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DRIVING BUSINESS SUCCESS

2025 Issue 2 Volume 21

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RESTRUCTURING AND INSOLVENCY

The complexities and appeal of cross-border R&I work

BEPS 2.0 JOURNEY

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HOW CAN HONG KONG'S TAX SYSTEM STAY COMPETITIVE?

Benjamin Chan, Commissioner of Inland Revenue, shares his answers amid a fast-changing tax landscape, and what it takes to be a future-ready tax expert

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

DEAR MEMBERS

I am thrilled to share a series of impactful updates and milestones achieved by the Hong Kong Institute of CPAs that underscore our unwavering dedication to advancing the accounting profession and championing Hong Kong's economic growth. Each achievement reflects our commitment to the three strategic themes of the Strategic Plan 2025: "Building Trust," "Nurturing Talent," and "Driving Development and Transformation."

In early April, I had the privilege of hosting a dynamic luncheon with leading international and local media representatives. During the event, I unveiled the key focus areas of our Strategic Plan 2025. I also highlighted our initiatives to promote sustainability, enhance our international presence, and drive digital transformation across the accounting sector. By sharing our vision and achievements, we aim to reinforce public confidence in the integrity and value of the accounting profession.

One such initiative is a new public affairs professional development series. The inaugural event, Sharing on the Two Sessions 2025, had over 300 participants joining this thought-provoking discussion. Esteemed members shared valuable insights into the implications of the Two Sessions for Hong Kong and the accounting profession. This dialogue showcased the Institute's dedication to guiding members in understanding and aligning with national priorities.

In another showcase of our commitment to building public trust, I had the honour to speak on the panel titled "The importance of ISSB Standards for Global Sustainability Reporting" at Earth Forum 2025 in mid-April. During the discussion, I underscored how ISSB Standards can lay the groundwork for mandatory reporting with assurance, and shared insights on the Institute's publication of the HKFRS Sustainability Disclosure Standards last December, our ongoing efforts in capacity building, and addressing key comments raised by stakeholders to facilitate the application of these standards.

In February, we welcomed the government's inclusion of accounting talent in the updated "Talent List," effective 1 March 2025. This recognition – advocated by the Institute – addresses critical talent gaps and ensures high-quality accounting services in Hong Kong. Complementing this, the government's expansion of the Top Talent Pass Scheme will further attract global talent, a vital step toward strengthening the profession's future.

"Each achievement reflects our commitment to the three strategic themes of the Strategic Plan 2025: 'Building Trust,' 'Nurturing Talent,' and 'Driving Development and Transformation'."

Our commitment to talent engagement was evident in April when I led a delegation to the Guangdong-Hong Kong-Macao Greater Bay Area Talent Development Showcase in Kuala Lumpur, Malaysia. This event, organized by Hong Kong Talent Engage, facilitated meaningful exchanges with Malaysian counterparts and strengthened ties with top talent in the region, advancing Hong Kong's reputation as a hub for professional excellence.

The Institute remains steadfast in cultivating the next generation of accounting professionals. We were excited to introduce Computer-Based Examinations for the Qualification Programme (QP) in collaboration with the Hong Kong Examinations and Assessment Authority. This innovation delivers a smarter, greener, and more efficient assessment experience, aligning with our vision of modernizing professional development.

Starting this year, we will begin awarding certificates to students who complete certain QP modules to acknowledge their progress. This will encourage continuous learning, and motivate them to complete the QP to obtain their CPA qualification. Individuals from other industries and various positions can also earn this certificate to validate their practical accounting and business knowledge. Stay tuned as we announce new updates.

To support Mainland Chinese enterprises in their global expansion, the Institute launched the *List of accounting firms helping Mainland enterprises go global*. This comprehensive resource, featuring over 80 Hong Kong accounting firms, highlights their expertise, international experience, and target markets. By connecting Mainland enterprises with Hong Kong's world-class accounting services, we are fostering cross-border growth and reaffirming Hong Kong's position as a leading professional services hub.

We also applauded the 2025-26 Budget, which embraced several of our recommendations, including measures to promote green finance, support technological innovation, and advance the mega-event economy to enhance Hong Kong's global brand. These initiatives align closely with our mission to drive economic transformation while maintaining high standards of fiscal responsibility.

Thank you for your ongoing support. I look forward to sharing more exciting updates with you in the future.

Edward Au, President

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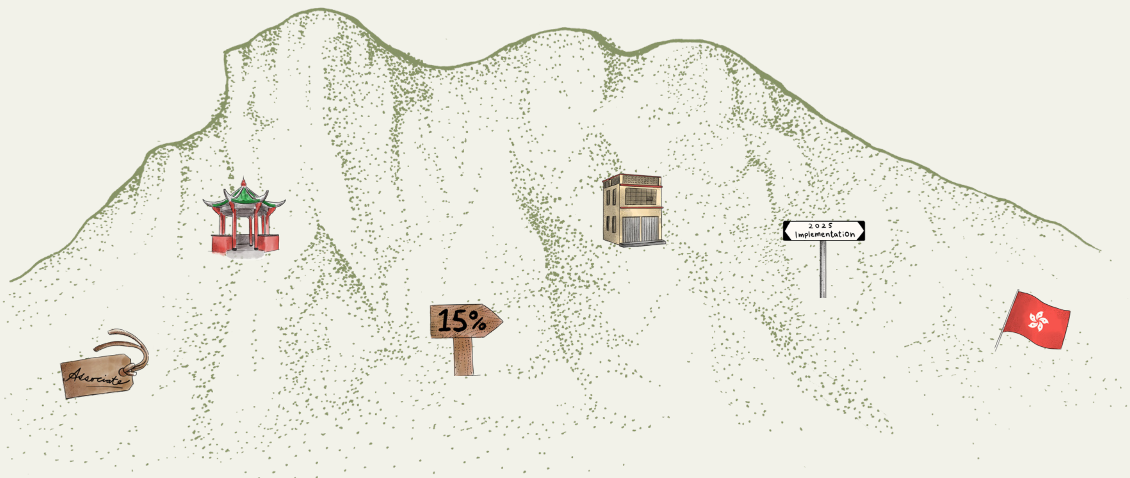

DRIVING BUSINESS SUCCESS

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

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The digital version is distributed to over 47,000 members, and around 12,000 students of the Institute and over 2,000 business stakeholders every quarterly.

Institute's Strategic Plan 2025 is out

The Institute released Strategic Plan 2025, a forward-looking blueprint for excellence and innovation in the accounting profession in March. Crafted through extensive collaboration within the Council, three strategic themes have been identified, namely: Building Trust, Nurturing Talent, and Driving Development and Transformation. Twelve key focus areas have also been highlighted, under which a number of key actions have been defined to contribute to the goal of addressing and achieving the aims of the strategic themes. This flexible approach allows the Institute to adapt its initiatives based on the unique demands of each year while remaining committed to the sustainable development of the profession and Hong Kong as a global financial hub. Visit the designated website to explore the full details of the plan.

Institute's response to 2025-26 Budget

The government's 2025-2026 Budget included a number of measures in line with proposals by the Institute in its budget submission, including introducing a boundary facilities fee, reviewing tax deduction arrangements for intellectual property-related industries, implementing a series of measures to support research and innovation-driven technological development in Hong Kong, further developing the mega-event economy to revitalize the Hong Kong brand, and promoting the growth of green finance and the further development of green transportation. Overall, the Institute welcomed the Budget's pragmatic approach to fiscal consolidation while aiming to maintain the quality of public and social services. Meanwhile, the Budget's targeted revenue-generating measures should contribute to financial stability and provide support for sustained economic growth amid global economic and geopolitical challenges.

Read the Institute's press release for more details.

Institute welcomes government's inclusion of accounting talent in the "Talent List"; visits Malaysia to build bridges for the accounting profession

In February, the Institute welcomed the government's announcement of the new Talent List, effective from 1 March. The inclusion of the accounting profession in the updated Talent List, as recommended by the Institute, will help expand the pool of accounting professionals and fill industry vacancies, ensuring the quality of services in Hong Kong's accounting sector.

