical examples to illustrate the key early warning signals for bond investment.



# Practice implications of academic research in transfer pricing

A look at recent academic research in transfer pricing and their potential impact on policy and practice

This article reviews some recent academic research in transfer pricing (TP), with a particular focus on Mainland China, to shed light on its implications to practice. Put differently, what can we, as CPAs or tax practitioners, learn from the latest academic research in TP? In summary, the academic research currently being produced by scholars can have an increased impact on policy and have potential implications for practice.

It has often been perceived that scholarly research findings have little practical implications, because practitioners seldom take them into consideration. There are three reasons for this perception. Firstly, academic research in TP tends to examine broad-based issues, whereas practice research examines company-specific issues relevant to the professional community. Secondly, unlike practice research reports, which are written in layman's terms and are targeted at professional readership, academic research papers are written in a relatively inaccessible style and targeted towards academic audiences. Finally, academia has not communicated its research findings to the public well enough through means other than scholarly journals. Nevertheless, both professional and academic research are complementary and can be informative to each other.

TP is an accounting practice that represents the price that one division in a company charges another division for the provision of goods, services, and loans. Companies undertake real activities (e.g. increasing research and development and overhead charges, adjusting the interest rate for intracompany loans, and setting up shell companies in tax havens) or simply change accounting methods or estimates (e.g. changing the common cost sharing and allocation formulas) to transfer prices or profits. They do these for both tax and non-tax reasons. Academic research tends to focus on TP for tax purposes. Tax-based incentives to transfer profits have generally been studied in two different

contexts: TP between affiliated companies in different jurisdictions (i.e. cross-border TP) and between affiliated companies within a jurisdiction (i.e. domestic TP). Tax-induced TP has always been a hot topic for both corporations and tax authorities because it affects corporate cash flows and government revenues. Relative to developed economies, TP abuses occur more often in developing countries such as Mainland China where fair value or arm's length prices are difficult to obtain (particularly for intangible assets) and infrastructure (e.g. workforce and experience) and enforcement resources to tackle TP abuses are lacking. Therefore, countries across the world are finding solutions to avoid base erosion and profit shifting by multinational corporations.

Both countrywide and company-specific factors affect companies' TP decisions. Country-level institutions such as culture, politics, legal system, and regulations and its enforcement shape a company's specific incentives to transfer profits across member companies. For example, increased tax authority monitoring will deter income shifting through intragroup transfers. Company-specific factors such as managerial reporting incentives, company size, profitability, and ownership also affect a company's TP decisions. For example, division managers will try to set transfer prices that will maximize their profits for performance evaluation and compensation purposes, despite the need for them to pay more taxes. It is important that when analysing TP transactions, we do not lose sight of the forest (national institutional environment) for the trees (company characteristics).

Hussein et al. (*The International Journal of Accounting* 2017) examine whether informal institutions like culture influence TP negotiation between division managers. When managers from different cultures vary in their conceptions of fairness, they may not easily agree on negotiated transfer prices that could be considered "fair" by all parties. They find that when the external

market price is significantly different from the equal-profit-price (i.e. the price dividing profits equally), Americans (with a small power distance culture) negotiating with each other make final offers closer to the equal-profits price than to the external market price. Conversely, when the Chinese negotiate with each other, they make final offers closer to the external market price than to the equal-profit-price. In other words, when the external market price significantly favours one party over another, Americans tend to agree on relatively equal distributions of profit as a fair outcome. However, the Chinese tend to accept the external market price as the "fair" transfer price and agree on relatively unequal distributions of profit. Given the findings, it is advisable that companies should emphasize cultural awareness in training divisional managers and modify their negotiation processes to reflect cultural differences. Importantly, this study strengthens the practical relevance of managerial accounting literature.

Kim and Zhang (*Contemporary Accounting Research* 2016) and Lin et al. (*Contemporary Accounting Research* 2018) examine whether informal institutions such as corporate political ties influence the behaviour of companies and tax authorities. The former study finds that politically connected companies are more tax aggressive than their non-connected counterparts because of their lower expected cost of tax enforcement and better information about tax law and enforcement changes. To examine whether ties between the board of directors and politicians weaken the effectiveness of government enforcement against tax-induced TP, Lin et al. use a dataset to measure the level of tax enforcement across all provinces in Mainland China. They find that the deterrent effect where a company's tax-induced income transfers will be detected and lead to heavy penalties is significantly undermined if board members are politically connected, suggesting that board's political ties are

a significant challenge to the effective enforcement of tax compliance in a politically controlled economy. A policy implication of this study is that as the administrative effectiveness of tax systems in developing countries to protect revenues is influenced by both formal (e.g. the justice system and tax enforcement) and informal (e.g. personal relationships and social networks) institutions, successful tax reform should not be limited to strengthening the tax administration within the revenue system. Reforms must also encompass a country's political and business environments, including government-business relations, the political economy of regulatory agencies, and the incentives and behaviour of different actors within and outside the tax system. To minimize litigation and reputation risk, tax practitioners should understand the enforcement behaviour of tax authorities as government scrutiny appears to vary according to geography and company attributes.

