



DRIVING BUSINESS SUCCESS

Issue 3 Volume 19 July 2023

PLUS:

CPA CONGRESS: PART 1

Panellists discuss how to meet ESG goals, and company best practices for adopting new technologies

CPA CONGRESS: PART 2

Panellists discuss strategies for the Greater Bay Area and how to create an inclusive workplace

SECOND OPINIONS

How worried should we be about artificial intelligence?

50th anniversary special:
**SHAPING POLICY,
DRIVING GROWTH**

Paul Chan, Financial Secretary of the Government of the HKSAR, on the evolution of the profession and its importance to the success of Hong Kong



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

50th
Anniversary

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“Indeed, the Institute continues to build on its legacy over the past half-decade to serve the accounting profession and the public interest of our city.”



Dear members,

The past few months have been incredibly eventful for the Institute, with two major events and the launch of a dedicated website to celebrate the Institute’s 50th anniversary. The much-anticipated inaugural global sustainability disclosure standards from the International Sustainability Standards Board (ISSB) were also finally issued during this time, while we worked tirelessly to execute our strategic plan for 2023.

The HKICPA 50th Anniversary Cup event at the Happy Valley Racecourse in June was a fantastic start to the Institute’s 50th anniversary celebrations. The special commemoration race dedicated to the Institute’s golden jubilee was exhilarating, and it was an honour to present the trophies to the winners of the race alongside Vice Presidents Roy Leung and Edward Au. I am grateful to have shared this experience with over 200 guests in attendance and to have had the chance to connect with fellow accountants, especially the younger members of the Institute.

The CPA Congress was another successful event, with over 700 online and offline attendees participating. I was pleased to catch up with even more members in person, as well as our esteemed Guests of Honour, including Paul Chan, Financial Secretary of the Government of

the Hong Kong Special Administrative Region, Shu Huihao, Director General of the Accounting Regulatory Department of the Ministry of Finance, and Asmâa Resmouki, President of the International Federation of Accountants, who officiated the opening alongside myself and our leadership team. Our gratitude goes out to them for their presence and support. The Financial Secretary, who is also a former President of the Institute, was gracious enough to grant us an exclusive interview for the 50th Anniversary Interview Series. Be sure to give it a read!

The feedback we’ve received since the congress has been overwhelmingly positive, and the sessions were genuinely engaging and informative, providing a wealth of insights and information that will undoubtedly prove beneficial in all of our professional pursuits. I enjoyed moderating the first keynote session with Julia Leung, Chief Executive Officer of the Securities and Futures Commission. The second keynote session by Prof. K.C. Chan, Chairman of WeLab Bank and Senior Advisor to WeLab, was also remarkable. Don’t miss the two articles covering the keynotes and panel discussions in this issue.

Meanwhile, in June, the ISSB issued its two inaugural standards. This is a momentous occasion and the Institute

has expressed its support and reiterated its commitment to contribute to the public good and play a leading role in the sustainability journey.

Indeed, the Institute continues to build on its legacy over the past half-decade to serve the accounting profession and the public interest of our city. Our recent visit to Beijing in May for the first time in three years to meet with representatives from the Ministry of Finance’s Accounting Department, Chinese Institute of Certified Public Accountants, and the China Securities Regulatory Commission was productive, and we shared the latest updates regarding the industry reform in Hong Kong, our three key focuses for the future, and our strategic focuses for 2023. We remain committed to engaging with stakeholders and creating opportunities for our profession and members. We continue to do so through initiatives such as the Institute’s GBA Field Visit Series, which held its second visit to Dongguan in June.

While we continue to celebrate the Institute’s 50th anniversary, we will also initiate different activities for the betterment of the profession. We encourage our members to stay tuned for more updates as we strive for excellence in our efforts to support the development of the accounting profession in Hong Kong and beyond.

Loretta Fong
President

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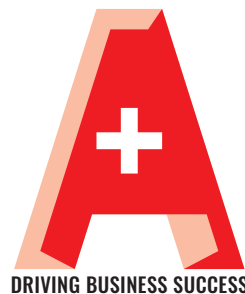
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Panellists examine the impact of the Greater Bay Area on Hong Kong professionals and industries, and the importance of building a corporate culture that attracts, develops, and retains top talent



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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Certified Public Accountants
香港會計師公會

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The digital version is distributed to all 47,519 members, 11,571 students of the Institute and 2,183 business stakeholders every quarterly.

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The archived version of this year's China Taxation Conference cover different aspects of tax and business in Mainland China

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NEWS

Institute news Business news

CPA Congress inspires enterprises for the future



The CPA Congress was successfully held on 15 July to celebrate the Institute's 50th anniversary. The event assembled overseas, Mainland China and Hong Kong business and political leaders to share valuable insights on a variety of hot topics that are relevant to enterprises. The CPA Congress attracted over 700 participants to join this highly anticipated event via online or onsite attendance.

Paul Chan, Financial Secretary of the Government of the Hong Kong Special Administrative Region (HKSAR), Shu Huihao, Director General of the Accounting Regulatory Department of the Ministry of Finance, and Asmâa Resmouki, President of the International Federation of Accountants graced the event as Guests of Honour and delivered opening remarks. The three Guests of Honour joined the Institute's leadership team in officiating the opening of the major event.

Julia Leung, Chief Executive Officer of the Securities and Futures Commission, and Prof. KC Chan, Chairman of WeLab Bank and Senior Advisor of WeLab, delivered the two keynotes of the morning

and afternoon sessions respectively.

Visit the 50th anniversary website for [photo highlights](#) and read the [press release](#) for a full recap of the event. You can also read the [CPA Congress Special Edition](#), which was published to commemorate the event, and the two articles covering the keynotes and panel discussions in this issue. The full event is now available as an [archived webinar](#).

Institute's 50th Anniversary Cup

The Institute kicked off its 50th anniversary celebrations with the 50th Anniversary Cup horse racing event on 7 June. Members and guests gathered to witness a special commemoration race dedicated to the Institute's golden jubilee during the race meeting at the Happy Valley Racecourse.

Trophies were presented by Institute President Loretta Fong and Vice Presidents Roy Leung and Edward Au to the owner, trainer and jockey of the winning horse right after the race.

Around 200 guests, including Guests of Honour, Paul Chan, Financial Secretary, Wang Songmiao, Secretary General of

the Liaison Office of the Central People's Government in the HKSAR and Dr. Kelvin Wong, Chairman of the Accounting and Financial Reporting Council, attended the occasion. Visit the [photo highlights](#) on the 50th anniversary website.

Leadership visit to Beijing

Institute President Loretta Fong, Vice President Edward Au, and Chief Executive and Registrar Margaret Chan, represented the Institute's leadership in a visit to Beijing on 29-30 May to meet with Chinese government authorities, regulators and the Institute's counterparts.

The trip included a meeting with Dong Wang, Deputy Director-General of the Ministry of Finance's Accounting Department, which was followed by meetings with representatives from the Chinese Institute of Certified Public Accountants and the China Securities Regulatory Commission.

Championing ethical leadership amid competing pressure

Global Accounting Alliance (GAA) sponsored the "[Championing ethical leadership amid competing pressures](#)," which was held on 11 May by Economist Impact. As one of the GAA member organizations, the Institute served as part of the organizing committee, and attended the event to share the latest development of Hong Kong accounting profession.

This initiative aims to promote ethical behaviour and responsible practices among organizations, employees and stakeholders while considering their impact on society at large. Representatives from European Union, Schneider Electric, United Nations and Edelman participated as the panellists to explore the challenges and opportunities that arise from upholding business ethics for organizations globally.

The full video can be viewed [here](#).

Educational publication on HKFRS 17 Insurance Contracts – Journal Entries

Hong Kong Financial Reporting Standard (HKFRS) 17 *Insurance Contracts* is a comprehensive new financial reporting standard on insurance contract accounting which became effective from 1 January 2023. The Institute has issued an [educational publication](#), which explains the basic principles of the three measurement models in HKFRS 17 (i.e. General Measurement Model, Premium

Allocation Approach and Variable Fee Approach) and provides illustrations of the journal entries for 10 simplified fact patterns of insurance contract transactions, showing how these journal entries map to the movements in the insurance contract liability and how they are reflected in the income statement. The backbone of the publication is built on the General Measurement Model followed by comparisons of its key differences with the other two models. This publication aims to help readers

understand insurance contract accounting under HKFRS 17 “from the ground up” before tackling more complicated areas of the standard. In addition, for readers interested in gaining deeper understanding and knowledge of HKFRS 17, “Notes to further insights” are provided in relevant areas.

Council meeting minutes

The [abridged minutes](#) from the April, May and June 2023 Council meetings are now available.

Disciplinary findings

Leung Kam Man, Victor

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of professional competence and due care under sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants; Hong Kong Standard on Quality Control (HKSQC) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*; Hong Kong Standard on Auditing (HKSA) 230 *Audit Documentation* and HKSA 500 *Audit Evidence*.

Leung was a sole proprietor of Chinaweal CPA & Co. (Chinaweal) and CWB CPA Limited (collectively the practices). He was responsible for the practices' quality control systems and the quality of the practices' engagements. A previous practice review on Chinaweal and Leung's own name practice was conducted concurrently in 2013/2014 (previous practice review). The practices were subject to the present practice review which was concluded in August 2020.

In the present practice review, the reviewer found a number of significant deficiencies in the practices' quality control systems and in the performance of a certain number of audit engagements, some of which were the same or similar deficiencies as identified in the previous practice review. As a result, two complaints were laid against Leung.

Decisions and reasons: Leung admitted to the complaints against him. The Disciplinary Committee reprimanded Leung and ordered that his practising certificate be cancelled and shall not be issued for six months with effect from 20 June 2023. He was ordered to pay a penalty of HK\$75,000 and the costs of the disciplinary proceedings of HK\$140,265.

Wong Tai Wai, David

Complaint: Failure or neglect to observe, maintain or otherwise apply the fundamental principle of professional competence and due care in sections R110.2 and R113.1 under Chapter A of the Code of Ethics for Professional Accountants; HKSQC 1; HKSA 230; HKSA 500; HKSA 520 *Analytical Procedures*; HKSA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*; and HKSA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

Wong was practising in his own name with no staff (the practice). The practice was subject to a practice review (the review) on his audit engagement of a client, which was concluded in June 2020. The practice review reviewer (reviewer) identified a number of significant findings and deficiencies in the practice's audit, which led to concerns over Wong's lack of professional competence and due care. This was demonstrated by the practice's insufficient quality control policies and procedures, deficient monitoring function, and lack of audit quality in the audit of the client. The reviewer's report also revealed various failures on the part of Wong to perform audit design and planning and appropriate audit procedures, to obtain appropriate audit evidence, and to maintain an adequate system of quality control in various aspects.

Decisions and reasons: The Disciplinary Committee found that Wong had been guilty of professional misconduct. The committee reprimanded Wong and ordered that the name of Wong be removed from the register of CPAs for two years and his practising certificate be cancelled with effect from 20 July 2023. He was ordered to pay the costs of the disciplinary proceedings of HK\$186,617.50.