"We are pleased the government adopted the HKICPA's recommendation to include the accounting profession in the updated Talent List. This, along with a series of measures previously introduced by the government to attract non-local talent, such as expanding the list of universities under the Top Talent Pass Scheme, will help alleviate the manpower shortage in the industry," said Institute President Edward Au. "On the other hand, the HKICPA will also continue its multifaceted approach to nurturing local accounting talent, including promoting the core values and importance of the accounting profession to the young generations and the general public, and regularly enhancing curriculum of the Qualification Programme (QP) to

The Institute hosted a booth at the two-day Career Fair of the Guangdong-Hong Kong-Macao Greater Bay Area Talent Development Showcase held in Kuala Lumpur in April.

The Institute's Public Affairs Series event – Sharing on the Two Sessions 2025, held on 21 March, saw more than 300 participants.

meet market demands, with an aim to maintain the service quality of Hong Kong's accounting sector," continued Au. Read the press release to learn more.

This dedication to promoting the Hong Kong profession saw the Institute travelling to Malaysia in April. President Au led a delegation to Kuala Lumpur for the Guangdong-Hong Kong-Macao Greater Bay Area Talent Development Showcase organized by the Hong Kong Talent Engage, an office under the Labour and Welfare Bureau of the government. At the event, the President participated in a panel discussion on "Hong Kong as a Super Connector: Opportunities for Talent" at the symposium, while the Institute hosted a booth for the two-day Career Fair to promote the Institute's QP and attract overseas talent for the Hong Kong accounting industry.

In addition, the delegation met with the Malaysian Institute of Accountants to deepen collaborations between the Hong Kong and Malaysian accounting ecosystems.

List of accounting firms helping Mainland enterprises go global

To help Chinese Mainland enterprises tackle the challenges of venturing abroad, the Institute has compiled the "List of accounting firms helping Mainland enterprises go global". As of 10 April, this list includes 81 Hong Kong accounting firms, covering details such as firm size, target overseas markets, international experience, and business expertise. This resource aims to connect Mainland enterprises with the right accounting firms, facilitating global market expansion by leveraging Hong Kong's world-class professional services to support Chinese businesses in their overseas journeys. Firms interested in joining may fill out this form, and will be contacted.

HKICPA and HKEAA collaborate to introduce Computer-based Examinations for the QP

The Institute announced the launch of Computer-Based Examinations (CBE) for the QP in collaboration with the Hong Kong Examinations and Assessment Authority (HKEAA) in March. This strategic move aims to provide the QP students with a paperless, secure and fully digitalized assessment experience, making the examination process more dynamic and efficient, while enhancing accessibility and contributing to environmental sustainability.

Institute President Au, said, "The implementation of CBE marks a significant step forward for the QP, bringing it into the digital age and enhancing the experience for our students while also embracing environmental sustainability. This transition not only aligns with the global trend towards paperless assessments but also provides a more dynamic and efficient platform for our candidates and reduces our environmental footprint. The HKICPA remains committed to providing world-class training and supporting the career development of CPAs, contributing to Hong Kong's continued success as a leading international financial centre." CBE will be rolled out in phases, covering Associate, Professional, and Capstone levels in both Hong Kong and Mainland China. Read the press release to learn more.

Introducing the Member Assistance Programme

The Institute launched a new Member Assistance Programme in March. This initiative is designed to provide the Institute's members with valuable and accessible support resources tailored to support their emotional and mental wellbeing. Core services include 24/7 hotline, face-to-face counselling, virtual counselling, online learning resources and members wellness programme. All Institute members and registered students in Hong Kong, along with their immediate dependents (spouses and children up to the age of 21) are eligible for the programme.

Institute held sharing on the Two Sessions 2025

More than 300 participants joined the Institute's Public Affairs Series event on 21 March to hear insights on national development from esteemed members including National People's Congress representatives, Starry Lee and Tim Lui, as well as the Chinese People's Political Consultative Conference members, Agnes Chan and Stephen Law. They provided invaluable insights from this year's Two Sessions in Beijing and its implications for Hong Kong and the accounting profession.

Council meeting minutes

The abridged minutes from the December 2024, January 2025 (Strategy Day) and February 2025 Council meetings are now available.

Disciplinary findings

Chow Yee

Complaint: Failure or neglect, without reasonable excuse, to comply with a direction issued by the Practice Review Committee (PRC) under section 32F(2)(b) of the pre-amended Professional Accountants Ordinance (Cap. 50); and being guilty of dishonourable conduct.

Chow was practising under his own name. His practice was selected for an initial practice review in March 2020, during which deficiencies were identified, including those in relation to the practice's quality control system and its audit of a private entity. The review also found that the registered office address of Chow was no longer in use.

A follow-up visit to the practice was scheduled for June 2021. However, the review could not take place due to Chow's refusal to provide the requested documents for practice review, and Chow also refused to allow the practice reviewer to conduct a follow-up site visit. In July 2021, the PRC issued a written direction to Chow, requiring him to provide the necessary information and to cooperate with the Institute with respect to the practice review. The direction was mailed to Chow's registered residential address.

The PRC considered that Chow's above failures were serious and decided to lodge a complaint against Chow.

Decisions and reasons: The Disciplinary Committee found Chow was guilty of dishonourable conduct. The committee reprimanded Chow and ordered the removal of Chow from the register of CPAs for a period of 24 months and his practising certificate be cancelled for 24 months with effect from 10 March 2025. Chow was also ordered to pay the costs of the disciplinary proceedings in the sum of HK$107,443.

Sze Lin Tang, CPA (practising) and Zhonghui Anda CPA Limited

Complaint: Failure or neglect to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing* and HKSA 500 *Audit Evidence*.

Zhonghui was the newly appointed auditor of National United Resources Holdings Limited, a Hong Kong listed company. It audited the consolidated financial statements of the company and its subsidiaries (collectively Group) for the year ended 31 December 2015 and expressed an unmodified auditor's opinion on 30 March 2016. Sze was the engagement director.

The Institute received a referral from the then Financial Reporting Council (FRC) about irregularities in the audit. Information provided in the referral showed that the financial statements included a material receivable amount of HK$305 million that had resulted from the Group's one-off sale of straight run fuel oil to a customer. When Zhonghui signed the auditor's report in March 2016, approximately 60 percent of receivable amount was overdue and outstanding. The respondents failed to exercise professional scepticism and perform adequate audit procedures to support their agreement with the company's assessment that no impairment was necessary for the outstanding amount.

Decisions and reasons: The Disciplinary Committee reprimanded the respondents and ordered them to pay a penalty of HK$35,000 each. In addition, the respondents were ordered to jointly and severally pay costs of the Institute and the then FRC totalling HK$210,343. In reaching its decision, the committee considered the submissions from both parties, the nature of the complaint, the involvement of a listed company, the respondents' clear record and their conduct during the proceedings.

The respondents appealed against the Disciplinary Committee's decision. The appeal was subsequently dismissed on 23 January 2025.

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

2.8%

The International Monetary Fund's (IMF) reduced global growth forecast for this year. It also cut its 2026 forecast to 3 percent, citing the impact of United States tariffs and rising trade tensions. This is lower than its projection in January, by 0.5 percentage point for 2025 and 0.3 percentage point for 2026, with downward revisions for nearly all countries, according to the IMF's latest *World Economic Outlook*. The IMF called the report a "reference forecast" based on measures announced as of 4 April.

>95,000

The number of auditors worldwide who will benefit from the deployment of artificial intelligence (AI) agents into KPMG U.S.'s smart audit platform Clara, the firm announced in April. The AI agents will automate tasks such as data analysis and document review, enhancing audit quality and efficiency. A new Financial Report Analyzer AI engine provides AI-generated output to enable auditors in completing required disclosure checklists. KPMG plans to deploy more AI agents within the next year.

120+

The number of Deloitte U.S. contracts terminated since January, worth more than US$1.16 billion, by the Department of Government Efficiency in the U.S., led by Elon Musk, according to *Fortune*'s analysis. Deloitte faces more than double the cuts of any other consultancy, with Accenture losing 30 contracts. The crackdown targets wasteful spending, prompting firms to justify costs.

Hong Kong is witnessing a surge in foreign capital as investors flee U.S. tariff uncertainties, noted Financial Secretary Paul Chan in his official blog. He pledged to promote the city's safe and stable environment as a free port, amid the reciprocal tariffs imposed by the U.S. on its trading partners, which had brought uncertainties to the global trading and investment environment. Chan also noted increased foreign investment in Mainland Chinese companies, driven by the Mainland's economic resilience and innovation.