TP is a function of the spread in tax rates among member companies and the size of price transfers. The larger the spread and the size, the greater the tax savings from the transfer. This means companies have little tax incentives to transfer prices if such a rate spread does not exist; or even if it does, group companies will have little or no price transfers. Indeed, Shevlin et al. (*Journal of the American Taxation Association* 2015) find that the magnitude of income shifting is increasing in the tax rate spread of the subsidiaries within an affiliated group. Lin et al. (*Journal of International Financial Management and Accounting* 2021) also find that business group affiliation weakens the sensitivity of income tax expense to pretax income. Several studies examine the effect of tax rate changes on the company's incentive to shift income. For example, Lo et al. (*Journal of the American Taxation Association* 2010) use the relative gross profit ratios of related and unrelated-party transactions to measure TP strategies. They find evidence that TP is used to increase a listed companies' profits as the corporate income tax rate decreases and decrease a listed company's profits as the percentage of shares owned by the government increases. Wong et al. (*Journal of International Financial Management and Accounting* 2015) study whether companies manage their earnings, via TP, to tradeoff various incentives when tax rates increase and find

that when anticipating a tax rate increase, companies increase their taxable income in the current year without simultaneously increasing book income, suggesting they are concerned about the detection risk of aggressive financial reporting. These studies have implications to policy and practice. Policymakers and regulators can gain more insights on companies' reactions to anticipated tax rate increases, and this will help them devise a tax policy that fits the financial needs of the government. The results also have implications for accounting firms, which often face conflicting demands to give tax minimization advice on the one hand and to detect material cases of client earnings management on the other.

Company attributes and reporting incentives also shape TP decisions. For example, relative to public companies, private companies shift more taxable income from a higher- to a lower-tax year because they face less pressure to alleviate financial reporting constraints (see Lin et al. (*Journal of the American Taxation Association* 2014)). To allocate profits between divisions in a manner that aligns their interests with the interests of the company, many organizations grant division managers a significant degree of autonomy to negotiate transfer prices. Chan et al. (*Journal of the American Taxation Association* 2006) find that companies that have autonomy in setting transfer prices have smaller tax audit adjustments compared to those that have their transfer transactions dictated by parent companies with more concerns about company-wide profits. Lo et al. (*Journal of Corporate Finance* 2010) investigate whether good governance structures help constrain companies' TP manipulations in Mainland China. They find that well-governed companies (e.g. companies with independent directors and knowledgeable audit committee members) are less associated with TP abuses. Results of these two studies are potentially useful in identifying the type of companies that are more likely to be tax avoiders, and thus may help tax authorities to allocate their auditing efforts in the future. When selecting targets for a TP audit, tax authorities should not only look at the financial statement data (e.g. profit margin, profit patterns, and sales trends), but also consider non-financial information such as organizational and governance structures and incentive systems of the company. When formulating TP policies, multinational corporations should be aware that their subsidiaries

would encounter more tax non-compliance problems and face higher risks of tax examination if subsidiaries are not involved or given no autonomy in setting transfer prices.

In summary, companies' decisions to transfer prices domestically or internationally are shaped by a country's formal and informal institutions and by their reporting incentives. Empirical results from the studies previously mentioned suggest that while tax authority enforcement can deter tax-induced income transfers, the enforcement behaviour is weakened by the presence of a politically connected board. Studies also find that companies in Mainland China have a tax incentive to transfer income across periods and between affiliated companies within the group. It is evident that the following company characteristics are associated with a higher likelihood of engaging in income transfers for tax purposes: 1) private, non-state companies; 2) subsidiary companies with their TP decisions dictated by the parent; 3) large tax rate range between member companies; 4) poorly governed companies; and 5) companies headquartered in regions with a weak tax enforcement.

Professional and academic research are complementary and should inform each other. To improve informativeness, scholars and practitioners should interact as extensively as possible. To increase the possibility that the academic tax research is both directly useful and effectively disseminated to policymakers and practitioners, it is suggested that academic research papers should integrate a discussion of the policy debate or practical problem into the manuscript, offer implications of the research results, and utilize various channels to increase the visibility of research findings to those interested in tax policy and practice. Channels include publishing academic research findings in professional journals and offering workshops to the professional community. Meanwhile, policymakers and practitioners can provide their insights and comments to academia on issues which need systemic empirical evidence. This will increase the impact of research on policy and practice.