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

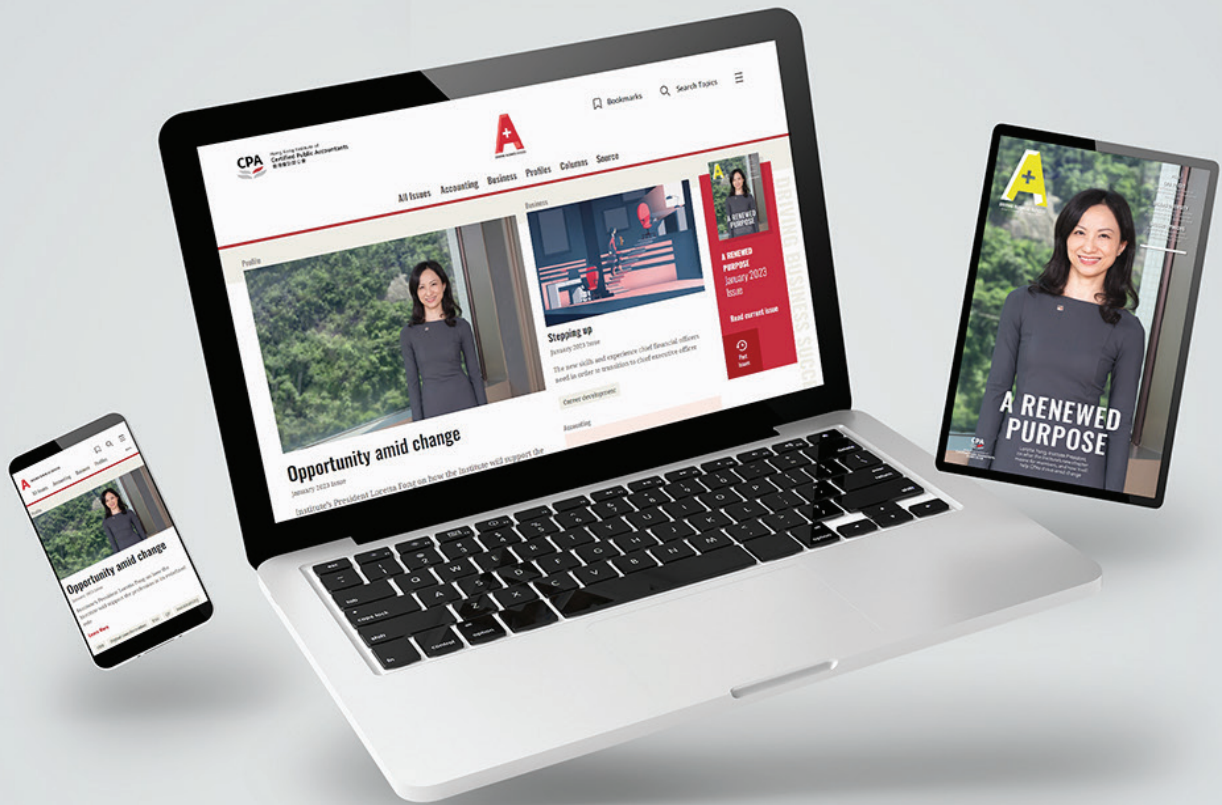


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30%

The percentage of audits carried out by the United States branches of global accounting firms, including the Big Four, in which deficiencies were found by inspectors of the Public Company Accounting Oversight Board last year, up from 21 percent of audits inspected in 2021. Some firms told the U.S. regulator that the increase in flawed audits are due to high staff turnover and remote work, reported the *Financial Times*.

“The high-quality ethics standards in the Code are a cornerstone to ethical behaviour in business and organizations, and they underpin the accountancy profession’s longstanding good reputation.”

– Gabriela Figueiredo Dias, International Ethics Standards Board for Accountants’ (IESBA) Chair. IESBA said in early July that recent events in a number of major jurisdictions involving professional accountants have undermined public trust in the accountancy profession. It therefore emphasized the importance of accountants understanding and complying with their ethical obligations under the Code.



Hong Kong’s gross domestic product expanded 1.5 percent in the second quarter of this year, compared with a revised 2.9 percent growth in the previous quarter, according to the Census and Statistics Department. Led by inbound tourism and private consumption, the Hong Kong economy continued to recover in the second quarter, though the momentum softened on the back of the strong rebound in the preceding quarter, said a government spokesperson.

“This is a critical moment in advancing IOSCO’s goal of improving climate-risk disclosure for investors.”

– Jean-Paul Servais, Chair of the Board of the International Organization of Securities Commissions (IOSCO). IOSCO announced on 25 July its endorsement of the ISSB’s standards following its comprehensive review of the standards. It is calling on its 130 member jurisdictions to consider how they can incorporate the standards into their respective regulatory frameworks.

1 in 3

The portion of Hong Kong accounting firms that currently lack 20 percent of manpower needed, according to a survey conducted by The Hong Kong Association of Registered Public Interest Entity Auditors (PIEAA) between October 2022 and February 2023. The findings highlight a serious talent shortage in the accounting industry. “This will affect Hong Kong’s position as a fundraising centre for listed companies,” Clement Chan, PIEAA’s Chairman and an Institute member, told the *South China Morning Post*.

“Our language is an accounting language. It is sustainability translated into an accounting language.”

– Emmanuel Faber, Chair of the International Sustainability Standards Board (ISSB), spoke at the IFRS Foundation Conference on 26 June to officially launch the inaugural global ISSB Standards, IFRS S1 and IFRS S2. For the first time, the standards create a common language for disclosing the effect of climate-related risks and opportunities on a company’s prospects.

¥66.8 billion

The value of debt and loans issued to fund projects with environmental and social benefits in the Greater Bay Area in the second quarter, compared with 56.8 billion yuan achieved in the previous quarter, according to a report by HSBC and CECEP Environmental Consulting Group.

¥3 billion

The amount PwC will invest in artificial intelligence (AI) over the next five years in Mainland China and Hong Kong to “responsibly deliver human-led tech-powered solutions” to its clients. According to the firm, it will also use AI-tools and technology to enhance its internal operations.



50th Anniversary Interview Series:

HONG KONG'S SUCCESS INGREDIENT

Paul Chan, Financial Secretary of the Government of the Hong Kong Special Administrative Region, talks to *A Plus* about the city's economic revival, how the profession can contribute to Hong Kong's continued development as an international financial centre, and why he's upbeat about the career growth opportunities for Institute members

Before joining the government in 2012, first as the Secretary for Development, Paul Chan had served as the Hong Kong Institute of CPAs' President in 2006, and as the Legislative Council Member of the Accountancy Functional Constituency from 2008 to 2012.

He sat on many of the Institute's committees, including taxation, small and medium practitioners, member services and Mainland affairs, as well as the Fourth and Fifth Long Range Plan task forces. "I volunteered my time to the Institute and that opened my eyes to the role that CPAs can play for the wider community. Particularly in terms of policy advocacy, we can make a difference," says Chan. The seasoned Institute member, who has built on his career in the accounting profession to reach one of the highest positions in government, sits with *A Plus* in celebration of the Institute's 50th anniversary.

From helping to formulate the Institute's Budget proposals to the government, to

now being on the receiving end, Chan is well acquainted with the Institute's history as a thought leader and also the impact CPAs' expertise can have on improving society. The Institute's Budget proposal is one of the main submissions that the government makes reference to, he says. "Over the years, the Institute has been making valuable submissions touching on such issues as Hong Kong's economic development, manpower, tax, sustainable development, etc. and they are important pieces of reference to us," he adds. "The Institute has been very active in terms of policy advocacy, particularly on enhancing the competitiveness of the tax system. So naturally in the submission, there are proposals about tax concessions or exemptions towards different areas."

Weighing suggestions against numerous factors aside from technical validity is crucial when looking at Budget proposals, including those on tax policy, Chan says. "We need to take into consideration the economic situation, public finance, the fiscal strength of the government, the



competitiveness of the Hong Kong economy, as well as the future direction of our economic development. We have to balance not just these factors but also the interests of different stakeholders, because the Budget concerns everyone. People expect that the Budget would be fair and balanced, meeting their current needs as well as realizing the long-term vision.”

Something that the Institute has long called for in its proposals is an extensive review of the tax system to be conducted due to the narrow tax base of Hong Kong, with the aim of enhancing the city’s overall competitiveness. Chan highlights that Hong Kong is still at the early stage of economic recovery after the epidemic, and so the potential impacts of such a review should be carefully examined. “We face a challenging external environment. In the first five months of 2023, the total value of merchandise export fell by more than 16 percent year-on-year. To safeguard a sustainable economic recovery, we have to be very careful and refrain from doing anything that may dampen business confidence.”

The timing of such a review is an important consideration, he adds. “We are at a time of attracting businesses and talents, and a simple and low tax regime is one key aspect of our competitiveness. We want to make sure that businesses will see that we are welcoming them.”

Careful optimism

Since reopening its borders and boundaries, Hong Kong’s economic activity has been normalizing, according to the International Monetary Fund in May. However, headwinds continue to loom over the city, such as slower growth in the United States and Europe weighing on external demand, and tighter financial conditions around



Before joining the government, Paul Chan served as the Hong Kong Institute of CPAs’ President in 2006, and sat on many of the Institute’s committees.

the world.

While keeping an eye on external risks and uncertainties, Chan remains optimistic about Hong Kong’s economy for the rest of the year. “Hong Kong is a small and open economy, and thus the external headwinds will affect us. The situation of exports is challenging, but with COVID under control, Hong Kong has resumed normalcy and convenient

travel with the Mainland and the international community,” he says. “If the number of incoming tourists continues to recover and rise in the second half of the year, and the external environment doesn’t deteriorate significantly, we will achieve the gross domestic product (GDP) growth target for 2023. This year will be better than last year.”

Chan points to other positive signs that an economic recovery is

underway. “Our export of services in the first quarter of this year was much better than the previous quarter. Investment expenditure for the first quarter went up by about 5.8 percent, whereas it contracted by more than 7 percent last year,” he says.

Other than the latest round of consumption vouchers, schemes focused on assisting small and medium-sized enterprises (SMEs), such as the special 100 percent loan guarantee under the SME Financing Guarantee Scheme rolled out by the government, are also reinforcing the momentum of recovery. “By continuing to provide SMEs with the government-guaranteed loans to enable them to borrow from the banks, they can maintain or even expand their business. We seek to protect employment because SMEs account for over 98 percent of business establishments in Hong Kong, and over 45 percent of employment in the private sector,” says Chan. “Protecting jobs, and giving people additional money to spend – this will help private consumption.”

To further stimulate private spending, the government in April launched the “Happy Hong Kong” campaign, comprising a series of food fairs, carnivals, sports and musical activities, and more. Chan says it’s important that these events boost the mood and atmosphere. “For us as a city, the last three and half years have been difficult. First the black-clad violence, then COVID which impeded Hong Kong’s connections with the Mainland and the rest of the world. Upon returning to normalcy, we rolled out the ‘Hello Hong Kong’ campaign in February which welcomes incoming tourists and business travellers. We gave out free air tickets, organized mega events, and put in resources to attract exhibitions. At the same time, having

gone through all those challenging years, we want to rebuild a spirit of optimism and a sense of happiness in the community,” Chan says. “Apart from the economic benefits, we want the people of Hong Kong to be happy.”

Amid increasingly intense global competition, Chan said the digital economy would be a key driver of future growth and development for Hong Kong. He points out that businesses can enhance efficiency through digitalization. “We need to press ahead with digital transformation, particularly for SMEs, because they are less well-resourced. That’s why we have partnered with Cyberport to allow SMEs to use off-the-shelf software to help with the digitalization process,” Chan adds. He announced in this year’s Budget that HK\$500 million would be allocated to launch a Digital Transformation Support Pilot Programme to assist SMEs in applying basic digital solutions. The programme is in addition to the Technology Voucher Programme that has been being implemented over the past few years. On 14 July, the Legislative Council approved the funding for the programme.

Skills for moving up

Chan says his training as an accountant was useful for his career. “When I was an accountant in business, I realized that the training as an accountant is excellent and rewarding. Of course, apart from the technical skills such as accounting and finance knowledge, one needs to develop leadership and communication skills, because you always work in a team. As one moves up the management ladder, you have to demonstrate the ability to lead, command respect and build consensus, and to have people working with you together to achieve goals and realize the vision,” he says.

“I realized that the training as an accountant is excellent and rewarding. Of course, apart from the technical skills such as accounting and finance knowledge, one needs to develop leadership and communication skills, because you always work in a team.”

Chan also encourages accountants to enrich their knowledge about the Greater Bay Area (GBA) and the Mainland, as it is very important nowadays. At the same time, he suggests young members should develop their intercultural skills. “Mobility is important, which is the ability to work and interact with people from different cultures, and the readiness to venture into new areas, whether it is a different geographic area or a new area of economic development, for example, the digital economy,” he says.

On that note, Chan adds that accountants should embrace technology and innovation. “Although people in different fields may have varying degrees of exposures to technology and innovation, it is a mega trend that is taking place. Accountants will have to embrace new technology and financial innovation.” Noting that Web3 and its blockchain technology will spur new financial innovations and bring opportunities for the community, the government has established



The government announced on 30 June the establishment of the Task Force on Promoting Web3 Development.

Chaired by Financial Secretary Paul Chan, the task force comprises 15 non-official members from the relevant market sectors, with the participation of key government officials and financial regulators.

PROFILE

Paul Chan



Chan delivering his opening remark as a Guest of Honour at the Institute's CPA Congress 2023 held on 15 July.

a task force for promoting Web3 development in Hong Kong, as announced on 30 June. Chaired by Chan, the task force comprises 15 non-official members from relevant market sectors, and key government officials along with financial regulators are also members.

A key profession

During Chan's tenure as Institute president in 2006, regulatory reform was a main focus while the profession globally was facing rapid changes. "There were a few corporate failures in the United States, and regulators worldwide were reviewing the regulation of the accounting profession. Hong Kong, being an international financial centre, was in that process. During my time as President of the Institute, talks began about establishing the Financial Reporting Council (FRC)," he says. "Looking back, that was the beginning of the

"The accounting profession is a major profession for Hong Kong as an international financial centre. I trust the Institute will continue to offer valuable views and suggestions on a range of matters."

change in the regulation and oversight of the profession, both globally and domestically."