2nd

Hong Kong clinched the title of the world's second most crypto-friendly city, surpassing Singapore and Abu Dhabi, according to a report by migration platform Multipolitan. The city ranked behind Ljubljana, capital of Slovenia, in the report's Crypto Friendly Cities Index 2025, which evaluates cities based on regulation, tax regimes, digital infrastructure and wealth. Since 2022, Hong Kong has rolled out new compliance requirements for crypto companies and licensed 10 trading platforms.

HK$17.7 billion

The amount raised across 15 Hong Kong initial public offerings (IPOs) in the first quarter of 2025, nearly three times higher than the funds raised in the same period last year, and the highest first quarter amount since 2021, according to KPMG China. This was driven by a 25 percent increase in the number of completed deals, and by six IPOs exceeding HK$1 billion in funds raised.

"These revisions to the education standards ensure that professional accountants worldwide develop the right competencies to implement sustainability reporting and assurance standards effectively."

– Lee White, the International Federation of Accountants (IFAC) Chief Executive Officer. IFAC revised its International Education Standards to embed sustainability skills in accountants' training. The revisions establish a global baseline of sustainability competence. IFAC calls on stakeholders to begin preparing for implementation, with early adoption encouraged ahead of the 1 July 2026 effective date.

47%

The percentage of investigations by the United Kingdom's Financial Reporting Council that took more than two years to complete, according to figures published in 2024. The U.K. accounting watchdog has launched a comprehensive review of its misconduct investigation processes, aiming to streamline probes and explore "broader" regulatory tools. The move follows criticism over lengthy investigations, burdening firms and partners, reported the *Financial Times*.

Interview with Benjamin Chan, Commissioner of Inland Revenue

A small act of kindness causes a flurry of quiet laughter among staff at the Inland Revenue Centre. A taxpayer finds himself lost near the lobby of the relatively new 17-storey high building of the Inland Revenue Department (IRD) and unknowingly asks the Commissioner for help. Benjamin Chan doesn't just tell him where to go but shows him, briskly walking him out of the lobby towards exactly where he needed to be.

The incident calls to mind what Chan says is undoubtedly his primary responsibility as the Commissioner of Inland Revenue. "It's of course to improve the overall efficiency of the tax administration, which benefits Hong Kong as well as the tax paying public," he says. This includes providing quality services to the public, collecting revenues in a cost effective manner, and promoting tax compliance.

He is also mindful of the IRD's other important role as a business facilitator in the area of taxation. "This calls for the effective and pragmatic implementation of the tax initiatives developed by various policy bureaux. In recent years, the government has been very keen to develop various tax measures, including the introduction of preferential tax regimes for various industries, all with the aim to promote the whole economy. Throughout the development of these tax initiatives up to their implementation, the IRD has a crucial role to play," says Chan. "When providing our technical input in the development stage, the most important thing is that a regime should be effective. We don't want to introduce a regime that cannot be used by taxpayers. On the other hand, we need to maintain the integrity of the regimes."

Chan stepped into the Commissioner's role in October 2024. The past few months have been "very busy," he admits, reflecting on a schedule packed with back-to-back meetings, business trips, and high-stakes tax initiatives.

Tax administration is only part of the job. What keeps him energized is seeing initiatives like BEPS 2.0 and enhancements to Hong Kong's fund regimes, projects he was already grappling with in his previous role as the Deputy Commissioner (Technical), make headway. "It's been rewarding because some tax initiatives have already been implemented and some are in good progress. For example, we have achieved a number of key milestones in our e-filing projects and our digitalization efforts

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As Hong Kong navigates Base Erosion and Profit Shifting (BEPS) 2.0 and beyond, Benjamin Chan, CPA-turned-Commissioner of Inland Revenue, is working to ensure the city's tax system can remain simple, competitive, and fair, writes Jemelyn Yadao

Photography by Wai Tsang

have made very good progress. Meanwhile,with BEPS 2.0, the Amendment Bill is close to completion."

On 8 January, the Amendment Bill to implementing the global minimum tax initiative under Pillar Two of BEPS 2.0 was introduced into the Legislative Council for first reading. As at 22 April, the government will move the committee stage amendments to the Amendment Bill upon resumption of the second reading debate of the Bill.

Balancing global standards with local simplicity

Hong Kong has long prided itself on its simple, low-tax system – a magnet for businesses worldwide. But global initiatives that require Hong Kong's participation, including BEPS 2.0, AEOI (Automatic Exchange of Information), and the forthcoming CARF (Crypto-Asset Reporting Framework), are testing that model.

Maintaining Hong Kong's edge while meeting international standards is a key challenge faced by the IRD. "We need to uphold the competitive tax system of Hong Kong to provide a tax-friendly environment to businesses. But we also need to ensure that our tax system won't be subject to abuse and its integrity is maintained. Both goals are very important."

The introduction of a global minimum tax under BEPS 2.0, requiring large multinationals to pay at least a 15 percent effective tax rate in every jurisdiction, has generated mixed reactions. Given that the global minimum tax regime is extremely complex and multinational enterprises that are subject to the regime (in-scope MNEs) may need to pay top-up tax if their jurisdictional effective tax rate in Hong Kong cannot reach 15 percent, some consider that it could undermine Hong Kong's simple and low-tax advantage to a certain extent.

Chan, however, is optimistic. "I cannot foresee any significant impact on our tax competitiveness because quite a number of large developed economies have already implemented the global minimum tax or their domestic minimum top-up tax from 2024 or 2025," he says, citing jurisdictions including the EU-member states, the United Kingdom, Australia, Japan and Canada. "Even if Hong Kong doesn't implement the rules, it won't bring benefits to large MNEs. It will just cede Hong Kong's taxing rights to other comparable jurisdictions which have already enacted the rules," Chan asserts.

He points out in-scope MNEs can't escape the tax by relocating to non-compliant jurisdictions with BEPS 2.0's backstop rule (also known as Undertaxed Profits Rule). For Chan, this levels the playing field, particularly against no or nominal tax jurisdictions. "In the past, some jurisdictions didn't impose tax or just imposed tax at a nominal rate, and that was the major reason for MNEs to establish there. Now, those profits can be taxed elsewhere, so there's less incentive for in-scope MNEs to set up or maintain the entities in those jurisdictions."

This shift, Chan argues, positions Hong Kong as an attractive destination for businesses. "We just impose tax up to 15 percent, unlike many developed economies with higher rates," he says. Coupled with Hong Kong's company redomiciliation regime, Hong Kong could draw companies from low-tax jurisdictions, he adds. "It's a very good opportunity for us to attract those entities to relocate to Hong Kong," he enthuses, highlighting non-tax advantages such as the city's financial infrastructure, as well as the robust economic and regulatory framework.

> **"We need to uphold the competitive tax system of Hong Kong to provide a tax-friendly environment to businesses. But we also need to ensure that our tax system won't be subject to abuse and its integrity is maintained."**

Chan describes Hong Kong's BEPS 2.0 journey as "carefully planned and engagement-driven." The groundwork began in 2020 with an advisory panel set up by the government consisting of academics, tax practitioners, and MNE representatives. "We all sat together to assess the impact. At that time, the design features weren't settled – just the idea of a global minimum tax," he recalls.

The design features of the proposed regime is a combination of constructive input from various stakeholders balanced against Organization for Economic Co-operation and Development (OECD)'s strict model rules. "For areas where the OECD rules allow domestic adaptation, we adopted stakeholder suggestions. But where the rules are fixed, we had to explain there's no room to depart," Chan says.

To support in-scope MNEs, the IRD has established a dedicated team to provide technical support and will issue detailed guidance on areas left open by the OECD for domestic consideration. "We'll provide guidance to help taxpayers understand how we interpret those rules," says Chan.

Transforming tax administration

Chan is also driving a digital revolution at the IRD. The push for e-filing of profits tax returns, requiring financial statements in the computer-readable inline eXtensible Business Reporting Language (iXBRL) format, was driven by a 2018 IT plan to upgrade

Benjamin Chan joined the Inland Revenue Department in 1998, and was responsible for handling individual tax matters in his first post. He later went on to play a significant role in taking forward the BEPS project in Hong Kong, enacted by the Organization for Economic Co-operation and Development.