*This article was contributed by **Kenny Lin**, Professor at the Department of Accountancy at Lingnan University.*

# TECHNICAL NEWS

## The latest standards and technical developments

### Members' handbook

Update no. 277 contains the following updates to volume II of the members' handbook:

- The fundamental structure of volume II of the members' handbook has been re-arranged into two sections. Section 1 includes all financial reporting standards that are effective for accounting periods beginning on or after 1 January 2022. Section 2 includes financial reporting standards that are effective for accounting periods beginning on or after 1 January 2023.
- Consequential amendments arising from Hong Kong Financial Reporting Standards (HKFRSs) and amendments that are effective for accounting periods beginning on or after 1 January 2023 were previously set out in the appendices to the respective HKFRSs, but are now incorporated into the text of the relevant HKFRSs, basis for conclusions and illustrative examples in section 2.
- HKFRSs included in section 1 are updated for editorial corrections.

### Financial reporting

#### Live webinar: Interaction between risk-based capital and HKFRS 17 Insurance Contracts

The Hong Kong Insurance Authority is developing a new Hong Kong Risk-Based Capital (HKRBC) regime for the insurance industry in Hong Kong, and the HKRBC is expected to be effective in 2024. The Institute's live webinar on 10 October will explain the key elements of the HKRBC including the key assumptions and methodology for the HKRBC, as well as how the HKRBC would interact with HKFRS 17 and the related impact on Hong Kong insurers.

#### Live webinar: Accounting considerations for a SPAC

A listing regime for special purpose acquisition companies (SPACs) in Hong Kong was effective from 1 January 2022. The structure of a SPAC could give rise to

a number of complex financial reporting issues at different points during its lifecycle. The Institute's live webinar on 1 November will highlight the key financial reporting considerations observed or expected in typical SPAC structures in the two distinct phases of a SPAC's lifecycle, and cover the related and latest developments from the IFRS Interpretations Committee.

### Auditing and assurance

#### Workshop for new auditors (re-run)

The Institute's workshop on 11, 13 and 18 October is a tailor-made programme that provides the core concepts and practical skills essential for new auditors of financial statement audits. It applies an interactive learning format through discussions, case studies and role-play. Speakers will teach auditing concepts and practical skills, as well as share their practice experience relevant to new auditors.

#### Circular on Reporting for Certification of Funds under Schedule 16D to the Inland Revenue Ordinance (Cap. 112)

This Institute's circular provides guidance to practitioners when undertaking engagements to report on a fund's compliance with the *Guideline on Certification of Funds Issued by the Monetary Authority under Schedule 16D to the Inland Revenue Ordinance (Cap. 112)*.

#### Digital transformation and innovation in auditing: Insights from a review of academic research

An article by International Federation of Accountants (IFAC) discusses research on digital transformation in the external audit setting. The research has provided valuable insights into digital transformation within audit engagements and delineates person-specific, task, and environmental factors that influence adoption of technology. It recommends audit firms and practitioners take a methodical approach to technology adoption by involving all necessary parties and ensuring there are sufficient resources (e.g. human capital and technology) to enable the adoption of specific types of data analytic tools.

### 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:

- The report *Sharpening the Focus on Corporate Fraud* describes the significant resources devoted to fraud-related activities within individual audit firms, and across the profession and looks at what more can be done by all players in the financial reporting ecosystem to improve fraud deterrence and detection.
- Resources to help audit firms prepare for the new and revised quality management standards under International Standard on Quality Management (ISQM) 1, ISQM 2 and International Standard on Auditing (ISA) 220 (Revised).
- ISQM 1 implementation: 100 days to go offers tips and recommended reading for very small practices.
- Quality management: ISQM 1 in practice – experience sharing from a practitioner in designing and implementing the new and revised quality management standards in practice, by making references to the available resources provided by various professional bodies and making uses of the firm's existing documentation regarding its quality control system.
- The podcast – *What are the issues with tackling fraud?* highlights the common types of fraud, the challenges of trying to combat it, the red flags that accountants might come across, and how professionals should respond.
- 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

### Bringing the Code of Ethics to life

An article by ICAEW introduces a publication on ethical dilemmas case studies released by the Consultative Committee of Accountancy Bodies which gives helpful advice for accountants to apply to real-life situations. The case studies examine the practical considerations, including how to communicate the issue with the client and possible courses of actions to address the issue; address suspected non-compliance with laws and regulations, including bribery and cover-up of breaches of environmental laws and regulations, and consider any legal reporting obligations for the firm, etc. The case studies provide an interesting and illuminating way to engage with the *Code of Ethics for Professional Accountants* (Code of Ethics) while also increasing awareness of some threats to ethical conduct that can arise in an accounting firm.

## Sustainability

### ISSB July 2022 Jurisdictional Working Group meeting summary

The meeting summary of the International Sustainability Standards Board (ISSB) July Jurisdictional Working Group meeting is now available.