Changes continued. Since then, the regulation of the profession has evolved, and further changes have been signified by further reforms which transferred certain statutory regulatory powers and responsibilities of the Institute

to the FRC, now renamed as the Accounting and Financial Reporting Council, or AFRC.

Now with the Institute's regulatory powers transferred to the AFRC, Chan sees the opportunity for the Institute to deliver value for its members. "Apart from education and continuing professional development, the Institute has been providing various services to members over the years. Going forward, there is room to enhance members' services and they would be valued," he says.

One thing that Chan thinks will remain unchanged for the Institute is its role as an important advocate for the profession and for the public interest. "The accounting profession is a major profession for Hong Kong as an international financial centre. I trust the Institute will continue to offer valuable views and suggestions on a range of matters, from economic development to tax policies, which



Chan delivering his speech for the 2023-24 Budget in February.

will be valued by the community and the government.”

Supporting Hong Kong’s ambitions

There are plenty of opportunities for Hong Kong to be an even more successful international financial centre, according to Chan. He particularly wants to see more international companies consider a primary or secondary listing in the city.

“Our equities market is successful in terms of size, which is about 13 times of our GDP. But if you look at its composition, slightly more than 50 percent are Mainland companies, and those companies account for over 70 percent of our market capitalization and 80 percent of our daily turnover. That is natural as we have benefitted tremendously from the Mainland’s development. But going forward, as an international financial centre, we want our listing platform to be

able to attract more international companies, be they from the Middle East or Southeast Asia,” he says. Hong Kong should also strive to enhance the infrastructure for Renminbi (RMB) and develop more investment and risk-management products, which will be important to future growth as an offshore RMB business hub amid RMB internationalization.”

Another key area for Chan is green and sustainable finance. While Hong Kong is Asia’s number one in terms of the value of green and sustainable bonds issued, there is still plenty of room to grow as the world heads towards carbon neutrality, he says. “This is an area where accountants’ role can be important – including contributing to green standard setting, convergence of the Mainland and international standards, green certification, etc,” he says.

Chan believes that the profession is also instrumental to Hong Kong’s

efforts to further develop itself into an international asset and wealth management centre, given that the GBA has a combined GDP of around US\$2 trillion. Separately, with Hong Kong acting as a two-way open platform between the Mainland and the international markets, Chan says members can pursue a career in treasury services and risk management.

“I am very optimistic about Hong Kong’s development as an international financial centre, and am so too about the career development opportunities for accountants. For young accountants, choose the field that you are interested in, and go for it.”

As the Institute celebrates its 50th anniversary, Chan says he looks forward to the continuous contributions of the Institute in enhancing members’ services and development, and in helping them fulfil their professional and career aspirations.



Read the Financial Secretary’s [message](#) as Guest of Honour in the A Plus CPA Congress Special Edition.

LOOKING BACK, MOVING FORWARD

Attendees of the CPA Congress – the flagship event of the Institute’s 50th Anniversary – gained insights into key topics on the global agenda, and how to contribute to the future success of their organizations. Panel discussions in the morning covered Hong Kong’s role in ESG and green finance, and mega trends in the digital economy. [Elizabeth Utlely](#) reports.

Photography by Calvin Sit

Accounting professionals and business leaders gathered on 15 July at the CPA Congress 2023, organized by the Hong Kong Institute of CPAs, with a range of keynote speeches and panels focusing on the title theme “Creating a Pathway to Advancement: Empowering Enterprises for the Future.”

Finance professionals are being buffeted by the increased digitalization of the industry, which brings challenges and tools to tackle global issues like social and governance issues and environmental degradation. These topics took centre stage in two one-hour panel discussions during the congress’ morning session.

ESG challenges and opportunities

In an impassioned first panel discussion, the audience heard from Anthony Cheung, Managing Director and Head of ESG at Polymer Capital Management; Dr Christine Loh, Chief Development Strategist of the Institute for the Environment at the Hong Kong University of Science and Technology

(HKUST); and John Haffner, Deputy Director – Sustainability at Hang Lung Properties Limited. They were joined in the heated conversation by Mark Harper, Group Head of Sustainability at John Swire & Sons (H.K.) Limited; and Hendrik Rosenthal, Director of Group Sustainability at CLP Holdings Limited.

The importance of environmental, social and governance (ESG) is difficult to overstate and as Rosenthal was quick to note, it is no coincidence that this topic launched the congress celebrating the Institute’s 50th anniversary. ESG factors are driving critical decisions by corporate leaders to grow their businesses sustainably. However, it is not always smooth sailing.

The panel started by examining some of the biggest challenges companies face in the process of evaluating their impact on the environment and developing guidelines to help them meet their ESG goals across a range of industries.

Construction and property companies like Hang Lung face the challenge of partnering with upstream suppliers and tenants to reduce



PANEL
DISCUSSION

MODERATOR



Dr. Stephen Wong
Head, Chair, Economic & Policy Unit







(Top from left) Hendrik Rosenthal, Director of Group Sustainability at CLP Holdings Limited; Dr. Christine Loh, Chief Development Strategist of the Institute for the Environment at the Hong Kong University of Science and Technology; John Haffner, Deputy Director—Sustainability at Hang Lung Properties Limited; Dr. Stephen Wong, Head of the Chief Executive’s Policy Unit; (bottom from left) Anthony Cheung, Managing Director and Head of ESG at Polymer Capital Management; and Mark Harper, Group Head of Sustainability at John Swire & Sons (H.K.) Limited



Scope 3 emissions, which result from activities from assets not owned by reporting organizations but that are indirectly affected via its value chain. “We’re not alone in facing this challenge, but it’s a large one for us,” said Haffner.

Harper, who leads group sustainability at Hong Kong conglomerate Swire, highlighted the struggle of companies to respond to many different demands to disclose information. He suggested that there needs to be a system for data tagging when it comes to sustainability data, in addition to standards for data verification and accuracy.

Other panellists echoed these concerns, raising questions about the opaque data ownership and collection processes in Hong Kong that make it challenging to gauge companies’ success at meeting their ESG targets.

Above all, greenwashing emerged as a chief concern during the discussion. For Polymer Capital Management’s Cheung, responsible for driving sustainable integration and stewardship at the asset manager, the “G” in ESG is

“The ambition of every company now should be to make every stakeholder better off.”

something different: greenwashing. “It’s the single biggest risk for ESG investing... and it leads to the very vital and critical role that every CPA here will need to play,” Cheung told the audience.

He recommended accountants to consider ESG as a form of risk management, as he does. Cheung combats greenwashing by examining whether a company can break their larger ESG commitment into smaller, more manageable interim targets, and how a company incentivizes the setting and meeting of ESG metrics, such as through executive compensation.

Moderator Dr. Stephen Wong, Head of the Chief Executive’s Policy Unit, followed up on the point about greenwashing by putting it in the context of ever-increasing regulatory standards, which may incentivize more companies trying to cut corners.

Some companies do not realize they are greenwashing, said HKUST’s Loh, who pointed to complex data gathering and tracking procedures that many organizations have never had to do before. Others face the issue of “green hushing” – when companies do not share data because they fear it does not look like enough action on their part.

Moreover, still, companies must forge on through these challenges. The world is facing “a planetary crisis,” and “the ambition of every company now should be to make every stakeholder better off,” said Haffner.

CLP came face-to-face with this issue in 2019, according to Rosenthal, who was at the time tasked with updating the group’s climate vision. This job was impossible for him as CLP was simultaneously investing in constructing two coal plants. It was an untenable situation.

So, over the course of a full year, he sparked conversations with senior management and board members, ultimately culminating in the decision to exit those projects.

“Every transition plan needs to be reviewed by a third party in order to make sure it is not just a bunch of empty words and a PR exercise,” he added.

The conversation circled back to data. Existing ESG audit and

“It’s not dollars, it’s a very different currency. We’re talking about CO2 equivalents, or we’re talking about cubic meters of wastewater, for example.”

disclosure regimes are already producing significant amounts of information, and as requirements grow, so will the need for standardized metrics to measure improvements in these areas.

Without specific ESG assurance standards, companies have only been able to conduct limited assurance by applying financial assurance standards to non-financial data such as emissions figures, Harper noted. However, he believes mandatory reasonable or full assurance for ESG data might be inevitable once the recently released draft International Standard on Sustainability Assurance 5000 *General Requirements for Sustainability*

Assurance Engagements by the International Auditing and Assurance Standards Board is finalized. Panellists concurred that this reflected an opportunity for young auditors to be trained in the latest sustainability standards to meet corporate demand in this area. “It isn’t pure accounting. It’s not dollars, it’s a very different currency. We’re talking about CO2 equivalents, or we’re talking about cubic meters of wastewater, for example,” Rosenthal said.

This is not just a corporate issue. While listed companies will comply with strict data-sharing regulations going forward, demands on government bodies in Hong Kong

ISSB standards

A paradigm shift is underway regarding how companies talk about sustainability-related risks and opportunities, and the role of finance professionals in upholding disclosure requirements and supporting companies in this endeavour cannot be understated.

The International Sustainability Standards Board (ISSB) issued the inaugural IFRS Sustainability Disclosure Standards on 26 June, which will become a common language for investors, businesses and regulators to communicate sustainability-related information, according to Julia Leung, Chief Executive Officer of the Securities and Futures Commission, Hong Kong.

At the International Organization of Securities Commissions (IOSCO), Leung co-chairs the Sustainable Finance Task Force’s Corporate Reporting Workstream, which was closely involved in providing feedback to the ISSB in the lead-up to the final standards. She spoke with Loretta Fong, President of the Institute, during a keynote discussion at the CPA Congress 2023.

It is essential for the ISSB to outline a pathway for implementation

to encourage the adoption of and transition to the final ISSB standards, Leung noted. “That is, how the standards are set not so high on day one that none of the jurisdictions can adopt them, but high enough for us all to make an effort on this journey.”

A key consideration for the IOSCO workstream in recent months was “whether [the standards] are scalable, flexible and interoperable for all jurisdictions to adopt as a global [framework].” Leung welcomed the proportionate measures embedded into the final ISSB standards, as well as the time-limited transitional reliefs, which could facilitate phasing-in of the requirements.

Hong Kong should adopt the ISSB standards by starting with large listed companies, Leung added, noting that global stakeholders have high expectations for the international financial centre.

Leung noted that another reason for Hong Kong to pay special attention to the ISSB standards is the opportunity from transition finance. Mainland China is committed to the dual climate goals of reaching peak carbon emissions by 2030 and achieving net



Julia Leung, Chief Executive Officer of Securities and Futures Commission

carbon neutrality by 2060. According to Leung, preparing local financial institutions and listed companies to be well-versed in the ISSB standards would be important to strengthen Hong Kong’s role in international capital intermediation.

In these efforts, the role of accountants and business leaders are crucial. “I look towards the audience in this room to provide support and professionalism that will safeguard the quality and integrity of this market,” she said, addressing the room.

remain murky, according to Loh.

She suggested there is a need to learn more about how people use energy in Hong Kong, pointing out that the city's three energy companies could share more information about electricity use to spur further innovation. However, some of this information may be regarded as competitive and private, making it crucial for the government to work with companies to navigate these issues.

Ultimately, data holds the answer to many ESG-related problems we face today, and as the panel came to a close, Loh pointed to one of Hong Kong's most definable infrastructure features as an example of inefficiencies that are within our power to correct.

The city's towering apartment and office buildings, many of them over 60 years old, are currently a blackhole of information when it comes to energy efficiency data. But they are also ideally suited to retrofitting that would ease their impact on the environment.

"All these things are calculable," said Loh, who sees within these numbers a roadmap for the types of policies Hong Kong needs to develop over the next 20 years.

Navigating mega trends in technology

A second panel saw Wilson Chow, Global Technology, Media and Telecommunications Industry Leader for PwC China and an Institute member, moderate a discussion between Joanne Chan, Deputy Chief Financial Officer at Animoca Brands; Duncan Chiu, Member of the Technology and Innovation Constituency in the Legislative Council (LegCo); and Sam Lee, Founder and Chief Executive Officer at Coinstreet. Robert Lui, Hong Kong Digital Asset Leader at Deloitte China and an Institute member; and Kelvin Tse, Head of Global Partner Solutions at Microsoft Hong Kong, also spoke on the panel.

"We always talk about the advancement of Hong Kong in terms of using technology, but not innovating it."

As the first panel highlighted, demands on professional service providers are evolving to keep pace with a changing world. The range and scope of technological tools to assist these endeavours are quickly growing.

Panellists in the second discussion reviewed the challenges and opportunities afforded by digital transformation, revealing best practices for companies looking to adopt cutting-edge technologies from artificial intelligence (AI) to virtual assets.