Chan, who was appointed as the Commissioner of Inland Revenue in October 2024, credits his CPA training for giving him the soft skills needed to carry out his double taxation agreement talks as the head of Hong Kong's delegation in treaty negotiations.

the department's IT infrastructure as well as OECD's recommendation in the peer review of Hong Kong's performance on handling exchange of information requests in 2019.

"The OECD advised us to issue more tax returns to taxpayers because currently not every company will file their tax returns annually," Chan explains. "If another jurisdiction requests financial data and we don't have it, it causes delays." E-filing solves this by streamlining data collection for Hong Kong's 1.4 million companies.

To pave the way for the implementation of full-scale mandatory e-filing of profits tax returns in 2030, the IRD launched voluntary e-filing in 2023, where all corporations and partnership businesses can e-file their profits tax returns together with financial statements and tax computations in iXBRL format. The first phase of mandatory e-filing will start with the in-scope MNEs entities from April 2026. The scope will then be expanded gradually to cover more companies and business groups.

Chan acknowledges the challenges for small- and medium-sized enterprises (SMEs), particularly as converting financial statements to iXBRL requires tagging data, a process that demands time and expertise. To support SMEs, the IRD offers free data conversion tools, training videos, webinars, and hands-on sessions. "We have developed iXBRL data conversion tools for use by SMEs free of charge," Chan says, addressing the lack of commercial alternatives in Hong Kong. "We have also arranged online webinars and hands-on training to facilitate businesses to adapt to the change. Furthermore, a roll-over function is featured in the data preparation tools to enable migration of tags from the previous finalized data files to save re-tagging effort in subsequent years."

This digital push isn't just about compliance but also about efficiency, Chan emphasizes. "We would like to obtain more information in the electronic format to facilitate our assessment work and avoid the consumption of paper."

The IRD is also launching three new dedicated portals under eTAX in July, namely Business Tax Portal (BTP), Individual Tax Portal and Tax Representative Portal, to enhance e-filing functions for businesses, individual taxpayers and tax representatives respectively. The BTP is a new electronic platform dedicated for businesses to handle tax and business affairs in a more convenient and efficient way.

A competitive future

Looking ahead, Chan sees technology as the key to optimizing Hong Kong's tax system. "We've collected a vast amount of electronic data from country-by-country reports and Common Reporting Standard (CRS) data from the AEOI process, which are all financial account data from other jurisdictions. In the future, I think these types of data will allow us to perform tax profiling and identify cases with high risks or exceptions to carry out an audit."

There are also possible areas where artificial intelligence (AI) could facilitate the IRD's tax audit work, says Chan. For example, in examining tax returns, drafting query letters, drafting replies to taxpayers' enquiries, or forecasting tax revenue. But hurdles are hard to ignore: cost, training, and data security. "We would need to develop our own AI tool to avoid security risks on taxpayers' data," he says. "However, use of AI solutions for improving efficiency should be the upcoming trend and there is no exception to tax administration."

Expanding double taxation agreements (DTAs) for Hong Kong – currently at 51, with 17 more in negotiation – is another goal. "We will do more to expand our treaty network and continue assisting policy bureaux to develop preferential tax regimes for a range of industries," he says.

Chan, a Hong Kong Institute of CPAs member, says CPAs play a pivotal role in further enhancing Hong Kong's tax system, particularly in offering technical input and explaining rules to clients. "CPAs who are tax advisors have a very solid understanding of their clients' operations and have developed a mutually collaborative relationship. This puts those advisors in a good position to adequately explain the tax laws to the taxpayers, encourage them to self-comply and make use of our voluntary disclosure programmes after irregularities in the taxpayers' books or accounts are identified," he says.

How to be well-rounded

With the international tax landscape changing rapidly, Chan sees capacity building for IRD officers as a priority and a challenge. "The OECD has launched many initiatives and a number of them have been implemented in Hong Kong. Our officers need to stay ahead of all these changes to ensure that they have the knowledge to carry their duties effectively," he says. Training courses, OECD seminars, and job rotations ensure versatility. Chan explains that every few years, officers switch roles across different specialties within the department, ranging from profits tax to field audits to technical research, just to name a few. "Every aspect of taxation is very unique. So this job rotation enriches their expertise and makes the job more interesting."

"Working in the field audit and investigation section, I needed to negotiate a good deal for the department. Now, as the head of Hong Kong's delegation in treaty negotiations, I need to negotiate a good deal for the Hong Kong SAR."

On this note, Chan's advice for young CPAs eyeing careers in tax, is to seek diverse roles within taxation if the opportunity comes up. "If you can handle every aspect, it puts you at a great advantage," he says. Chan also urges them to master the fundamentals, and not just memorize the laws. "Understand the rationale behind them," he says. "As potential tax advisors, it's important to understand how to interpret the rules or how to apply them, facilitating the client's compliance."

Working in different units in the IRD since joining the tax administrator in 1998 has laid a strong foundation for Chan, preparing him for his current role. And so did his journey to becoming a CPA. "It gave me solid tax and accounting knowledge," he reflects. Auditing MNEs' complex financial statements during his field audit stint relied heavily on that expertise.

The soft skills he developed throughout his CPA training has also proved vital, especially now as he leads double taxation agreement talks. "Working in the field audit and investigation section, I needed to negotiate a good deal for the department. Now, as the head of Hong Kong's delegation in treaty negotiations, I need to negotiate a good deal for the Hong Kong SAR," he says.

Negotiating a reduced tax rate that benefits business for both jurisdictions can be especially complex with a high tax jurisdiction, Chan notes. "Convincing the other side that a double tax agreement can promote the economic relationship between two jurisdictions so that lower rates can be agreed upon is indeed a skill, and I was able to obtain that skill through my training as a CPA."

51 DTAs SIGNED

Hong Kong has now signed DTAs with 51 jurisdictions, with 17 more in negotiation. Expanding Hong Kong's tax treaty network is a goal for the government.

INSOL International, the global federation of national associations of accountants and lawyers who specialize in turnaround and insolvency, held its annual conference in Hong Kong on 17-19 March.

THE EVOLVING LANDSCAPE OF CROSS-BORDER RESTRUCTURING AND INSOLVENCY

As cross-border restructurings and insolvencies continue to rise, experts in restructuring and insolvency talk to Jolene Otremba about cross-border developments and complexities, and the opportunities that a career in this intricate field can offer

As the global economy faces unprecedented challenges, the intricacies of cross-border restructuring and insolvency (R&I) have come to the forefront of financial discourse. The tumultuous interplay of high inflation, geopolitical tensions, and evolving corporate structures has created a complex landscape for businesses operating internationally.

In this environment, the necessity for effective insolvency frameworks and innovative restructuring strategies has never been more critical. In fact, the conference held in Hong Kong in March by INSOL International (INSOL), the global federation of national associations of accountants and lawyers who specialize in turnaround and insolvency, highlighted the urgent need for legislative reform and enhanced collaboration across jurisdictions. Experts emphasized the vital role that the city plays in shaping global insolvency practices, particularly through innovative agreements and frameworks that facilitate cross-border cooperation.

“We are in a difficult economic period – with a shift towards a low-investment, low-growth and (on a geopolitical level) low-cooperation era,” explains Alastair Beveridge, Partner and Managing Director of AlixPartners’ global

Turnaround and Restructuring practice, as well as President of INSOL.

Elaborating on this, he adds that the current economic climate is "a combination of the overlapping shocks of high inflation (which is only now beginning to moderate) and higher interest rates, tariff challenges, weakening global demand, low investment, business and consumer confidence, and increased geopolitical tensions" which has left the global market precariously balanced, striving to avoid a recession.

Indeed, the latest insights from Allianz Trade's Global Insolvency Report, released on 18 March, projects a troubling rise in global business insolvencies, forecasting a 6 percent increase in 2025 and a further 3 percent in 2026. This would translate to an additional 6,800 insolvency filings in the United States and nearly 10,000 extra filings in Western Europe alone, with micro, small, and medium enterprises making up the bulk of these cases.

In this intricate world of international business, cross-border restructuring has become a critical discipline, says Ian Mann, Co-chair of the INSOL Hong Kong conference, Partner of international law firm, Harneys, and a member of the Institute's Restructuring and Insolvency Faculty Executive Committee (RIFEC). "Companies are by definition international today. The rise of cross-border insolvencies is just a reflection of companies having globalized in decades earlier," Mann says, highlighting the fundamental shift in corporate structures.