### Leading financial market participants call for stronger alignment of regulatory and standard setting efforts around sustainability disclosure

Sixty-five companies, investors and professional accounting firms from across the world signed an endorsed statement calling for major standard-setting efforts to more closely align with and support a global baseline for reporting sustainability-related information. The statement was developed jointly by the World Business Council for Sustainable Development, the Principles for Responsible Investment and the IFAC.

## Corporate finance

### Institute submission on SFC's consultation on Proposed Amendments to Enforcement-related Provisions of the SFO

The Institute issued a submission in response to the consultation paper issued

by the Securities and Futures Commission (SFC) on Proposed Amendments to Enforcement-related Provisions of the Securities and Futures Ordinance (SFO).

In general, we support the SFC's aims to strengthen protection of the interests of the investing public and uphold the reputation of Hong Kong's financial markets, including through effective enforcement action. At the same time, in the submission, we raised several questions on the specifics of certain proposals.

## Taxation

### Announcements by the Inland Revenue Department (IRD)

Members may wish to be aware of the following matters:

- Financial Secretary's Office spokesman responds to media enquiries.
- New application features of eTax Portal.
- Hong Kong Monetary Authority releases guidelines on auditor's report for application for certification of funds for carried interest tax concession.
- Financial Services and the Treasury Bureau and Shenzhen Qianhai Authority jointly promulgate 18 measures for Supporting the Linked Development of Shenzhen and Hong Kong Venture Capital Investments in Qianhai.
- Stamp Duty statistics.

## Legislation and other initiatives

### Announcements by the government

Members may wish to be aware of the following matters:

- Government expresses gratitude for national support for further expanding mutual access between Mainland and Hong Kong financial markets.
- Government releases *Green Bond Report 2022*.
- Steering Committee on Bond Market Development in Hong Kong releases report.
- Government receives final report on power cable incident from CLP Power Hong Kong Limited.
- Speech by the Financial Secretary at AIMA APAC Annual Forum 2022.
- Secretary for Financial Services and the Treasury's opening remarks at 21st Hong Kong Venture Capital and Private Equity Association China Private Equity Summit.

- Financial Services and the Treasury Bureau and SFC and InvestHK exchange viewpoints with industry leaders to foster digital asset industry development in Hong Kong.
- Hong Kong Monetary Authority takes disciplinary action against Commerzbank AG, Hong Kong Branch for contraventions of Anti-Money Laundering and Counter-Terrorist Financing Ordinance.
- StartmeupHK Festival 2022: A week-long showcase of Hong Kong's dynamic and thriving startup ecosystem.
- Financial results for the four months ended 31 July 2022.
- Unemployment and underemployment statistics for May – July 2022.
- Economic situation in the second quarter of 2022 and latest gross domestic product and price forecasts for 2022.
- Speech by the Chief Executive at Chinese General Chamber of Commerce Hong Kong Summit 2022.
- 2022 Guangdong/Hong Kong Seminar on Intellectual Property and Development of Small and Medium Enterprises (Online) held.

### IFAC's Action Plan for Fighting Corruption and Economic Crime

The IFAC issued its action plan to enhance the accounting profession's contribution to, and support of, a robust anti-corruption ecosystem encompassing a diverse array of participants and policies. The action plan sets out more than 30 specific actions for IFAC and the accounting profession related to education, evidence-based policy, global standards, partnership, and thought leadership.

### AML notices

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

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

# DIVERSE OPPORTUNITIES

**T**o the sound of cheers and applause, Charanjit Singh Grewal FCPA sliced cakes and clinked glasses with his clients and employees. It was the 46th anniversary of his accounting firm Grewal Commercial Service, and he felt humbled to celebrate the moment with his team – many of whom have been working with him for over 30 years.

Looking back on the challenges he faced over the last four decades, he can't imagine how his life would have panned out if he had stayed in India instead of taking a leap of faith and moving to Hong Kong. "Back then, I knew nothing about accounting or bookkeeping, but I knew Hong Kong was a place full of opportunity. So I came without a second thought," says Grewal, Founder and Chairman of Grewal Commercial Service.

Grewal was born and raised in Gujjarwal Ludhiana, a village in India's state of Punjab. He notes that during the first 18 years of his life, he was raised in a tough environment where he lacked the resources and opportunities to improve his quality of life, and he knew career choices would be limited. "I could have chosen to either become a farmer, a teacher, or at most, join the army at that time."