Generative AI ChatGPT, developed by Microsoft-backed research group OpenAI, was on the lips of all the panellists. ChatGPT reached 100 million users within months of launching, while it took around 16 years for the mobile phone to crack that usage threshold, according to Microsoft's Tse.

Now, more companies are looking to train AI models like ChatGPT with their own data to create in-house versions of the tool. But before they reach that stage, organizations must have accurate and relevant data, and a system needs to be in place to gather data. Referring to the first panel discussion, Lui from Deloitte noted that "the most important thing is that we shouldn't have to think about how we collect data, [as] Christine mentioned."

The success of digital transformation, whether implementing AI tools or upgrading to cloud servers, depends on how well a company can articulate its vision. "Things will get rough along the way, so you will need a north star," said Chan from Hong Kong Web3 company Animoca Brands.

There is a veritable alphabet of new terms for companies to learn, especially in virtual assets, according to Lee. The founder of Hong Kong digital asset consultancy Coinstreet took the panel through a brief explainer of four types of virtual assets: cryptocurrencies like bitcoin with an underlying blockchain protocol, security tokens with underlying real world assets, non-fungible tokens (NFTs) with underlying collectables, and stablecoins pegged to fiat currencies.

However, these are more than abstract ideas and not necessarily new concepts. For example, for the concept of stablecoin, we are surrounded by different types of stablecoins, according to Lee, who pointed to the U.S. dollar-pegged Hong Kong dollar and Octopus card payment method as examples.

Hong Kong recently rolled out regulations that will allow retail trading of cryptocurrencies as soon as later this year, and the city's Securities and Futures Commission opened its application portal for virtual asset trading platform licenses on 1 June.

Chiu, who represents the Technology and Innovation Constituency in Hong Kong's LegCo, contextualized these landmark policy shifts within a larger push to spark digital innovation. "We always talk about the advancement of Hong Kong in terms of using technology, but not innovating it," he explained.

Secondary students will find AI in their curriculum from September onwards, said Chiu, who sees himself as a middleman between the government and the technology industry. In addition to education, Hong Kong needs regulations to manage how virtual asset companies and AI platforms use personal data, he added.

These promising developments suggest Hong Kong could become an international hub for virtual assets, according to Lui, provided



(Top from left) Joanne Chan, Deputy Chief Financial Officer at Animoca Brands; Sam Lee, Founder and Chief Executive Officer at Coinstreet; Robert Lui, Hong Kong Digital Asset Leader at Deloitte China; Duncan Chiu, Member of the Technology and Innovation Constituency in the Legislative Council; (bottom from left) Kelvin Tse, Head of Global Partner Solutions at Microsoft Hong Kong; and Wilson Chow, Global Technology, Media and Telecommunications Industry Leader for PwC China



authorities and financial institutions do more to accommodate Web3 and cryptocurrency companies.

According to Chan, Web3 is an umbrella term covering technologies like distributed ledgers and blockchain, and companies operating in this space often struggle to establish themselves in Hong Kong as they are widely underserved by traditional financial institutions.

Opening bank accounts, securing credit loans and finding insurance coverage can be highly challenging, as “while the establishment and robust processes of Hong Kong financial institutions makes Hong Kong an international financial hub, it also creates difficulties for smaller Web3

“While AI may not replace people, people who understand the technology will replace people who do not.”

businesses,” she noted.

Hong Kong’s government must come out and take a leading role in setting guidelines to govern businesses in this sector, Chiu and Lui noted.

The benefits go both ways. Building a broad and rich digital ecosystem with Web3 capabilities would also make data analytics much easier for traditional companies, as data stored on the blockchain is easily accessible and immutable, explained Chan and Lee.

For the panellists, the most significant risks lie with AI, where users must understand and validate the AI models’ different accuracy and precision levels. Moreover, they agreed that setting boundaries and perimeters for data gathering could be challenging.

According to Tse, the AI industry is at the co-pilot stage and cannot run on auto-pilot at this point in time. Human supervision, to deliver constant algorithm optimization and monitor output, is required. To address these

needs, companies may need to hire “a doctor for AI for continuous optimizing and diagnosis of the performance of AI,” said Lee.

This all means that fears of AI taking human jobs are mostly unfounded, and for accounting professionals, opportunities lie in the fusion of both professions. The consequences of ignoring these developments will be grave, warned Chiu. He noted that while AI may not replace people, people who understand the technology will replace people who do not.

This generation of budding accountants fall predominantly into the first category, according to panellists’ observations. In fact, Lui was happy to share that he has seen more accounting students wanting to learn about cybersecurity and broader technology applications in addition to auditing and accounting.

It was a fitting end note for the morning session of a congress on the theme of empowering businesses for future success. **A+**

GLOBAL AND INCLUSIVE THINKING

In the second part of the CPA Congress 2023, discussions among industry experts looked to empower attendees to develop the right strategies for setting up in the Greater Bay Area, and inspire a deeper dialogue around diversity and inclusion within organizations. [Elizabeth Utley](#) reports.

Photography by Calvin Sit

How can Hong Kong professionals navigate a rapidly evolving workplace landscape? This was a question on the minds of speakers and panellists in the afternoon session of the CPA Congress 2023.

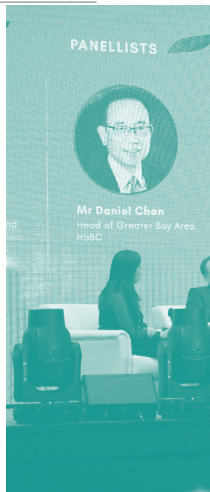
The changing face of Hong Kong

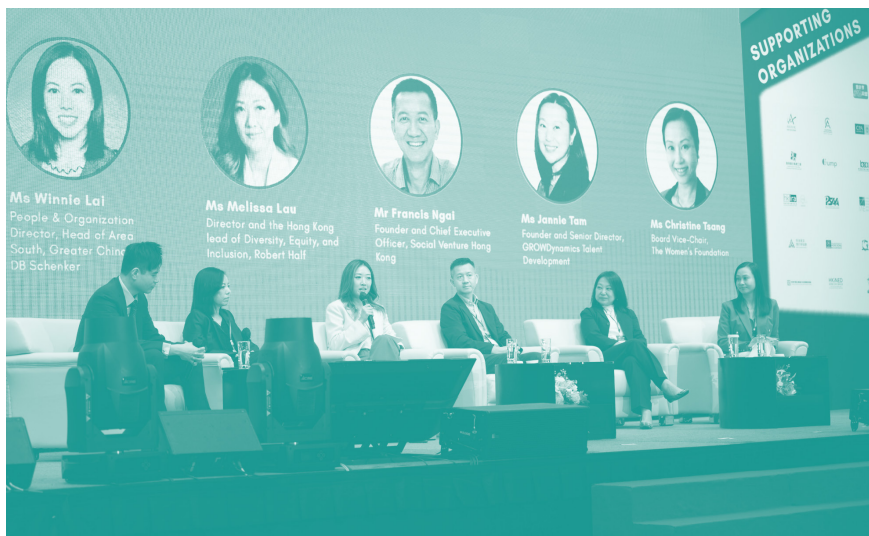
The third panel of the day included Daniel Chan, Head of Greater Bay Area at HSBC; Archie Fong, Head of Healthcare and Corporate Finance for Ping An of China Capital (HK) and an Institute member; and Peter Kung, Chairman of Supreme Genius Consulting Company Limited and an Institute member. Wilson Pang, Senior Partner, Advisory, Southern China at KPMG; and Jennifer Zheng, Head of Customer Lifestyle, China, at Cathay Pacific, also joined in the discussion, which

centred on the growing role of Hong Kong in the Greater Bay Area (GBA).

The GBA, encompassing Hong Kong, Macau and the Chinese province of Guangdong, has a total population of 87 million people with a combined gross domestic product of over 13 trillion yuan, according to panel moderator Jasmine Lee, Managing Partner, Hong Kong and Macau of Ernst & Young and an Institute Council member.

The area is a hub of innovation as the birthplace of 63 start-ups that have each reached over US\$1 billion in valuation, also known as unicorns, and its success in nurturing talent may come in handy as Hong Kong's 7.3 million population ages faster in the coming years, noted Kung. He helped found the Foshan office of KPMG 12 years ago when he worked for the firm and watched as its headcount grew from







(Top from left) Daniel Chan, Head of Greater Bay Area at HSBC; Jasmine Lee, Managing Partner, Hong Kong and Macau of Ernst & Young; Peter Kung, Chairman of Supreme Genius Consulting Company Limited; Archie Fong, Head of Healthcare and Corporate Finance for Ping An of China Capital (HK); (bottom from left) Wilson Pang, Senior Partner, Advisory, Southern China at KPMG; and Jennifer Zheng, Head of Customer Lifestyle, China, at Cathay Pacific

300 to over 2,000 by 2019.

According to HSBC’s Chan, as a cluster of cities, the GBA is an international centre of finance, technology and advanced manufacturing, and has a higher growth potential than any other “bay area.” However, policies across the Mainland, and Hong Kong and Macau special administrative regions need to be brought in line to fully unleash its potential. He takes the Hong Kong-Zhuhai-Macau Bridge as an example, which, while being well-built to connect multiple GBA cities, has seen low usage partially due to complex insurance regulation differences between the three cities. Chan suggested a more unified set of rules, application processes and innovative insurance products that offer protection across GBA cities, would increase usage significantly.

“It is very encouraging to see governments, regulators, businesses and professionals working much closer now on addressing these

“Research and development? In the GBA. Port used to send products abroad? GBA. Auditors? GBA. Legal professionals? GBA.”

challenges and we look forward to seeing more policy harmonization in the near future,” Chan said. “As a super connector, Hong Kong can make robust contributions given our understanding of the Mainland market and familiarity with international standards.”

Despite the speed bumps, many companies are forging ahead to explore the opportunities presented by the region’s rapid growth. Zheng from Cathay Pacific shared her company’s experience setting up its GBA headquarters in Shenzhen three years ago, “so we’ll be able to understand more of the digital

ecosystem of our [Mainland] consumers.”

Calculated premiumization, a consumption trend that delivers functional and emotional value to shoppers, is rising in the GBA, according to Zheng. Cathay sees more people researching and connecting with brands through online platforms like WeChat and Douyin.

It all comes back to what this region offers for brands and consumers. Kung used the business model of Shenzhen-based drone manufacturer DJI, which holds a 70 percent share of the civilian drone market, as an example: “Research and development? In the GBA. Port used to send products abroad? GBA. Auditors? GBA. Legal professionals? GBA.”

DJI was founded by an Hong Kong University of Science and Technology student, and looking ahead, there will be more young entrepreneurs to come, said Kung, who views the bay area as an

“Hong Kong is known as a super connector. I think the 2.0 version of that is how to become a super connector city that keeps adding value.”

excellent incubator for talent and business.

There can be a degree of specialization among the cities that compose the GBA, according to KPMG’s Pang, who co-leads the firm’s Global Portfolio Solutions Group.

While start-ups are sprouting in Shenzhen, global trade and banking can continue to flourish in Hong Kong. “If we can maximize our strengths in international finance, technology and commerce, we can focus on what we are good at and we can share with the rest of the GBA and work together,” he explained.

Fong from Shenzhen-based conglomerate Ping An said that Hong Kong could act as a bridge between Mainland China and western markets and would be an excellent place for leading international technology companies to establish their regional headquarters.

Bringing more international brands into the GBA region will be the next step, said Zheng, and Hong Kong is ideally placed to act as a funnel. Cathay has started to recruit cabin crew from within the GBA. “Hong Kong is known as a super connector. I think the 2.0 version of that is how to become a super connector city that keeps adding value,” she added.

In her conclusion, Lee summarized the panellists’ views, saying “We have to have a mentality of engaging in healthy competition but also be prepared to collaborate with other parts of the GBA. That way we can all grow stronger together.”

As the city embraces this role, it will be up to businesses to keep pace and create an inclusive work culture to attract and retain talent. The final panel of the congress took an in-depth look at the challenges and rewards of doing so.

Creating a corporate culture to inspire inclusion

Diversity. Mobility. Work-life balance. Leadership. These keywords came up time and again in the fourth panel discussion moderated by Eric Ng, Chief Strategy Officer, KOS International and an Institute member, in conversation with Winnie Lai, People and Organization Director, Head of Area South, Greater China for DB Schenker; and Melissa Lau, Director and the Hong Kong lead of Diversity, Equity and Inclusion, at Robert Half. They were joined by Jannie Tam, Founder and Senior Director, GROWDynamics Talent Development; Francis Ngai, Founder and Chief Executive Officer, Social Ventures Hong Kong; and Christine Tsang, Board Vice-Chair at The Women’s Foundation.