"If you have a multinational company with headquarters in the Cayman Islands, operations potentially in China, and listed in the United States, that's an incredibly international company," Mann says. When such companies face financial challenges, the restructuring process becomes intricate. "The courts of all those places absolutely need to be flying in formation to protect creditors, to protect investors," he adds.

The need for legislative reform

Economic pressures have also accelerated the need for effective restructuring frameworks. Mann points to factors such as "the slowdown in the Chinese economy, higher inflation, and a post-COVID hangover," which are creating unprecedented restructuring needs. More critically, he asserts that "geopolitics and the imposition of tariffs is going to completely change the way in which manufacturing, exports, and logistics are done," adding significant financial complexities to the mix.

Daniel Chow, Senior Managing Director at FTI Consulting, and Chairman of the RIFEC, echoes these sentiments and focuses on Hong Kong's unique situation. He argues that there is a great need for legislative improvements in Hong Kong's legal framework to better support restructuring efforts in the region.

"We don't have a modern corporate rescue regime in Hong Kong and only rely on the scheme of arrangement and common law recognition of other jurisdictions in the past decades," Chow explains, highlighting that a draft bill has been pending for around 25 years. This absence of a formal rescue law hampers companies' ability to restructure effectively.

"A proper rescue law in Hong Kong is like adding one more essential tool in our restructuring toolbox. It actually could improve the current restructuring regime and could save more companies from bankruptcy or help resolve more severe financial difficulties," he explains, as it would provide essential legal protection and tools for businesses to focus on refinancing without interruption from creditor actions.

Equally important, Chow notes, is the introduction of an insolvent trading law. "This has been in the law for many other modern common law-governed restructuring jurisdictions for a long time, but Hong Kong still doesn't have that." Such legislation would hold directors accountable for their actions during financial difficulties, promoting more responsible corporate governance. "The adoption of corporate rescue legislations together with the introductions of insolvent trading laws would bring Hong Kong in line with other jurisdictions," says Chow.

A restricted environment

Tiffany Wong, Managing Director with Alvarez & Marsal's Restructuring Practice in Hong Kong, describes Hong Kong's current restructuring environment as "quite restricted."

She highlights the fundamental issue of lacking a formal restructuring regime, stating: "Without a formal restructuring regime, there's simply no automatic stay on proceedings and moratorium."

This gap means that companies in financial distress face immediate pressures from creditors, complicating their recovery options. In an environment where agility and responsiveness are crucial, the absence of such legal structures can severely hinder recovery efforts.

Wong also points to the

> **"Companies are by definition international today. The rise of cross-border insolvencies is just a reflection of companies having globalized in decades earlier."**


Alastair Beveridge

geopolitical landscape, noting that "the uncertainty... particularly with international players, is enormous." Multinational companies are increasingly exploring ways to restructure their businesses through what she calls "rationalization projects" to stay competitive amid global economic shifts.

As such, she sees innovative approaches emerging with businesses demonstrating creative cross-border restructuring strategies. Wong emphasizes that companies today are exploring alternative jurisdictions outside of Hong Kong for debt restructuring, reflecting a shift towards a more globalized approach to financial recovery.

Cross-border complexities

In this landscape, Phyllis McKenna, who recently retired from her role as the Official Receiver (OR), acknowledges significant challenges when it comes to cross-border insolvency.

Regarding the cooperation with the Mainland China, she explains, "We have common law; they are civil law. We are insolvency-focused; they are restructuring-focused," underscoring the fundamental legal differences that complicate cooperation. "While we're moving towards modified universalism, as a concept that we all think is great, I think when it actually comes to putting it into practice, it is quite difficult." Central to the legal concept of "modified universalism" is the idea that it is fairer to all creditors if there is a unitary and universal liquidation, generally in the place of the company's incorporation.

Achieving seamless cross-border insolvency cooperation, according to McKenna, requires a nuanced, patient approach that respects the unique characteristics of both legal systems while seeking common ground.

She is also an advocate for research and innovation in developing effective R&I solutions. A key recommendation she has is the critical need for empirical research. "We would love to see some data... what is that data that we need? Jobs saved, benefits added to the economy – things that are really tangible."

However, McKenna recognizes that there are practical challenges. "There are obviously difficulties, as there are in any cross-border situation with different regimes, particularly in the determination of a debtor's Centre of Main Interests." This underscores the complexity of cross-border insolvency and the need for continued dialogue, mutual

Charting a professional course

In a world where financial landscapes shift with lightning speed, the field of restructuring and insolvency (R&I) offers plenty of opportunity for young professionals. As experts navigate the complexities of cross-border cases and evolving corporate structures, they offer invaluable advice for those looking to embark on this dynamic career path.

"You have to be extremely good with people," says Ian Mann, Partner of international law firm Harneys, and a member of the Institute's Restructuring and Insolvency Faculty Executive Committee. In an era where companies span continents, the ability to "persuade, cajole, and understand foreign laws" is crucial. Mann's message is clear: there's no one-size-fits-all approach to learning this intricate field.

Echoing this sentiment, Alastair Beveridge, President of INSOL International, urges newcomers to build connections and broaden their horizons. "Network, network, network – attend industry events, join professional organizations," he advises.

This proactive approach not only fosters relationships but also cultivates a robust knowledge base. "Excel in your basic degrees and stay on top of market developments to remain ahead of the game," Beveridge adds, highlighting the importance of continuous education.

The Hon Madam Justice Linda Chan, Judge of the High Court in charge of the Companies and Bankruptcy List, also paints an even more vibrant picture of the industry calling it "full of potential" citing that: "If I were to start over again, I would probably start in that area exclusively."

She encourages young practitioners to embrace challenges and seize the wealth of learning opportunities available. "There's a lot to learn. This is an area which has great value in building up experience that cannot easily be replaced," Judge Chan asserts, emphasizing that practical skills are essential for managing complex cross-border cases.

As the R&I landscape continues to evolve, the call for creativity, adaptability, and collaboration resonates louder than ever. For those ready to dive into this field, experts promise that it will not be just a chance at professional growth, but an opportunity to play a pivotal role in the global economy's recovery.

understanding, and innovative solutions, she says.

The Hon Madam Justice Linda Chan, Judge of the High Court in charge of the Companies and Bankruptcy List, notes that: "the corporate structures are also getting more and more complicated," citing real estate companies as a prime example.

As an example, she explains that many Mainland Chinese property developers now use global loan structures to raise funds, creating intricate corporate networks that span multiple jurisdictions.

"Although strictly speaking, if you just look at the way the Ordinance operates, they [the noteholders] are not the person holding the legal right, and therefore they should not be regarded as creditors," Judge Chan says, what this highlights is the complexities in defining who the stakeholders are.

The rise of digital assets

Judge Chan also points out that one of the most pressing issues that the industry faces today is the rise in digital assets. "Cryptocurrency and cyber assets are raising new issues that our Companies Court has to decide upon," she says, referencing significant local cases involving collapsed cryptocurrency platform Gatecoin.

Phyllis McKenna

This necessitates addressing fundamental questions about the nature of these assets and the rights of account holders. As cryptocurrencies become more mainstream, the legal frameworks governing their treatment in insolvency proceedings must evolve to provide clear guidelines for stakeholders.

"We want to be seen to be aligned with other jurisdictions in insolvency matters, which is very important to financial investors."

In discussing Hong Kong's potential adoption of the United Nations Commission on International Trade Law Model Law on Cross-Border Insolvency, Judge Chan also emphasizes its strategic importance. "It's a matter of perception," she explains, noting that while Hong Kong's existing laws are flexible, adopting the Model Law would signal alignment with international best practices. "We want to be seen to be aligned with other jurisdictions in insolvency matters, which is very important to financial investors."

The impact of mutual recognition agreements

Along those lines, a highlight from this evolving landscape has been the groundbreaking bilateral arrangement Hong Kong secured with Mainland China in May 2021, known as the Record of Meeting on Mutual Recognition of and Assistance to Bankruptcy (Insolvency) Proceedings.

Beveridge describes this development as instrumental in shaping other bilateral cooperation frameworks, building momentum towards cross-border insolvency cooperation and harmonization.