He first heard about Hong Kong in 1964, after a friend of his uncle who had visited the city shared his experience with him. Inspired, he decided to pack his bags to see Hong Kong for himself. After moving to the city in 1965, Grewal started off working odd jobs. "In the 1960s, it was very difficult for an Indian to find an office job unless the company was also owned by an Indian," Grewal explains. "When I told people that I wanted to study and become a professional, people laughed at me – but I didn't care about what others thought. I tried to find ways to improve myself." Though most courses in Hong Kong were taught in Cantonese, the material was written in English, allowing Grewal to get up to speed. In late 1966, he managed to acquire an Elementary Bookkeeping Diploma from Bennett Airmail Correspondence College

**"Having employees from different walks of life helps you to make better decisions; they are able to see things from other perspectives."**



Hong Kong's inclusiveness and acceptance of different ethnicities has helped accountants from around the world to not only find success in their careers, but also live meaningful lives. Institute members tell [Thomas Lo](#) about their lives and careers as ethnic minority CPAs





Charanjit Singh  
Grewal FCPA,  
Founder and  
Chairman of Grewal  
Commercial Service

Photography by Anthony Tung



in the United Kingdom and in 1969, he acquired his Intermediate Bookkeeping Diploma from the London School of Commerce.

The next few years, however, proved challenging for Grewal, as the companies that hired him as a bookkeeper were forced to close due to financial difficulties. To stay afloat, he decided to work as an auxiliary police to support his family and continued working part-time even after he was eventually hired by Price Waterhouse (now PwC) as a trainee audit assistant in 1974. In 1976, to increase his income, Grewal started a one-person accounting firm specifically providing accounting and taxation services in addition to his role in PwC, while assuming his role as an auxiliary police officer in his spare time. He worked seven days a week. “I hardly remember taking any breaks during that time. I worked as an auditor for my employer from nine to five, then as an auxiliary police officer from six until midnight. On my off days, I’d go to my own clients’ office in the morning to handle their accounting and taxation projects and take the night shift as an auxiliary police officer,” Grewal says.

In 1978, Grewal decided to resign from PwC and the police force to focus solely on growing his firm, and began hiring staff to handle his ledgers and basic bookkeeping. “My pager was my office, and I didn’t have an actual office until 1985,” he says.

Grewal has spent nearly 45 years growing his firm, and ensures that he provides equal opportunities to each employee the same way he was afforded an opportunity as a young and budding accountant from a different background. “I have staff from India, Pakistan, Bangladesh, China and Hong Kong. Having employees from different walks of life helps you to make better decisions; they are able to see things from other perspectives,” he says. “My first staff members and clients are still working closely with me. The satisfaction you gain from maintaining a long-lasting business relationship and friendship with your employees and clients is incomparable. I have witnessed how Hong Kong society has changed since the 1960s and can say proudly for the last 15 years, people are now kinder, and there is no open discrimination.”

### **The first female secondee**

Yuka Shigetomi FCPA (practising), Partner at Ernst & Young, Hong Kong (EY Hong Kong) and Greater China Assurance Leader for Japan Business Services, was born in Fukuoka, the prosperous city of commerce located in Kyushu, Japan. She worked at Ernst & Young ShinNihon LLC (EY Japan) as an auditor for five years after her graduation before being seconded to EY Hong Kong in 1998. “The CPA exam in Japan is rather challenging but rewarding at the same time. This qualification has presented me with

more career choices,” Shigetomi adds. “Traditionally, Japanese companies offer office rotation and relocate employees once every few years, and the promotion ladder is relatively slow, unlike in Hong Kong. And I came for overseas working experience and exposure to foreign cultures.”

Being the first Japanese female overseas secondee and subsequently localized in Hong Kong, Shigetomi was in charge of developing EY Japanese Business Service in Hong Kong and Mainland China. She is experienced in the areas of statutory audit, group reporting to Japan, internal controls audit, compliance, accounting services and initial public offerings (IPO). One memorable project was Uniqlo’s secondary listing in Hong Kong in 2014. “The project involved different partners, lawyers, and many other parties in Hong Kong and Japan. I gain tremendous satisfaction in helping companies expand their business in Hong Kong

**“An organization that has a diverse and inclusive culture, and accepts different ideas, cultures and lifestyles, will cultivate a strong sense of belonging among employees.”**



Yuka Shigetomi FCPA (practising), Partner at Ernst & Young, Hong Kong, Greater China Assurance Leader for Japan Business Services

Photography by Anthony Tung



or the rest of the world,” Shigetomi says. “As an assurance partner, I have to be good with people, and I enjoy being the central point of contact for clients.”

Shigetomi’s decision to stay in Hong Kong led her to meet the love of her life and then become a mother of two. “Hong Kong is a cosmopolitan metropolis, and people here are flexible and resourceful. Maybe it is due to their appreciation of Japanese culture. People are nice to me,” she adds. After years of being a key communication channel between companies from Japan and Hong Kong, her long-term contribution to the Japanese community in Hong Kong was recognized. Earlier this year, Shigetomi was appointed as the Hong Kong Japanese Club’s Director. “It is my pleasure to help to connect the community. We continue to look after each other in Hong Kong,” she adds. “It is also my honour to help promote Japanese culture to Hongkongers and vice versa.”