Tam, a media and content industry veteran who now heads up a corporate leadership training firm, reframed the concept of corporate culture into the process of merging people with different talents to form a team. Culture is how one influences people and responds to them, she noted, citing Hong Kong as a mecca of multiculturalism where residents from a swath of different backgrounds have converged.

As the first panel during the afternoon session agreed, this city is a super connector with the Mainland. Businesses like German logistics company DB Schenker are using Hong Kong as a springboard into China. Increasing the exposure and mobility of employees in Hong Kong to Chinese working culture is a big part of this process, said DB Schenker’s Lai.

She also encouraged facilitating more significant connections

between young professionals across the region who work in similar positions. This would go a long way to bridging the perceived cultural gaps, according to Lai, who recommended that companies create more events and activities to achieve this.

Failure to do so can have consequences. Lau from recruitment firm Robert Half shared that one of the main questions her team asks people is why they want to leave their current roles. “If you do not already have a diverse team, reexamine your recruitment process. If you want diverse talent you need to look in diverse places,” said Lau. If a team is already diverse, she recommended increasing collaboration on projects: “the worst thing is having all these diverse people but not having inclusion.”

Leadership soft skills are vital for people heading up these teams. When Tam launched GROWDynamics in 2015, this was not a part of the vocabulary at most companies. “At the time, people did not prioritize [soft skills] because everything was about profit.” Over the last eight years, she has seen this attitude shift.

Having ESG standards has been a part of this evolution, and in order to reach their “S” targets, employers need to empower their employees and support their relational needs, according to Tam.

They can do so by understanding what motivates their employees to succeed, and ensuring that supervisors acknowledge their achievements. “[Employees] give

“If you do not already have a diverse team, reexamine your recruitment process. If you want diverse talent you need to look in diverse places.”

us their talent, and we can help encourage, recognize and give them the opportunity to shine,” said Tam.

Next, moderator Ng explored how the COVID-19 pandemic disrupted and reshaped corporate culture. Many companies in Hong Kong experienced a talent shortage, as cross-border mobility fell to rigorous quarantine protocols. However, there may be plenty of talent readily available in Hong Kong, according to Tsang from The Women’s Foundation.

Females are highly under-represented in the workforce. She noted that female participation in the Hong Kong workforce hovers at around 55 percent, compared with 62 percent in Singapore and 76 percent in Australia. Tsang pointed to return-to-work programmes, which can empower

“[Employees] give us their talent, and we can help encourage, recognize and give them the opportunity to shine.”

mothers to return to their jobs and people who took a career change for various reasons. “Companies should offer individualized career counselling services to working mothers to align their family responsibilities with their career development goals, so that they can keep their dreams while their children are still young,” added Lai.

Many mothers may not feel empowered to return to the workforce after giving birth as they juggle a myriad of duties at home.

Class-based inequalities compound the problem for women in poverty, Tsang commented.

“There are some big challenges for these women,” said Ngai from Social Ventures Hong Kong, a social venture incubator that also offers integrated impact solutions for corporations. It launched social initiatives to unleash the potential of the female workforce, such as the co-working factory HATCH in Kwai Chung in 2019 with family-friendly working arrangements, including a children’s playroom on-site.

One of the programmes that has come from HATCH is the “Jobcation” initiative, which recruits mothers for internships with corporate partners such as the Hang Lung Group. Ngai shared that some of his partners have already turned these three-month internships

Connecting through collaboration

Prof. KC Chan, Chairman of virtual bank WeLab Bank and Senior Advisor to Hong Kong-based FinTech WeLab, launched the afternoon session of the CPA Congress 2023 with a keynote speech discussing the value of cooperation in the financial services and FinTech industries.

He has seen the evolution of this sector over the last three decades first as a professor, then as the Secretary for Financial Services and the Treasury of Hong Kong, and now as a corporate executive.

These days, he works with homegrown digital bank WeLab Bank. The Bank is owned by WeLab, which is the first locally-based FinTech company to establish a virtual bank after receiving its license from the Hong Kong Monetary Authority in 2020, Chan explained.

Despite its rapid growth, WeLab, which recently expanded into Indonesia by partnering with local financial institutions, has retained its entrepreneurial spirit and Chan leads a highly cooperative and agile team.

“We have the mentality of a start-up company,” he said. “As a start-up, collaboration is very much in our DNA.”

He pointed to one of WeLab Bank’s roles as a major car financing provider for Tesla over the last year. “The team sat down and figured out what it is we need to differentiate ourselves from others in the market,” said Chan. Among many features, WeLab Bank launched rebates for car owners using the company’s card. “In traditional banks, you will not see this kind of collaboration, whereas with us we basically sit around a table and try to come up with solutions.”

At WeLab, he draws on the same skills that helped him develop the Shanghai-Hong Kong Stock Connect when he was in government. The project, which allows investors in the Mainland bourse to access Hong Kong shares and vice versa, remained confidential for over six months despite involving the work of hundreds of people. He attributed this achievement to the power of

collaboration and a shared common goal.

Today, these values drive business for Chan and aid him in managing WeLab Bank. “[Collaboration] is definitely a leadership style. It is how you foster the intersection of people to sit down and come together,” he noted.



Prof. KC Chan, Chairman of WeLab Bank and Senior Advisor to WeLab



(Top from left) Francis Ngai, Founder and Chief Executive Officer, Social Ventures Hong Kong; Melissa Lau, Director and the Hong Kong lead of Diversity, Equity and Inclusion, at Robert Half; Eric Ng, Chief Strategy Officer, KOS International; Christine Tsang, Board Vice-Chair at The Women's Foundation; (bottom from left) Winnie Lai, People and Organization Director, Head of Area South, Greater China for DB Schenker; and Jannie Tam, Founder and Senior Director, GROWDynamics Talent Development



“The benefits for companies are numerous, and gender must be an essential consideration in cultivating an inclusive corporate culture,” said Ng, who pointed to the many women panellists as an excellent demonstration of why.”

into long-term employment after agreeing on working hours that allow these women to take care of their families.

“While corporations benefit by acquiring talent to meet their needs, this shows that employment can be

more than leveraging the workforce, and can be an opportunity to intervene to help our communities,” says Ngai.

Some larger companies have arranged split job programmes where two people can share one position so women can better balance their professional and personal responsibilities, Tsang noted.

To be sure, this is easier in some professions than others. Working at home is difficult for traders in financial institutions, Tsang acknowledged. Nonetheless, there are ways to do this in lieu, such as extra days off or taking performance reviews from home.

“The benefits for companies are numerous, and gender must be an essential consideration in cultivating an inclusive corporate culture,” said Ng, who pointed to the many women panellists as an excellent demonstration of why.

According to Tam, empathy and

communication are the bedrock of any open workplace, and these skills will set people apart when hiring. Regarding technical abilities, “everyone’s CV looks the same,” said Lau.

For Ngai, talents do not need “retaining” as long as they are contributing to something meaningful. “We’ve observed that talents, especially young people, emphasize the importance of ‘purpose’. To them, working day and night is not just about earning their bread and butter, but about spending their time to contribute to a good cause.”

Ultimately, it is a two-way street, Ng summarized as the panel reached its final minutes. Employees can contribute to creating an inclusive workplace by honing their soft skills, while management must cultivate a diverse workforce and set their teams up for success.




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50th
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Deputy Chair of IFAC's Professional Accountants in Business Advisory Group and member of the Institute on the profession's role in enabling capital markets and societies to deliver sustainability goals



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Facilitating sustainable development and net zero transitions

In March, I moderated a panel of experts to explore how financial institutions and companies are approaching their net zero transition planning, key priorities and trade-offs, and how chief financial officers, finance and treasury functions can support them. Eight key takeaways emerged for the accounting profession.

Engagement with governments and policymakers is critical in the context of a just transition

Ongoing engagement with governments is critical to achieve sustainability objectives and ensure private sector and political alignment on achieving net zero and decarbonization. National policy, frameworks and incentives provide companies with a clearer roadmap to setting and meeting their own long-term climate and sustainability goals. A “just transition” is a strong focus in many parts of the world to ensure that no-one is left behind in efforts to achieve a net zero economy and sustainable development. This involves maximizing the socioeconomic benefits of decarbonization while minimizing negative impacts, for example, in relation to economic development where people and communities are dependent on high-emitting sectors.

Clear and effective corporate governance must be established

Clarity on the roles and responsibilities of the board and its sub-committees is important to ensure effective oversight of sustainability and environmental, social and governance (ESG) issues. An integrated mindset at the board level requires coordination of and connectivity between the board and other board committee agendas including the audit committee, the nomination and remuneration committee, and sustainability committee. But ultimate accountability still rests with the board for establishing and achieving sustainability goals and selecting net zero consistent pathways while taking into consideration the needs of, and impacts on, key stakeholders including customers, suppliers, employees and society.

Use the consequences and cost of inaction as a business case for decarbonization and sustainability

Understanding the risk and future cost of inaction versus the benefits and cost today of taking action to achieve net zero and sustainability ambitions helps to clarify the business case and drive business commitment. Financing a low carbon and sustainable future will become increasingly more costly as externalities such as carbon become more expensive. Finance and accounting professionals can advise on the opportunities that exist in many countries where governments and financial institutions are providing financing for investments in decarbonization and sustainability initiatives.

Finance and accounting professionals have a significant role in net zero and sustainability

Finance and accounting professionals have an important role in ensuring the relevant data is available for decision making and that

sustainability priorities are incorporated into business processes through budgeting and forecasting, capital allocation, performance assessments and scorecards. On the reporting side, their ability to conduct materiality and reporting assessments and build trust in data and reporting processes is key. New roles such as the ESG controller are being created to help companies prepare for new requirements for sustainability-related disclosure and assurance.

Enhance decision making with data and insights

A key focus is on securing the data and insights needed to evaluate decisions. For companies, this includes greenhouse gas emissions arising in their value chains, which for many can constitute most of their footprint, and working with suppliers and customers to find solutions that reduce scope 3 emissions to help meet climate goals. Finance functions are therefore increasingly focused on data collection, traceability, measurement and modeling, and verification. This involves creating effective finance business partnerships to measure and report on what has already occurred, as well as using technology and digital tools to enhance real-time information flows and forward-looking projections to make decisions on how to mitigate and adapt to sustainability risks and opportunities.

Larger multinational companies can play a key role in influencing supply chain partners

Large companies are well-placed to support small-medium sized organizations in their supply chains by providing financing to enable them to decarbonize and achieve sustainability targets, particularly for scope 3 emissions reductions.

Refine and standardize reporting and disclosure

The International Sustainability Standards Board standards will be effective for annual reporting periods beginning 1 January 2024. Enhancing the comparability of disclosures would ideally require a standardized reporting format as well as methodology to help companies consistently report key pieces of information about their business and sustainability performance in a connected way. A standardized reporting format or template would also be beneficial to finance teams in their efforts to automate and standardize internal and external reporting processes to adhere to mandatory sustainability-related disclosure and assurance requirements.

Prioritize education, upskilling and talent management

Finance and accounting professionals need to understand transition pathways and solutions, and how they enable transition planning in their organization. Accountants must be given opportunities to learn the language of climate change and sustainability from scope 1-3 emissions, transition and physical risks and sustainable-linked financing. Relevant sustainability education and training opportunities will enable them to identify climate and sustainability risks and solutions, and embed ESG into strategy, risk management, financing and internal and external reporting processes.

SECOND OPINIONS: HOW WORRIED SHOULD WE BE ABOUT ARTIFICIAL INTELLIGENCE?

“On the bright side, the adoption of AI could enhance the efficiency and accuracy of processes, allowing accountants to focus on more value-adding activities and tasks that require more professional judgement to enhance their value.”



HERBERT YUNG

DIRECTOR, MEMBER ENGAGEMENT AND SUSTAINABILITY LEAD AT THE HONG KONG INSTITUTE OF CPAS AND AN INSTITUTE MEMBER

Accountants should not necessarily be worried about artificial intelligence (AI), but they should be aware of how it is changing the industry and the skills that will be required to succeed in the future.

AI is gradually changing the way of business and consequentially the accounting and auditing process. Many related tasks that used to consume a lot of manpower, such as data entry, sampling, reconciliation and report generation, can now be done by AI in a snap. While some might consider whether their job will be replaced by machines, on the bright side, the adoption of AI could enhance the efficiency and accuracy of processes, allowing accountants to focus on more value-adding activities and tasks that require more professional judgement to enhance their value.