The Hon Madam Justice Linda Chan

"In Re CEFC Shanghai, a landmark case in 2020, the Court of First Instance granted an order for recognition and assistance to liquidators of a Mainland China-incorporated company for the first time," he notes, which helped pave the way for mutual recognition.

Judge Chan also discusses the promising mutual recognition arrangements with Mainland Chinese courts, currently limited to three pilot cities: Shanghai, Xiamen and Shenzhen.

"If we adopt this scheme more widely, it will be very useful," she explains, emphasizing that it would streamline cross-border insolvency proceedings. This cooperation not only facilitates smoother processes for liquidators but also enhances the overall effectiveness of cross-border insolvency handling.

Referring back to the adoption of the Model Law, Beveridge underscores Hong Kong's already strong culture of recognition and enforcement in cross-border insolvency matters, even without having a similar formal regime.

"Hong Kong has showcased how informal restructuring can work effectively – despite not having a statutory restructuring procedure," he says. "This has not stopped Hong Kong from facilitating complex, multi-faceted informal creditor workouts and building a collectivist culture among creditors." The ability to negotiate and reach consensus informally can be crucial during


Daniel Chow

times of financial distress.

Mann agrees, highlighting the importance of international cooperation in this context. “The key for any cross-border restructuring is that courts work in unison,” reiterating his earlier message, while praising the relationship between Hong Kong and Mainland China in protecting creditors. This collaborative spirit is essential as businesses face increasingly complex international challenges.

Turning to bondholders, Wong explains that “the biggest challenge is whether their voice is adequately represented in restructuring negotiations.” She explains that the process is particularly complicated, as bondholders typically need to instruct trustees through complex legal mechanisms. “Many U.S. dollar bondholders require at least 25 percent of aggregate principal to be declared immediately payable where there is a default,” she notes, underscoring the delicate balance of power that exists.

Looking ahead, Wong believes the practitioner remuneration and talent retention are key to the sustainable development of the field.

Despite these challenges, Wong remains optimistic about the industry’s potential for innovation. “Practitioners are becoming more flexible and creative,” she notes, pointing to recent cross-border restructuring strategies that demonstrate the field’s adaptability.

A platform for collaboration

The recent INSOL conference served as a powerful demonstration of international financial expertise and the importance of collaboration in the insolvency sector.

“INSOL has some of the very best practitioners from around the world on its boards and advisory committees to plan conferences. Judges attend, the World Bank attends, financiers attend,” Mann says.

He also emphasizes the conference’s significance this year. “The particular significance of INSOL this year was to showcase Hong Kong to the world as a global cross-border restructuring centre,” he explains. The impressive attendance of approximately 800 delegates underscores the global interest in Hong Kong’s financial landscape. This turnout not only reflects the relevance of the conference but also highlights the vital role Hong Kong continues to play on the international stage.

Chow couldn’t agree more, citing that despite challenges, Hong Kong remains a critical hub for international business. “Hong Kong is a very easily accessible location, and also still acting as a bridge between the China market and the Western market,” he says, noting that the city’s unique position is particularly valuable in an increasingly complex global financial landscape.

“Many entities in China, if they want to go out to invest overseas, they still use Hong Kong as the platform,” Chow explains. This role is supported by Hong Kong’s robust legal system and language capabilities, making it an ideal intermediary for international transactions.

For this reason, Chow highlights the importance of ongoing efforts to improve cross-border recognition mechanisms. He explains that in a significant stride towards cross-border legal cooperation, Hong Kong and China have introduced two groundbreaking mutual recognition programmes.

The first, a recently implemented civil judgment and arbitration recognition programme, enables two-way enforcement of court judgments between the jurisdictions, allowing parties to enforce judgments without re-litigating entire cases.

The second, a liquidators’ power recognition pilot scheme launched in 2021, aims to provide mutual recognition of liquidators’ powers across jurisdictions. However, the implementation has been considered cautious and slightly behind expectations. “Three of eight cases between Hong Kong and China were fully approved and the others are in the process, but these initiatives represent important steps forward,” Chow says.

He also celebrates Hong Kong’s evolving landscape in financial reporting. “Given the latest requirements, many issues

“The particular significance of INSOL this year was to showcase Hong Kong to the world as a global cross-border restructuring centre.”


Tiffany Wong

are becoming more transparent," Chow explains. This increased transparency allows for earlier identification of potential financial issues.

By addressing legislative gaps and maintaining its strategic global position, he believes Hong Kong will continue to be a leader in cross-border R&I.

The future

Beveridge says that the pace of reform is expected to continue, especially in emerging markets, with a strong focus on environmental, social and governance (ESG) considerations and the development of pre-insolvency restructuring tools and the administration of insolvencies.

He believes that companies will continue to be pressured to meet ESG regulatory standards. This means that matters such as environmental sustainability and human rights are likely to feature more heavily in insolvency scenarios. Cross-border insolvency cases may need to consider not only the financial interests of creditors but also the broader impact of insolvency on stakeholders, including employees, communities, and the environment and the importance of these aspects differs jurisdiction to jurisdiction.

As the complexities of cross-border restructuring continue to evolve, professionals in this field must remain adaptable and informed, using learning opportunities such as the INSOL conferences and seminars to stay abreast of issues. The integration of mediation and alternative dispute resolution processes will likely play an increased role in restructuring efforts, Beveridge says. "Mediation may be used to help seek consensus among various stakeholders," he says, indicating its potential in high-profile cross-border insolvency cases.


Ian Mann

Beveridge urges professionals in the industry to be flexible. "There is a need to be agile – this is critical to help practitioners to navigate technological and global economic changes, broader macro shifts and global transitions."

Celebrating a 40-year history

This year, the Hong Kong Institute of CPAs' restructuring and insolvency (R&I) specialist group celebrates 40 years of shaping the city's financial resilience.

The journey of the Restructuring and Insolvency Faculty (RIF), a recognized forum for R&I professionals in Hong Kong, began when Hong Kong's economy demanded expertise in handling financial turmoil. The Insolvency Practitioners Committee (IPC) was established in 1985 and, in 1987, the IPC set up the Insolvency Interest Group (IIG) to be the base for the Institute's membership of the global R&I body, INSOL International (INSOL). In 2008, the IPC and IIG merged to form the RIF.

The key roles of the RIF include providing facilities, services and support to assist faculty members in carrying out their work in the R&I field; promoting best practice in the field; and acting as the professional and public interest voice of the Institute in R&I, and of the R&I sector generally.

"We have well-regarded training programmes to equip accountants who are interested in developing their skills and becoming an R&I professional. And of course, even if you are already part of the R&I community, we run regular training seminars," says Daniel Chow, Senior Managing Director at FTI Consulting, and Chairman of the RIF Executive Committee. He adds that to provide comprehensive support for members, the Institute collaborates with other professional organizations and groups domestically, such as the Law Society of Hong Kong and the local network of the International Women's Insolvency and Restructuring Confederation, and also internationally, including INSOL and the recently-established Regional Restructuring and Insolvency Organizations Forum.

By collaborating with stakeholders, including with the government and the Hong Kong Official Receiver's Office on insolvency policy and administration, the RIF can consistently represent the interests of members and the R&I sector.

It is also one of the largest member associations of INSOL. "A testament to this strong relationship was seen at INSOL's annual conference held in Hong Kong in March, which attracted approximately 800 delegates, including around 200 from Hong Kong," says Alastair Beveridge, President of INSOL. "Moreover, this collaboration fosters continuous professional development, networking opportunities, and advocacy for improved policies in the field, reinforcing the importance of a strong and cohesive R&I community in Hong Kong."

Throughout its history, the RIF and its predecessors have played a major role in making R&I a key specialization for the accounting profession in Hong Kong. Experts like those in the RIF stabilize businesses, protect creditors, and drive recovery, blending financial acumen with legal insight.

Welcome

Hong Kong's CPA Qualification
香港會計師專業資格

QP Graduates – December 2024 Session

The Institute is pleased to announce that 512 QP candidates successfully completed the Qualification Programme in the December 2024 Session. The list of graduates is as below.