After more than two decades of working with teammates from all over the world, she firmly believes in the importance of diversity, equity and inclusion (DEI) initiatives within an organization, and that diverse and inclusive environments drive better decision-making, stimulate innovation and increase organizational agility. “An organization that has a diverse and inclusive culture, and accepts different ideas, cultures and lifestyles, will cultivate a strong sense of belonging among employees,” says Shigetomi. “This benefits the organization as it will inspire exciting and innovative ideas, improve its reputation and build trust between employees and clients. It is a triple win.”

**“For me, all cultures are equally interesting, but I was excited about Chinese cultural heritage, art, language and history.”**

### Opening doors

Andrew Kim CPA (practising), Managing Director of IL Shin CPA Limited, was inspired by his father’s deep interest in foreign culture when he was a kid. His curiosity was met with opportunity when he was selected to join a batch of student representatives for a trip to visit universities in Mainland China in 1992. For Kim, who was born in Daegu, South Korea, it would be his first time visiting Beijing, Tianjin and provinces in the Northeast. “It was an eye-opening experience. Before diplomatic relations were formally established between China and South Korea in 1992, Koreans rarely had a chance to visit China in person,” Kim adds. “My father always encouraged me to look out at the world outside of Korea with a global and open mind. When I was in college, I luckily had more chances to learn about Chinese culture and the language earlier than others of my age.”

After completing mandatory military service and graduating in 2000, Kim decided to go to Beijing for a one-year language course, where he made friends, became acquainted with the food and history, and explored different regions of the Mainland. He then joined the assurance team at Samil PricewaterhouseCoopers (PwC) in South Korea and was seconded to Hong Kong in 2004 for two years.

“That was my first time visiting Hong Kong. I was selected because of my language proficiency in both Chinese and English, and knowledge of Chinese culture,” Kim explains. He learned as much as he could about forensic accounting, dispute analysis and litigation support, fields which were relatively new to the Korean member firm. “I was sent here to learn and bring the knowledge back,” he adds.

In 2009, to expand his knowledge, he went to Beijing University to study for a Master of Business Administration (MBA). After finishing his MBA the next year, he quit his job in South Korea and restarted his career in Hong Kong at his current workplace, he works with clients in the Korean segment from a variety of industries. “For me, all cultures are equally interesting, but I was excited about Chinese cultural heritage, art, language and history. My experience in 2004 introduced me to Hong Kong, and I knew it would be a good place to start again. It has a unique mix of Chinese culture and other diverse cultures from across Asia and other parts of the world. It also has unique values as a liberal and open society,” Kim adds. “Hong Kong is my second home. I have many social connections and a solid infrastructure to support my clients’ businesses.”

Kim specializes in assurance, international taxation, and cross-border advisory, so he regularly works with professionals from different countries and backgrounds. Before the pandemic, he travelled extensively to assist his clients. “The operation’s complexity, size and the people involved vary based on each project. I had to be familiar with different regions to give my clients precise business advice. Each trip gave me



Andrew Kim  
CPA (practising),  
Managing  
Director of IL Shin  
CPA Limited



Photography by Anthony Tung



What can organizations do to improve their diversity and inclusion strategies? Three experts share their views on this in *Second Opinions* on page 28.

a chance to explore the culture of that place, and I got to meet a lot of different people in the process. Language, curiosity and a passion for learning about others has become the key to business opportunities. It has opened different doors for me.”

Kim believes inclusion and good communication are the keys to leading a team of diverse members. “People with different cultural upbringings will often come up with solutions that you have never thought of. I’m always amazed by the

solutions my team members come up with,” Kim explains. “Creating an inclusive culture and maintaining transparency within the workplace is the best way to minimize conflict and unify a team.”



**YOUNG MEMBER OF THE MONTH**

Lorraine Law CPA

**LORRAINE LAW CPA** Wealth Management Manager at  
AIA International Limited



Photography by Anthony Tung



As Wealth Management Manager at AIA International Limited, Lorraine Law CPA is responsible for providing bespoke wealth and investment solutions to her clients. She tells *A Plus* what she enjoys about working in the insurance industry and how the pandemic changed the way she handled customer relationships

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

As Wealth Management Manager at AIA International Limited, I provide wealth and investment management services to our clients. This involves listening to their needs and requests, and then putting together a customized and personalized risk, wealth and investment plan for them. I also help my clients with family insurance planning and long-term trust planning for my family offices clients. I find the role meaningful. I've been in the insurance industry for four years, and it's satisfying seeing how insurance helps people. For example, when one of my clients faces an emergency, they might call me and ask how to process an insurance claim and whether there's any other advice I can provide, such as which professional specialized doctors and hospitals to refer to. I appreciate being able to help clients in this way.