Accounting work can thus be even more interesting than before. Some younger generations may consider the work of accountants repetitive and demanding, and the use of technology is a good opportunity to showcase that the profession can also be innovative and strategic. Going forward, accountants will not only need to know their way around numbers, but also how to make use of technology to generate insights and identify trends that can help corporates make better decisions. With these changes, accounting can be better placed to play the role of business advisor rather than record keeper or auditor.

Of course, new technology will lead to new risks that both companies and accountants will need to be prepared for and require careful management when it comes to usage. For example, exposure to data privacy and cybersecurity risks will increase in view of the extensive exchange of information. Information integrity could also be a concern as the emergence of AI technology has made information more difficult to be validated due to its massive scale and dynamic nature. Therefore, besides leveraging technology to enhance the overall accounting and auditing processes, appropriate safeguards should be taken in order to mitigate the negative impact.

To stay relevant in the face of these opportunities and challenges, accountants should focus on developing skills that are less likely to be automated, such as strategic thinking, problem-solving, and communication. They should also stay up to date with the latest developments in AI and other technologies, so that they can better understand how they can be used to improve accounting and auditing processes and services.

Overall, accountants should view AI as a tool that can help them to be more effective in their work, rather than as a threat to their profession.



JASON YAU

REGIONAL LEADER, ASIA PACIFIC AT RSM INTERNATIONAL, AND PARTNER, TECHNOLOGY AND MANAGEMENT CONSULTING AT RSM HONG KONG AND AN INSTITUTE MEMBER

When I was invited to share my perspective on this topic, the first thing that came to my mind was perhaps I could ask ChatGPT this question and see what it says. This thought would not have been possible just a short time ago.

Indeed, the emergence of generative AI has brought significant changes to our world in just six months, allowing ordinary people like myself to harness the power of AI to gather information and generate ideas. If we project this exponential growth trend for the next five to 10 years, its impact on all aspects of our society becomes even more profound.

By harnessing the power of AI and putting it to good use, we could potentially resolve many of the issues we face today. In our industry, AI has the potential to empower our workforce, making them more efficient and enabling them to deliver higher quality outcomes, ultimately boosting productivity.

During our firm's recent regional conference, a renowned professor specializing in AI ethics from a prestigious university shared her perspectives on the latest developments of AI. She emphasized the importance of reskilling our professionals to learn to leverage the power of AI, while warning that some jobs may get eliminated during this phase of transformation. Surprisingly, most of the audience maintained an open mind towards AI, and few expressed extreme concern about its power.

Our understanding of AI, however, drastically changes when we take into account situations outside of the corporate context, such as a military environment. AI does not have core elements of what makes us human when it comes to decision-making – such as empathy, emotion, relationships, etc. While AI can offer unbiased solutions, making judgements exclusively based on data and algorithms might have grave implications.

We should take our worries about AI seriously as no one presently possesses complete expertise in this field. To ensure responsible development in this field, proper governance and oversight must be established to dictate how AI is being applied and utilized in different situations. Governments should also act quickly to enact necessary laws and regulations before the intense AI race among the world's largest technology companies spirals out of control.

It is important to recognize that AI is already here. And rather than fear it, we must learn to embrace, adopt, and coexist with this technology. By doing this, we can ensure that its potential is applied morally and towards advancing society.

“Rather than fear it, we must learn to embrace, adopt, and coexist with this technology. By doing this, we can ensure that its potential is applied morally.”



JASON HO

FINANCIAL SERVICES TECHNOLOGY RISK CONSULTING PARTNER AT EY AND AN INSTITUTE MEMBER

In recent years, AI has made tremendous advances. However, the rise of AI-powered attacks also poses growing risks to business, encompassing different kinds of data breaches, malware and ransomware attacks, fraudulent activities and social engineering exploitations. Understanding the diverse nature of these risks is crucial in developing comprehensive strategies that leverage AI-based defence mechanisms and ensure resilience in an evolving threat landscape.

One emerging concern from the development of AI is damaged cognition of identity verification, which prevents fraud, and this adheres to rules such as eKYC (electronic know your customer) requirements. By utilizing generative adversarial networks, existing images, sounds and videos can be superimposed onto source material, resulting in a high-quality animated face that can pass liveness tests based on facial landmark movements such as eye blink, mouth movement, head orientation or even voice.

Further, one of the most alarming risks is the capability of hackers to automate their adversarial operations, and more easily conduct large-scale attacks. Hackers also can use AI to swiftly uncover security loopholes and build codes for malware capable of infecting different systems. All these may result in impairing the confidentiality, integrity, and availability of sensitive data, intellectual property and financial information.

Financial institutions, therefore, must develop a comprehensive strategy in protecting systems and data from an ever-changing AI threat landscape. For example, an identity verification system should go beyond using just simple username or password authentication, or a basic facial and voice recognition system. Advanced AI systems may be required to detect and prevent deepfake attacks in real-time, and this entails putting in place strict access controls, comprehensive testing and updating systems frequently.

Furthermore, education and training can help to raise awareness about the risks of AI while also empowering staff members and customers to prevent, detect and report suspicious behaviours.

AI is very beneficial for automating repetitive operations but we need to clearly understand and evaluate the risks, such as algorithmic bias and data poisoning. Therefore, the ethical development of AI is vital from a regulatory perspective. Different authorities have started to cultivate a healthy environment in relation to AI-related activities. It is advisable to keep our eyes on the existing and upcoming AI-related laws, such as European Union Artificial Intelligence Act and Mainland China's AI regulations in 2023.

“AI is very beneficial for automating repetitive operations but we need to clearly understand and evaluate the risks, such as algorithmic bias.”

FIVE QUESTIONS

PAIB & PAIP

What are the biggest lessons in your career so far? Since university, I had been dedicated to building up my career portfolio as I believe qualifications and experience are indispensable in a path to success. As time went on, I realized that opportunities don't always come to those more senior, and qualifications and experience are no longer a springboard for success. So as the saying goes, if opportunity does not come knocking, build a door. I started to develop my interpersonal skills through various social circles – not only business partners such as lawyers and investment bankers, but also professional bodies and interest groups. Expanding my social network enriches my knowledge about trends, market conditions and work-related technologies that help me carry out my duties as a function leader. Insights shared within these circles are often the source of empowerment and support, especially when I face challenges.

What skills did you find most important after becoming a professional accountant in business? Accounting firms generally have a large number of younger workers, compared to the business sector, where teams often have more diverse backgrounds and experiences. For managers, this diversity poses a challenge to managing and communicating with the team. By taking the 360-degree feedback approach to communication, and interacting with team members at the right moment, you should be able to inspire and motivate the team, and unlock its potential. Also, promoting a “can-do” attitude within the team can encourage them to generate great ideas that come to fruition.

In what ways has your CPA qualification helped you in your career? It allows me to analyse business issues critically and to provide my clients forward-looking advice.



FIVE QUESTIONS FOR PAIB

Christie Leung

Institute member and Equity Market Finance Director at YUDO Holdings Co. Limited, which specializes in hot runner systems that produce environmentally friendly products, shares important lessons from moving to the business sector from the Big Four and her advice for young members

It has equipped me with strong technical knowledge for financial statements analysis and modelling – the foundation of several positions that I have taken up. Through my qualification, I have had opportunities to contribute to the profession, the community-at-large and the company I work for using my professional knowledge. For example, at YUDO, I organize technical and compliance training for the finance team on financial reporting and process automation.

You're a member of the Institute's Young Member Committee. What are the challenges young members face? New and young members are focused – perhaps too focused – on building their personal brand solely through accumulating experience. However, it's important to have a sustainable work ethic that can carry a person through both good and challenging times. We can't deny that CPAs have busy lives, but we should aim to strike a balance whether it's through exercising or keeping up with hobbies in order to refresh ourselves. To me, taking breaks to recharge is just as important as a professional qualification, as this is key to having a positive mindset in times of difficulties.

How can young members take their careers to the next level? Don't stop learning and embrace changes, especially in today's rapidly changing digital and commercial world. Stay positive and be proactive by acting on opportunities. If you wait too long, you will miss them. Those who are interested in moving from practice to the business sector should be open to significantly different working norms and cultures. They should recognize that accounting in business requires a much wider spectrum of skills and knowledge.

What are the biggest lessons in your career so far? One is the importance of communication. Communication is essential for building trust, understanding the needs and expectations of the stakeholders, and delivering high-quality reports. Another is the value of sustainable learning. Technology is continuously evolving, and so are the risks and controls associated with it. To be an effective IT auditor, I need to keep up with the latest trends, standards, and best practices in the field. Finally, I have learned to be adaptable and flexible. IT audit projects can vary in scope, complexity, and duration, and sometimes unexpected challenges or changes may arise. I need to adjust my plan, timeline, and strategy accordingly, and work well with different teams and stakeholders.

How did you get into IT audit? I developed a strong interest in business process automation when I started my career at Hong Kong Polytechnic University as an accountant. After transitioning to the professional service field in 2007, I was assigned to provide IT audit service for a telecommunications company. I enjoyed the challenge of evaluating the effectiveness and security of IT systems and controls, as well as gaining knowledge about business processes in different industries and IT regulations. I have been an IT auditor for more than 15 years now, and I find it very rewarding and stimulating. IT audit is a dynamic and challenging field that requires continuous adaptation and innovation. It is not only about finding problems, but about providing solutions that add value to the business.

In what ways has your CPA qualification helped you in your career? It has been invaluable for my career as an IT auditor. It has given me the knowledge and skills to understand the



FIVE QUESTIONS FOR PAIP Dickson Sin

Director – Auditing Methodologies, Audit at Grant Thornton, and an Institute member, on his path to specializing in IT audit, and how companies in Hong Kong can reduce their exposure to security risks and enhance their resilience to cyberattacks

accounting principles, standards and regulations that apply to the IT systems and processes of various organizations. It has also helped me to communicate effectively with the management and stakeholders of the audit clients, as well as to prepare clear and accurate audit reports and recommendations.

What should companies do to keep their business systems and data secure? There are some key steps that companies can take. One is to conduct regular security audits and risk assessments to evaluate the effectiveness of their existing security policies, procedures, and tools, and to identify any weaknesses. Another is to develop and enforce a clear and consistent security strategy and framework that aligns with their business objectives, regulatory requirements, and industry best practices, and that covers all aspects of their digital operations, from infrastructure and applications to data and users. They should also educate and train their employees and stakeholders on cybersecurity awareness and the best practices for protecting their systems and data, such as using strong passwords and reporting suspicious activities.

What advice do you have for CPAs interested in specializing in IT audit? IT or cybersecurity audit is a growing and rewarding field for CPAs who want to leverage their accounting skills and knowledge in a technology-driven environment. They should get familiar with the IT or cybersecurity frameworks and standards that are relevant to their industry and clients, such as NIST, ISO, COBIT, etc., as well as pursue certifications that demonstrate their competence and credibility in IT or cybersecurity audit, such as CISA and CISSP. Also, stay updated on the latest developments in IT or cybersecurity.

Proposed revisions to IAASB ISAs and IESBA Code of Ethics

An overview of the Institute's responses to recent consultation documents of the IAASB and IESBA

In April and May, the Institute's Standard Setting Department responded to the following consultation documents of the International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA):

Consultation documents issued by the IAASB:

- The IAASB's Proposed Strategy and Work Plan for 2024-2027
- Proposed International Standard on Auditing (ISA) 500 (Revised) *Audit Evidence* and Proposed Conforming and Consequential Amendments to Other ISAs
- Proposed Part 10 *Audits of Group Financial Statements* of the Proposed ISA for Audits of Financial Statements of Less Complex Entities (ISA for LCE) and Proposed Conforming Amendments

Consultation document issued by the IESBA:

- Proposed Revisions to the Code Addressing Tax Planning and Related Services

The Institute had responded to the proposals based on comments received from the local comment period. The following provides a high-level summary of our responses, and the full responses are available on our website ([Auditing and Assurance/Code of Ethics](#)).

The IAASB's Proposed Strategy and Work Plan for 2024-2027

The proposal describes the IAASB's proposed strategy and technical standard-setting work plan from 2024 to 2027 to meet the needs of stakeholders in the

external reporting ecosystem, while balancing timeliness with quality.

Overall, the Institute supported the IAASB's identified possible new-standard setting projects within the area of audits and reviews, while expressing our views that the following topics might warrant higher priorities:

- A modernization of ISA 330 *The Auditor's Responses to Assessed Risks* to address today's environment and current practice, and to ensure the coherence of the suite of ISAs as a whole.
- "External confirmations", "analytical procedures" and "audit sampling" are closely related to "responding to assessed risks". Hence, we proposed that revisions to ISA 330, ISA 505 *External Confirmations*, ISA 520 *Analytical Procedures* and ISA 530 *Audit Sampling* be considered as a bundle in the same project.
- A revamp of ISA 620 *Using the Work of an Auditor's Expert* would be appropriate given the increasing use of experts in audit engagements.
- Separate projects on audit of digital assets and use of big data in audit engagements, or as part of ISA 330, ISA 505, ISA 520 and ISA 530 modernization.