AU, Ka Hei
AU, Tsz Fung
AU, Wa Hin
AU YEUNG, Ka Ho
BAO, Yingshi
CAI, Shuming
CHAN, Chi Ho Russell
CHAN, Chi Wing Willis
CHAN, Chiu Lung
CHAN, Chui Yee Tweety
CHAN, Chun Fung
CHAN, Donovan
CHAN, Hau Yee
CHAN, Hiu Tung Jessica
CHAN, Ho Ching Flora
CHAN, Hoi Yan
CHAN, Ka Yeung
CHAN, Kar Man
CHAN, Kin Yau
CHAN, Kwan Ho
CHAN, Lai Ying
CHAN, Man Chun
CHAN, Man Ying
CHAN, Po Ying
CHAN, Pui Chung
CHAN, Shek Yau
CHAN, Sze Kei Silkie
CHAN, Tak Wai
CHAN, Tsey Yim
CHAN, Tsz Ching
CHAN, Tung Ming
CHAN, Wing Kit
CHAN, Ying Tsz
CHAN, Yu Po
CHAN, Yuk Lui
CHAU, Tsz Ching Natalie
CHEN, Anqiang
CHEN, Jiawei
CHEN, Jiqiong
CHEN, Junhong
CHEN, Ngai Lam
CHEN, Peifeng
CHEN, Siran
CHEN, Xi
CHEN, Xianhua
CHEN, Yanming
CHEN, Yun
CHEN, Zhenyu
CHEN, Zhuoqin
CHENG, Ariel Jonathan
CHENG, Ho Hin
CHENG, Ho Yan
CHENG, Ka Ho
CHENG, Man Ching
CHENG, Yiu Shun Kelvin
CHEUK, Ka Kiu
CHEUNG, Cheuk Kiu Katy
CHEUNG, Cheuk Yeung Ricky
CHEUNG, Ching Yee
CHEUNG, Cho Laam
CHEUNG, Chun Faat
CHEUNG, Chun Hei
CHEUNG, Ho Pang
CHEUNG, Ho Yin
CHEUNG, Lok Sze
CHEUNG, Man Yan
CHEUNG, Wai Keung Jacky
CHEUNG, Wai Kin
CHIU, Chung Ho
CHOI, Hong Nin
CHOI, Sin Ching
CHOI, Sze Wing
CHOI, Tsz Kin
CHOI, Tsz Tsun
CHONG, Ka Yee
CHOW, Cheuk Ying Nicole
CHOW, Chun Hin
CHOW, Hiu Tung
CHOW, Lok Ching
CHOW, Wai Yan
CHOW, Yin Wing Erin
CHU, Sin Yee
CHUI, Tsz Ching
CHUN, Ka Yi
CHUNG, Hiu Kwan
CHUNG, Nian Lang
CHUNG, Ping Yin
CHUNG, Sarah Lai Shan
CHUNG, Sin Nam
CHUNG, Yuk Him
DENG, Chuwen
DENG, Xufa
DONG, Zhe
DUANMU, Chunzhi
EFFENDY, Cindy
FAN, Nga Kei
FAN, Runlin
FAN, Wenjun
FENG, Huizi
FENG, Lei
FOK, Ho Tang
FOK, Lun Kit
FONG, Oi Yan
FUNG, Kai Hang
FUNG, Wai Lun
FUNG, Yim Ki
GAO, Chenrui
GAO, Haiyi
GU, Peile
GUO, Jinxin
GUO, Liangsi
GUO, Xia
GUO, Yuan
HA, Yee Ching
HAN, Mingyi
HAN, Xiaohe
HAO, Sze Tung Erica
HE, Xinyang
HE, Xinyi
HE, Zicheng
HO, Cheuk Yee
HO, Ching Hoo Oscar
HO, Chun Hin
HO, Chun Kit
HO, Kai Chun
HO, Sze Hang
HONG, Sixin
HONG, Yi Ching
HONG, Yilin
HU, Xiaoran
HUANG, Ji
HUANG, Jiaqi
HUANG, Junjie
HUANG, Junrong
HUANG, Rui
HUANG, Shaohan
HUANG, Xiaoqian
HUANG, Xinyi
HUANG, Yilin
HUANG, Zhansheng
HUNG, Tsoi Wing
IP, Ho Long
JI, Yuqing
JIANG, Xinyu
KAM, Kwong San
KAN, Kwan Yi
KANCHHAL, Sunil Kumar
KANG, Dong Ki
KAUR, Manpreet
KIM, Eunbi
KIT, Wing Fung
KO, Hin Kei
KO, Lon Hin
KO, Olivia
KONG, Cheuk Ying
KONG, Wai Lam
KWAN, Sum Yan
KWOK, Chun Long Previa
KWOK, Sin Ting
KWOK, Yuet Mei
LAI, Beavis
LAI, Kai Ching Justin
LAI, Pak Chi
LAI, Tsz Him
LAI, Tsz Kwan
LAI, Wing Chin
LAI, Wing Lok Andrew
LAI, Yan
LAM, Chi Lap
LAM, Chi Yin
LAM, Ching Wai
LAM, Chun Hong
LAM, Hin Ching
LAM, Hiu Ting
LAM, Hiu Tung
LAM, Hiu Yeung
LAM, Ho Hei
LAM, Kwok Kuen
LAM, Ming Fung
LAM, Ming Yan
LAM, Sze Ki
LAM, Wai Shun
LAM, Wang Kit
LAU, Han Han
LAU, Hoi Yiu
LAU, Ka Ying
LAU, Pui Lung
LAU, Shing Kam
LAU, Siu Tim
LAU, Wang Yuen
LAU, Yee Lam
LAU, Yung
LAW, Chung Ying
LAW, Kam Wa
LAW, Kwong Chi
LAW, Po Ling
LEE, Arnold Jr.
LEE, Caiyi
LEE, Cheuk Hin
LEE, Cheuk Hin
LEE, Cheuk Wing
LEE, Ka Ka
LEE, Ka Wing
LEE, Kin Man
LEE, Kwok Kuen
LEE, Miu Ching
LEE, Pak Hei
LEE, Tsz Ching
LEE, Tung Yiu
LEE, Wing Ki
LEE, Wing Yan
LEE, Yuen Yee
LEUNG, Ching Man
LEUNG, Chun Choi
LEUNG, Hang Yu
LEUNG, Hiu Tung
LEUNG, Hoi Chung Athena
LEUNG, Ka Fung
LEUNG, Ka Yu
LEUNG, Man Ling
LEUNG, Wing Keung
LEUNG, Yuen Ki
LI, Hei Ying
LI, Jinyang
LI, Ka Chun
LI, Kiu Yan Donna
LI, Kwai Yee
LI, Kwan Hang
LI, Mengjie
LI, Peirui
LI, San Yui
LI, Siyan
LI, Sze Ki
LI, Sze Wing
LI, Tin Chun
LI, Tong
LI, Wenqian
LI, Wing Kiu
LI, Xiaoran
LI, Xiuwen
LI, Yan
LI, Yiao
LI, Yutong
LIN, Wei
LIN, Xintong
LING, Cheuk Yin
LING, Ho Ying
LING, Zhuo
LIU, Huaying
LIU, Hui Fung
LIU, Jiayang
LIU, Jing
LIU, Jingxuan
LIU, Ka Ho
LIU, Qi

to Success

LIU, Qini
LIU, Yikang
LIU, Yuk Tat
LIU, Yulin
LIU, Yuxi
LIU, Yuxin
LO, Ka Man
LO, Wing Yan
LOW, Lok Tung
LOW, Mindy Su Fun
LU, Xinyue
LUK, Kar Yan
LUM, Kwan Hei
LUO, Chen
LUO, Mengdi
LUO, Wei
LUO, Xiao
LUO, Zihui
MA, Cheuk To
MA, Ka Hei
MA, Qianjing
MA, Sze Ki
MA, Xiaohe
MA, Xuanling
MAK, Ting Yi
MAK, Wing Ka Tiffany
MAK, Yim Shan
MAN, Yuen Shan
MAO, Lingling
MEI, Hongtao
MOK, Ka Ho
NG, Cheuk Wa
NG, Ho Yin
NG, Ka Ching
NG, Ka Chun
NG, Ka Chung
NG, Mei Ying
NG, Shang Him
NG, Sik Lun
NG, Suet Yi
NG, Sum Yu
NG, Sze Wai
NG, Sze Wing
NG, Tsz Fung
NG, Tsz Yan
NG, Wai Chung Anson
NG, Yee Nam
NGAI, Ting Hei
NGAN, Wing Yi
NGO, Ka Ho
NIU, Xingyue