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

When it comes to working in the insurance industry, sometimes our clients may need extra help understanding insurance concepts and products. Many of them may think that insurance is simply for insurance companies to make money and that they aren't able to claim any of it at the end, or after investing in our wealth management services. So the most challenging aspect of the role is informing people about how the insurance industry has improved, how it is regulated, how our products are reliable, and the importance of being insured. Our purpose is to help people manage their risks. I joined this role right before the pandemic, so it was very difficult to meet with my clients, many of whom are high-net-worth individuals in Mainland China. Lockdowns and previous travel restrictions meant that they couldn't come to Hong Kong, and due to the company's compliance requirements, we aren't allowed to sell our products and services offshore. Plus, our clients prefer to talk about wealth planning in person. It was crucial to maintain communication and build relationships with them during those difficult times. Sometimes it was a case of calling the clients just to say hello and asking how they are, and most of them appreciate the greeting and catch-up. I still regularly call them to provide updated market news and product information, send reminders on premium renewals and help them to process their applications for claims. These challenges have helped us to bond, and I learned that overcoming difficulty all comes down to attitude. This makes it an interesting and rewarding industry to work in. Not only do I have to apply my analytical skills, but also soft skills to build strong relationships with clients and communicate with them in a kind and genuine manner.

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

I come from a family of accountants – my grandfather was an accountant, as well as my aunt, uncle and cousin. Hong Kong is a global financial hub, so I knew that by becoming an accountant, I would have a lot of career opportunities. When I was working at the Big Four, I was assigned to the financial institution department. There, I learned a lot about initial public offerings, fundraising and the fund industry. It really broadened my horizons and I came to understand how the financial world works, especially in Hong Kong. I'm proud to have passed the CPA exam and attained this qualification, which has helped me a lot and allows people to put their trust in me as a wealth management manager. Of course, my parents were very proud that I became an accountant as well.

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

Learning how to manage people. After working in the finance industry for almost 10 years, I've found that people management skills are highly important, especially when it comes to managing the expectations of your reporting line. As a member of middle management, it's important that I know how to ensure we are all cooperating well. It's also crucial to know how to handle stakeholders. In my previous role as manager at Fidelity International, a financial services company, there were a lot of ongoing projects requiring us to work with different teams and manage the expectations of our stakeholders. Also, learning how to present is important. I often have to present our findings to different stakeholders in a short amount of time, so it's about ensuring that the presentation is short, clear and direct.

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

Each QP module helped to shape my knowledge in different aspects of accounting. I found the financial reporting and corporate financing modules to be very helpful when I began my career as an auditor at Deloitte, especially in dealing with financial statements. The taxation module is the most helpful in my current role, as I need to answer a lot of clients' questions on a day-to-day basis. For example, they might ask the differences between starting a limited and unlimited liability company, and the tax implications for the two. Though I'm not a tax specialist, the knowledge I developed from taking the taxation module helps me to share my views with my clients in my current position. After coming out to work, I finally realized why the QP focuses on certain topics, which makes it a very practical programme.



## AFTER HOURS

As recommended by Institute members

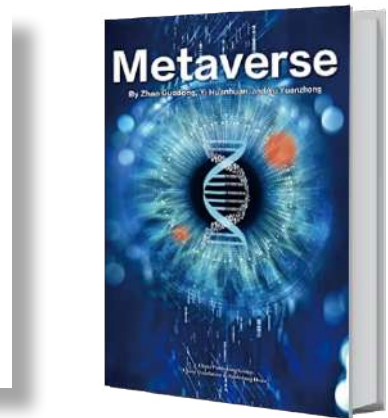


### Travel

“With the recent scrapping of hotel quarantine in Hong Kong, now is the time to start booking tickets for your next – and well-deserved – holiday. With that in mind, I recommend visiting Osaka, in Japan. There is plenty to do in Japan’s third most populous city, from visiting famous temples and shrines to dining at its entertainment district of Dotonbori. But if you want to try something different, visit Nagai Botanical Garden. The garden itself is now home to a permanent art exhibition put together by art collective teamLab and features digital art installations such as sunflowers that light up when people approach, or pods that change colour depending on the time of day. The 240,000-square metre garden is also home to roughly 1,200 species of plants.” – Janet Wong CPA, Country Audit Lead, Nestlé Japan

### Read

“I recommend *Metaverse* by Zhao Guodong, Yi Huanhuan and Xu Yuanzhong. This book talks about how the metaverse may have a profound effect on how we think and behave, alter our current socioeconomic paradigm and give birth to a new form of human civilization in the virtual world. Though the technologies required for its full potential are nascent, one must consider its legal and risk implications by keeping up with new regulations within the virtual market, including those related to privacy and data security, intellectual property ownerships and rights, and the trading of non-fungible tokens and cryptocurrencies. The book emphasizes that control and monitoring measures must be synchronized with the development of the virtual world to ensure the smooth operation of the virtual market and protect people. This will allow people to enjoy the benefits and convenience brought by the metaverse.” – Ivan So CPA, Risk Advisory Manager at BDO