We also supported the IAASB to develop an overarching standard for assurance on sustainability reporting, in particular, reports or disclosures prepared in accordance with the IFRS Sustainability Disclosure Standards developed by the International Sustainability Standards Board.

The IAASB anticipates approving their strategy and work plan in the last quarter of 2023.

The IAASB's proposed ISA 500 (Revised) *Audit Evidence* and Proposed Conforming and Consequential Amendments to Other ISAs

The proposals provide a "reference framework" for auditors when making judgements about audit evidence throughout the audit. It requires auditors to evaluate the relevance and reliability of information intended to be used as audit evidence, i.e. information (the input) needs to be subject to audit procedures to become audit evidence (the output).

While we agreed with the proposed reference framework, we drew the IAASB's attention on the possible difficulty to apply it in practice. For instance, it might be difficult for auditors to apply concrete audit procedures to assess the reliability of an external information published by the government or a government agency which does not have any alternative sources. Accordingly, we sought clarification from the IAASB on whether information in circumstances as such could be qualified as audit evidence, i.e. no further audit procedures could be performed but professional judgement would be applied.

Proposed ISA 500 (Revised) puts forward a separate conditional requirement whereby auditors shall obtain audit evidence about the accuracy and completeness of information when these attributes are applicable in the circumstances. Although we did not object to the requirement, we encouraged the IAASB to develop application materials on the other three attributes of information reliability (i.e. authenticity, bias and credibility) to promote a thorough understanding on all attributes and to

avoid the other attributes being undermined by auditors.

Our comment letter also stated our agreement to the proposed “stand back” requirement, which is consistent with the approach of ISA 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement* and ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures*. However, we noted that the proposed application materials do not provide guidance on how to demonstrate the auditor’s thought process in reaching the conclusion in the audit documentation, and recommended the IAASB to expand the guidance in this regard.

In addition, we suggested the IAASB to develop non-authoritative guidance relating to the use of automated tools and techniques in the context of the proposed ISA 500 (Revised), in a way similar to the IAASB’s technology FAQ on the use of automated tools and techniques in a risk assessment under ISA 315 (Revised 2019).

The IAASB expects to approve ISA 500 (Revised) in June 2024.

The IAASB’s proposed Part 10 Audits of Group Financial Statements of the Proposed ISA for LCE and Proposed Conforming Amendments

The proposed Part 10 is intended to form part of the ISA for LCE. Given stakeholders’ feedback, the IAASB incorporated audits of less complex groups as part of the ISA for LCE, which were not included in the original scope of the proposed ISA for LCE.

The Institute welcomed the IAASB’s decision to include group audits in the application of the LCE standard, but expressed concerns that the proposals prohibit group audits when component auditors are involved, other than in limited circumstances when physical presence is required.

Our responses stressed that the presence of a component auditor is not always a driver for complexity. In Hong Kong, it would be common for non-complex groups to have subsidiaries situated in Mainland China or overseas. Meanwhile, using component auditors could enhance the efficiency and effectiveness of the group audit, such as eliminating the travelling needs

and leveraging the component auditors’ knowledge on the overseas environment and legal requirements. Accordingly, we recommended the IAASB to consider, in the context of group audits under ISA for LCE, to

- Allow the use of component auditors in case of restricted access to the component due to laws and regulations; and
- Develop guidance for the group auditor to overcome access restriction to the component in the absence of component auditors.

With respect to the proposed group-specific qualitative characteristics, we expressed our concerns on the drafting of “access to information or people” and “consolidation process” in the proposals:

- Given that ISA for LCE allows the use of component auditors in limited circumstances, we suggested the IAASB to re-consider the drafting on whether access to information and people could be provided by the component management in addition to the group management, for alignment with ISA 600 (Revised).
- In practice, it would be common for entities or business units not in the same territory as the group to have different accounting policies or reporting period-end from that applied by the group financial statements. It would also be common for simple and less complex groups to have one or more than one sub-consolidation. Accordingly, we recommended the IAASB to re-consider the examples to a “simple consolidation process” in the proposed application material which would have excluded the above situations.

The IAASB expects to approve the proposed Part 10 at the same time as the remaining parts of the proposed ISA for LCE in September 2023.

The IESBA’s proposed Revisions to the Code Addressing Tax Planning and Related Services

The proposed revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) strengthen the

ethical expectations for professional accountants (PA) in business and in public practice when performing tax planning (TP) activities for employing organizations or providing TP services to clients. The revisions provide practical guidance to assist PAs in navigating situations of uncertainty when carrying out TP activities.

In our comment letter, we supported the IESBA’s approach to address TP and related services by creating two new, Sections 280 and 380, in the Code. However, we pointed out that the proposed requirement to obtain an understanding of, and advise the employing organization or client to comply with anti-avoidance rules would not always be practicable, for example, when a PA is involved in advising a client who wishes to challenge an interpretation of the rules by the revenue authority.

In addition, we suggested that the definition of “regulations” should be made clear. The revenue authority may have a stated practice that is not necessarily explicitly stated in the law. In our view, reference should be made to “established practices” in relation to determining whether there is a credible basis for a TP arrangement, because where the law is silent, unclear or ambiguous, there may be a body of established practice that provides a credible basis for a TP arrangement.

We also expressed concerns on the proposed “stand-back test”. We pointed out that there would be a wide range of stakeholders to a TP arrangement and they would not all have the same views and perceptions. It would be nearly impossible for a PA to determine those views and how much weight should be given to each. Accordingly, we suggested this provision to simply point out that there could be reputational, commercial and wider economic implications associated with a particular TP arrangement, which a PA should be aware of and should consider, as appropriate.

The IESBA anticipates to approve the final pronouncement in December 2023.

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

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Getting prepared for CPD compliance audit

A summary of the continuing professional development requirements and tips on how to meet them

Continuing professional development (CPD) is important for members to develop and maintain necessary professional competence to perform their roles as CPAs throughout their career and thereby strengthen public confidence and trust in the profession.

CPD is also one of the statutory requirements for membership renewal. According to Statement 1.500 *Continuing Professional Development of the Members' Handbook*, all members are required to:

- Complete at least 120 hours of relevant professional development activity in each rolling three-year period, of which 60 hours shall be verifiable;
- Complete at least 20 CPD hours of relevant professional development activity in each year;
- Measure learning activities to meet the above requirements; and
- Maintain appropriate records of all CPD activities completed in each rolling three-year period.

CPD compliance audit

The Hong Kong Institute of CPAs conducts a CPD compliance audit every year to ensure that members have met the CPD requirements for membership renewal. If you're selected for the audit, don't worry! We are here to help you every step of the way.

The Institute wants to make sure that the CPD compliance audit is fair and objective, so members may be selected for audit on a risk-based process. Practising certificate holders, responsible persons of public interest entity auditors, or members with a history of non-compliance may have a higher chance of being selected.

To pass the audit, you will need to

complete and return the CPD Record Form within one month of notification via online submission, email, or post. You will also need to provide supporting documents for all your verifiable CPD activities and a statement on why you consider the CPD activities relevant to your work and professional responsibilities.

Verifiable evidence

If you are selected for the audit, it is important to understand which supporting documents are acceptable for verifiable CPD activities. Examples may include course outlines, confirmation of completion from a provider, transcript, examination result slips, independent assessments, and confirmation of participation in activities.

Relevant CPD activities

As a member of the Institute, you will likely take up a variety of roles across different public and private sectors. The good news is that the CPD requirements offer flexibility for you to choose the type of CPD activities that best suit your individual needs and interests.

When completing your CPD Record Form, you will be asked to explain why you consider the CPD activities relevant to your work as a professional accountant. These activities should maintain, deepen, and extend your professional knowledge, skills, and values, and help you to better understand the economic trends and environment in which you work as a CPA.

CPD activities are not just limited to technical accounting skills. Learning activities that improve your business skills, such as leadership, negotiation,

management, and presentation skills, can also be recognized as relevant CPD activities. So, you are encouraged to explore different types of activities that interest you and will help you grow as a professional.

Closing remarks

Lastly, it is important to note the consequences of not passing the audit. If there is a shortfall of CPD activities, you will be asked to provide an explanation and allowed a small window to make up for the shortfall if appropriate. Failure to respond or make up for the shortfall may result in non-renewal of membership or referral of the matter to the Accounting and Financial Reporting Council for regulatory action.

CPD is crucial for our profession, and the CPD compliance audit process is necessary to ensure members maintain and enhance their professional competence and technical knowledge. If you have any questions or need further guidance, don't hesitate to contact the CPD Compliance team of the Institute. Details of the CPD requirements can also be found on the [Institute's website](#). Let's work together to ensure that we all meet the CPD requirements and continue to grow as professionals.

The article was contributed by the Institute's Membership and Admission Department.

TECHNICAL NEWS

The latest standards and technical development highlights

Financial reporting

Invitation to comment

The Institute is seeking [comments](#) on the International Accounting Standards Board (IASB) Request for Information [Post-implementation Review of IFRS 15 Revenue from Contracts with Customers](#) by 18 September.

Institute submission

The Institute has submitted its [comment letter](#) on the IASB Exposure Draft *Amendments to the Classification and Measurement of Financial Assets* (Proposed amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*).

The Institute's Financial Reporting Standards Committee meeting minutes [Minutes](#) of the June 2023 meeting is now available.

Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong

The Institute has published [comprehensive guidance](#) for the accounting implications of the abolition of the Mandatory Provident Fund (MPF)-Long Service Payment (LSP) offsetting mechanism (the abolition). The guidance provides a detailed discussion on the background of the issue, the two acceptable accounting approaches, disclosures, time allowed to implement the guidance, and illustrative examples.

The effects of climate-related matters on financial statements

The IFRS Foundation has updated its [educational material](#) developed to help companies determine how to consider climate-related matters when preparing their financial statements applying IFRS Accounting Standards.

Auditing and assurance

New quality management series: small firm implementation

To help small firm practitioners

implement the new quality management standards, the International Federation of Accountants (IFAC) has released a three-part publication series focusing on providing tips and guidance for practical implementation.

The second installment of the series, [Developing a detailed implementation plan](#), provides a step approach to identifying your quality objectives; completing your quality risk assessment process; identifying existing, or creating new, responses to those quality risks; and implementing, documenting, and communicating your system of quality management.

Click [here](#) for the first installment of the series released in October 2022.

Call to action for sustainability reporting and assurance

Along the issuance of the two sustainability standards by the International Sustainability Standards Board (ISSB), IFAC has released the following materials to aid professional accountants in delivering high-quality sustainability-related reporting and assurance services.

- [Webpage: Call to Action for Sustainability Reporting and Assurance](#)
- [Video: Sustainability: Update on Reporting & Assurance \(with script\)](#)
- [Video: A Deep Dive into Sustainability Assurance Engagements](#)

Ethics

Institute submission

The Institute has submitted its [comment letter](#) on the International Ethics Standards Board for Accountants (IESBA) Consultation Paper, *Proposed IESBA Strategy and Work Plan 2024-2047*.

The Institute's Ethics Committee meeting Minutes of the 256th meeting is now available.

The Institute's ethics video on bias

Watch the [educational video](#) produced by the Institute highlighting the role and mindset expected of professional accountants with a focus on "bias" in the context of the

International Code of Ethics for Professional Accountants (including International Independence Standards)(Code).

IESBA emphasizes the critical importance of ethical behaviour for all professional accountants

This [news](#) by IESBA mentions that recent events in a number of major jurisdictions involving professional accountants have raised concerns with many stakeholders and the public about whether the accountants' conduct was straightforward and honest, free from conflicts of interest, in accordance with confidentiality requirements, or in the public interest.

Applying the Code's conceptual framework to independence

This [publication](#) by the staff of the IESBA and the Australian Accounting Professional and Ethical Standards Board describes key technology-related provisions of the Code and provides auditors with three practical examples involving technology-related non-assurance services to illustrate how to apply the Code's requirements with respect to independence.

Sustainability

ISSB issues inaugural global sustainability disclosure standards

The ISSB [issued](#) its inaugural standards – IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* on 26 June. The standards aim to improve trust and confidence in company disclosures about sustainability to inform investment decisions and create a common language for disclosing the effect of climate-related risks and opportunities on a company's prospects. The ISSB chair officially launched the standards at the IFRS Foundation Conference in his [speech](#) titled "A new common language to build more resilient economics".

Following the issuance of IFRS S1 and IFRS S2, the Institute, as the statutory sustainability standard setter in Hong Kong, issued an [alert](#) which outlines

the Institute's roadmap for developing sustainability disclosure standards for the accounting profession in Hong Kong.

Supporting materials for IFRS Sustainability Disclosure Standards

In these two [ISSB webcasts](#), the ISSB vice-chair explains how IFRS S1 and IFRS S2 work together, and how IFRS S2 builds on the requirements in IFRS S1 by setting out requirements for a company to disclose both cross-industry and industry-specific information about climate-related risks and opportunities. In addition, the ISSB has published an [article](#) that highlights 10 things to know about the first two ISSB standards.

Survey: the ISSB Knowledge Hub

The [ISSB Knowledge Hub](#) will be a free online resource for preparers, designed to help them understand and get ready for applying IFRS S1 and IFRS S2. It will incorporate an easy-to-navigate and searchable repository of resources which will be developed by the IFRS Foundation and its partners. These resources include case studies, good practice guidance, webinars and an e-learning platform.

The exposure draft consultation feedback for IFRS S1 and IFRS S2 included requests for a new capacity building programme, illustrative guidance, case studies, examples, training and other resources. The IFRS Foundation is seeking additional feedback and requests on the capacity-building priorities that different stakeholders have, any specific focus areas or topics that are of interest (linked to IFRS S1 and IFRS S2), or other suggestions on how the IFRS Foundation can support preparers and others. Find survey [here](#).

Corporate finance

HKEX concludes consultation on Proposals to Expand the Paperless Listing Regime

On 30 June, the Stock Exchange of Hong Kong (HKEX) released [consultation conclusions](#) on the proposals to expand the Paperless Listing Regime and other Rule Amendments.

The Institute issued a [submission](#) in response to this consultation on 28 February. In principle, we support the HKEX's proposals on the basis that they could improve the market efficiency and lower costs to issuers in company

administration and reduce the use of paper. At the same time, we also raised concerns and suggestions to the HKEX to accommodate the needs of some retail investors, particularly elderly investors, who may face difficulties in transitioning to a full paperless regime, in its proposals.

Please refer to the [press release](#) for details.

HSIC concludes consultation on Eligibility of Foreign Companies to the HSI

On 7 July, Hang Seng Indexes Company Limited (HSIC) released [consultation conclusions](#) on the eligibility of foreign companies to be included in the Hang Seng Index (HSI), as well as the review results of the seven industry groups for the HSI constituent selection and the number of "Hong Kong" constituents in the HSI.

Insolvency

Bankruptcy and Companies Legislation (Miscellaneous Amendments) Ordinance 2023

The Institute has received a [letter](#) from the Official Receiver's Office, advising that the Bankruptcy and Companies Legislation (Miscellaneous Amendments) Ordinance 2023 (Amendments Ordinance) was enacted by the Legislative Council on 12 July and will be published in the Gazette on 21 July.

The Amendments Ordinance mainly serves to amend the Bankruptcy Ordinance (Cap. 6), the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) and their subsidiary legislation to:

- Facilitate the submission of certain documents to the Official Receiver by electronic means;
- Change the publication requirements for various notices;
- Facilitate the sending of proxies by electronic means; and
- Make other miscellaneous and related amendments.

Further details are contained in the letter, and any questions on the matter should be addressed to oroadmin@oro.gov.hk.

Taxation

Reminder on profits tax return filing requirements

The Inland Revenue Department (IRD) asks

taxpayers to take note of the following new filing requirements when filing profits tax returns this year:

- If taxpayers have any gross income during the basis period, they must submit a profits tax return together with all supporting documents (including financial statements and a tax computation). Small corporations and businesses with gross income not exceeding HK\$2 million will no longer be permitted to file their profits tax returns without supporting documents.
- Where appropriate, taxpayers are required to electronically file (e-file) all relevant supplementary forms and other forms to be furnished with the profits tax return under the eTAX services provided at GovHK.

As an alternative to paper filing of profits tax return, taxpayers are encouraged to participate in voluntary e-filing through the eTAX platform, which will also enable them to enjoy a further one-month extension of the filing deadline. For details on the new filing requirements, please visit the [IRD's website](#).

Legislation and other initiatives

Revised AML guidelines

Please note that [Revised Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants](#) have been uploaded on the Institute's AML webpage for members' reference. The guidelines, which were gazetted on 25 May and came into effect on 1 June 2023, the same commencement date as relevant amendments to Anti-Money Laundering and Counter-Terrorist Financing Ordinance, form Chapter F of the Code of Ethics for Professional Accountants. Accordingly, [AML workshops](#) (in English) exploring the latest updates and practical guidance to facilitate compliance with AML/CFT requirements will be held on 10 August (Part I) and 22 August (Part II) respectively. In addition, a [live webinar](#) (in Cantonese) will be conducted on 16 August to discuss the main changes in the revised AML/CFT guidelines and their implications for members.

Please refer to the full versions of *Technical News on the Institute's website*: www.hkicpa.org.hk

YOUNG MEMBER OF THE MONTH

Tracy Yeung

TRACY YEUNG

Research Assistant Professor
at Lingnan University



Tracy Yeung is Research Assistant Professor at Lingnan University's Department of Accountancy. She talks to *A Plus* about balancing academic research and teaching duties, and how she is using her skills as a CPA and past as an auditor to nurture the next generation of accountants

What are your current responsibilities? How is the work going so far?

My main responsibilities include conducting academic research, university teaching, and providing departmental and faculty-level service. Regarding academic research, I focus on auditing, financial reporting, and societal trust issues. For example, one of my research projects examines whether and how societal trust, an informal monitoring mechanism, matters in multinational group audits. Societal trust refers to a willingness to trust and the trustworthiness of the associated party. A higher level of societal trust among auditors in the group audit is expected to restrain component auditors' opportunistic behaviour, improve the information environment, and enhance communications between the principal auditor and component auditors, resulting in higher group audit quality. Because of my prior experience as an auditor, my aim is for my research to contribute to academic literature while also having practical implications for practitioners. I also teach financial accounting, which is a foundation course for business students. In terms of service, I serve on the Sub-Committee for Assurance of Learning of Undergraduate Business Programmes, as well as on the Staff-Student Consultation Sub-Committee for Bachelor of Business Administration. This is my first year working as a faculty member, fresh from completing my Ph.D. studies. I enjoy all the work and responsibilities that come with it, and I am actively seeking ways to improve and excel in each aspect of my role. I am truly grateful to have joined Lingnan University, where I am fortunate to have a welcoming work environment, and colleagues who are both supportive and friendly.

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

The most rewarding part is receiving feedback from academic scholars and colleagues, which helps me to continuously improve my research. It is fulfilling to see my research work being valued and agreed upon by other scholars. As for teaching, the most rewarding aspects are helping students understand complex accounting questions, and seeing my students make progress in their studies. I feel grateful whenever students say that they like my teaching methods and express their appreciation. The most difficult aspect of my work is achieving positive outcomes from research projects, despite investing significant time and effort. The investigation and data analysis process can be demanding, especially when preliminary results are unexpected and do not align with documented literature or my observations in practice. In such cases, I have to re-examine my research models, review the literature, redefine my hypothesis, and reorganize my data to move closer to the truth. Furthermore, balancing time between academic research, teaching duties, and service provision poses a challenge. Each responsibility requires a substantial amount of time and effort. Research demands a high level of concentration, and in-depth learning and thinking, while teaching and services require strong communication and interpersonal skills. It can be challenging to develop each skill set, and be able to switch quickly between tasks within a short period of time.

What inspired you to follow a career in accountancy?

I majored in accounting and management information systems in my undergraduate studies at City University of Hong Kong. Like many accounting students, I was inspired by several university teachers who shared their prior industry experience in addition to imparting accounting knowledge. I was eager to apply the knowledge I gained in my studies to practical situations. Consequently, after graduating, I worked as an auditor at an international accounting firm and began my journey towards becoming a CPA.

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

It is crucial to find an area that we are passionate about and have a sense of mission. Equally important is an ongoing dedication to learning and growth. In today's constantly evolving world, academics need to identify their own passions while also staying up-to-date with the latest research methods and models, being informed about current business and research trends, and keeping pace with changes in accounting standards and regulations. I firmly believe that doing so is necessary for achieving success and making a meaningful impact.

Where do you see yourself in the next five to 10 years in your career?

I plan to continue my work at the university, contributing to and making an impact in the field of accounting education. One of my goals is to specialize in academic research that not only fills gaps in the literature, but also has practical implications for standard setters, regulators, and practitioners. I believe in bridging the gap between research and practice. I want to continue teaching and nurturing future accountants and accounting experts, as well as serving as a communication channel to connect academics, practitioners, and students to cultivate a better, more sustainable, and transparent accounting profession.

China Taxation Conference 2023: Navigating the intricacies of China tax

The archived version of this year's China Taxation Conference featured presentations and discussions on the changing dynamics of the business and tax environment in the Mainland



Sarah Chan is Chair of the Institute's Taxation Faculty Executive Committee, Member of the Taxation Faculty China Tax Support Group, and Partner, Tax and Business Advisory Services, Deloitte China. She has more than 25 years of tax and business advisory experience. Having previously worked in China and the United States, Chan has extensive experience in advising multinational corporations on structuring transactions, business reorganization, operational remodelling, cross-border financing and exploring investment options and exit plans.

The China Taxation Conference, organized by the Institute, is a highly anticipated annual event for tax practitioners with an interest in the relevant developments in the Mainland. Around 2,500 members enrolled in the live and archived versions of the 2022 conference. This year's conference, held as a live webinar, attracted over 400 members and featured a series of presentations and discussions on the changing dynamics of the business and tax environment in the Mainland.

A panel discussion was held at the end of the conference, featuring Winnie Shek, Tax Partner of Deloitte China; Joanna Ip, Director, Tax and Business Advisory Services at PwC Hong Kong; Jane Hui, member of the Institute's Taxation Faculty China Tax Support Group (TFCTSG), and Partner, International Tax and Transaction Services/Leader of China Tax Centre at Ernst & Young Tax Services Limited; and William Chan, member of the TFCTSG, and Partner, Grant Thornton Tax Services. The discussion was moderated by Travis Lee, Convenor of TFCTSG, and Tax Partner of KPMG China.

Kicking off the discussion, Lee pointed out that, while there weren't any drastic changes in terms of policy, there has been great change in terms of industry development and the economic situation, which has led to changes in tax administration, as well as more tax planning.

When asked about his views on the current incentive measures across the Greater Bay Area (GBA), Chan said that businesses should familiarize themselves with the variations in taxation incentives across different GBA cities in order to find the optimal destination for their investments. At the same time, he cautioned that businesses are required to have operations and staff in addition to their registered business to take advantage of these policies, which adds to the complexities and considerations.

Hui also reiterated the need to understand the different policies implemented across Mainland China, and offered the practical advice that businesses that plan to benefit from the various rebates and subsidies should obtain written confirmation from local government. She explained that yearly reviews are possible and the preferential tax policies may change from year to year. For merger and acquisitions, in particular, Hui suggested that the relevant financial planning should not rely on these rebates and returns. She

also advised businesses to take into consideration that staff being relocated may prefer one city to another due to the varying personal income tax incentives, and that this may ultimately affect their manpower allocation.

Shek reminded businesses of the importance of follow-up management, sharing her observations that authorities may require corporations that have enjoyed exemptions in the past to provide detailed business records after the fact. She also warned about the varying interpretations as to whether particular subsidies should be subject to value-added tax (VAT).

On the topic of VAT in the Mainland, Ip spoke about the exemptions from VAT for small-scale taxpayers, meaning those with a monthly sales amount of 100,000 yuan or less, as well as the VAT credit refund, which she pointed out is likely to have a broader effect. For corporations considering applying for the VAT credit refund, Ip observed that tax authorities were taking a very cautious approach. She reminded corporations applying for the refund to conduct a thorough self-assessment, to ensure that they have being compliant with requirements and have the proper documentation, in order to avoid ending up being levied additional taxes instead.

Besides the various tax support policies to stimulate the economy, and new trends in tax administration, the discussion also covered the different challenges and opportunities for taxpayers in traditional and emerging industries in Mainland China.

About the archived webinar

The archived version of this year's [China Taxation Conference](#) has now been made available for those who missed the live event.

The conference includes presentations from officials from the Guangdong Provincial Tax Services, State Taxation Administration introducing the different preferential tax policies under the Hengqin and Nansha Master Plans, which is followed by presentations from Hui, Shek and Ip on different aspects of tax and business in the Mainland China. The final part of the event includes the panel discussion and a Q&A session.

The presentations and discussions are informative and engaging, and the insights shared by the industry experts will be invaluable to those doing business or planning to expand their operations in the Mainland.



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