*One Cut of the Dead*



### Watch

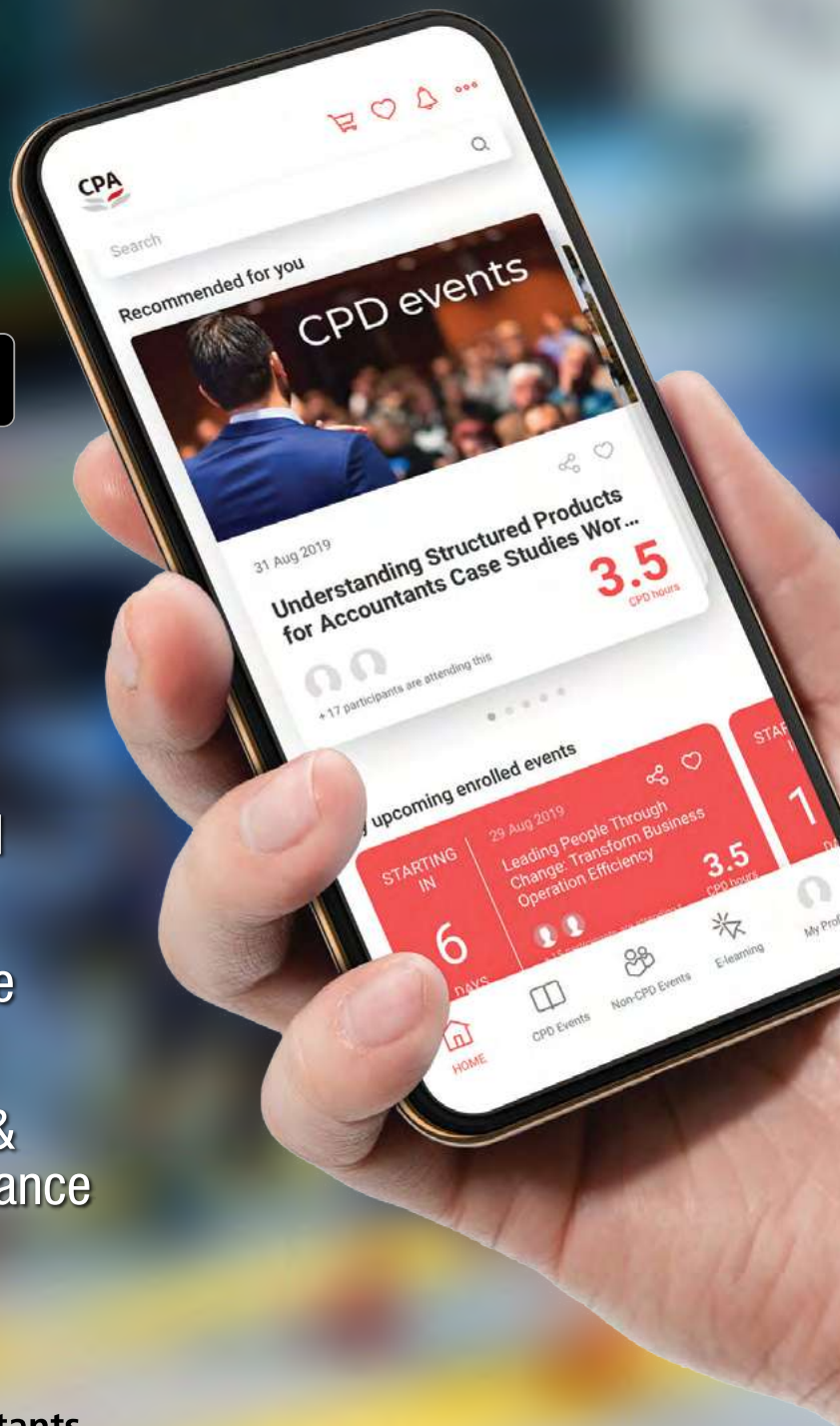
“If you want to have a good laugh, I recommend watching *One Cut of the Dead*, which is a Japanese zombie comedy film. The movie, written and directed by independent filmmaker Shin'ichirō Ueda, follows a team of actors and filmmakers, who have to shoot a zombie film in an abandoned Japanese war facility for live television, and do it all in a single take. Things quickly go awry for the film crew when they are attacked by real zombies. It is getting harder for directors to produce a comedy without reusing the same gags or scenes from other films – but the same cannot be said for *One Cut of the Dead*. I have not truly laughed at a comedy in many years until now.” – Jackson Li CPA, Internal Audit Manager at the Hong Kong Productivity Council

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