OR, Ming Yin
OU, Siqi
PAK, Hoi Ki
PANG, Ching
PANG, Chun Ho
POON, Ka Wing Kevin
PUN, Hin Man
PUN, Ho Man
PUN, Yin Yu
QIU, Caiyan
QU, Qiufeng
REN, Beibei
RUAN, Hei Tung
SHAO, Yawei
SHEK, Cara Sin Man
SHEN, Dong Chen
SHI, Tsz Ching
SHIU, Wai Ki
SI, Mengzhi
SIN, Ka Wah
SIN, Sheung Fung
SIN, Shi Shing
SITU, Ying
SIU, Hau Yin
SIU, Hei Tung
SIU, Ka Yui
SIU, King Yeung
SO, Ho Laam Andrew
SONG, Haoli
SONG, Qian
SOU, Ian Melvyn
SU, Jiaying
SUEN, Chi Ching Maurice
SUEN, Mei Ting
SZE, Kai Ying
SZE, Tong
SZE, Wing Lam
TAM, Ching Man
TAM, Hon Chin
TAM, Tsz Man
TAN, Jiaxin
TAN, Li Huey
TANG, Chulin
TANG, Chun Kit
TANG, Ho Yi
TANG, Kin Wing
TANG, Lei
TANG, Man Hay
TAO, Junlong
TIAN, Yuanyuan
TO, Tsing

TOKUNAGA, Satoru
TONG, Kwan Yi
TONG, Tsz Fung
TSANG, Chau Yi
TSANG, Chi Ying
TSANG, Hau Yi
TSANG, Kin Yiu
TSANG, Man Him
TSANG, Michael Cheung Lai
TSANG, Mung Sheung
TSANG, Ying Wa
TSE, Ching
TSE, Man Tung
TSOI, Jing
TSOI, King Yi
TSUI, Hiu Ying
TSUI, Pui Sze
TSUI, Sze Ho
TUNG, Kwok Wai Thomas
WAN, Ho Ying
WAN, Ka Kit
WAN, Shun Hei
WAN, Sin Man Steffi
WANG, Bingjie
WANG, Hui
WANG, Jiaqi
WANG, Luanhua
WANG, Mengyu
WANG, Ningwei
WANG, Qing
WANG, Sidi
WANG, Teng
WANG, Wenwen
WANG, Yijia
WANG, Yinfeng
WANG, Yunqing
WANG, Ziyi
WEN, Lidu
WENG, Xiaojuan
WONG, Chi Wing Teresa
WONG, Ching Wai
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WONG, Chun Kin
WONG, Hei Man
WONG, Ho Yin
WONG, Ka Chung
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WONG, Mei Yan
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WONG, Sze Wa Connie
WONG, Tin Hung
WONG, Tsz Ting
WONG, Wai Nga
WONG, Wai Yin
WONG, Yan
WONG, Yan Yi
WONG, Yik Sum
WONG, Yin Man
WONG, Yiu Hang
WONG, Yuen Ching
WU, Hiu Tong Cassie
WU, Ho Wai
WU, Jiahua
WU, Jinfang
WU, Tongjun
Wu, Yuliang
XIA, Tianrui
XIA, Ying
XIAO, Jiaqi
XIAO, Yang
XIAO, Yunyi
XIE, Yangping
XIONG, Dan
XU, Chenyi
XU, Huijun
XU, Qiantong
XU, Siyang
XU, Xinqiao
XU, Zhaoqing
YAM, Cho Wa
YANG, Wenyu
YANG, Xiemin
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YIP, Chi Chung
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YU, Jeffrey
YU, Meiqin
YU, Sheung Chit
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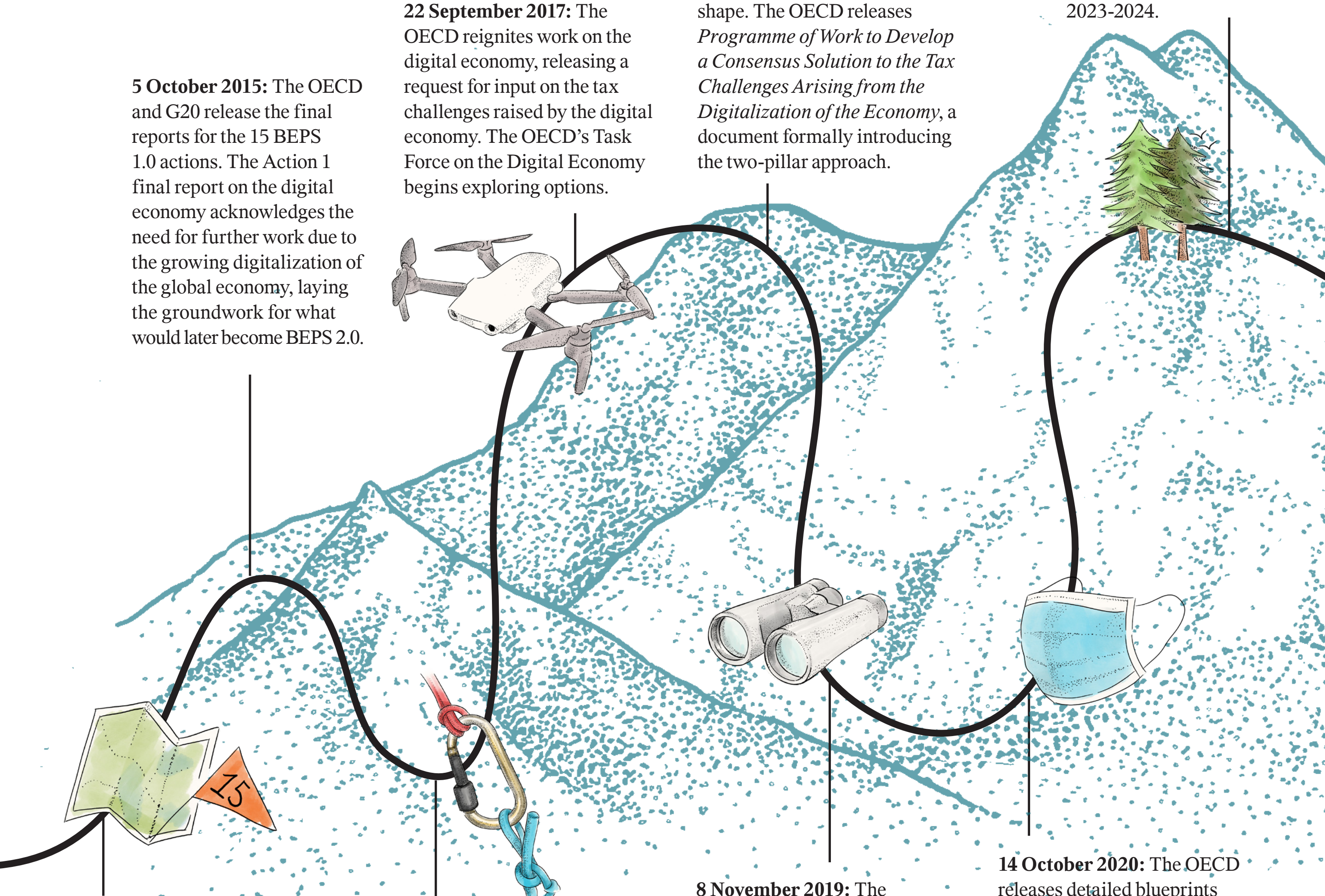
ZHONG, Jianxi
ZHOU, Jiarui
ZHOU, Shaofeng
ZHOU, Xing
ZHOU, Yaoming
ZHU, Chengcheng
ZHU, Meizhen
ZHU, Tingting
ZHU, Yan
ZOU, Xiyue

Congratulations to the graduates of the Hong Kong Institute of CPAs' Qualification Programme. Under the guidance of experienced CPAs, these graduates are on their way to joining the world's most prestigious accounting professionals. And they've taken the first big step towards becoming one of Hong Kong's success ingredients.

BEPS 2.0: THE JOURNEY OF GLOBAL TAX REFORM



19 July 2013: The OECD, tasked by the G20, publishes the *Action Plan on Base Erosion and Profit Shifting*, identifying 15 actions to combat tax avoidance by multinational enterprises (MNEs).

5 October 2015: The OECD and G20 release the final reports for the 15 BEPS 1.0 actions. The Action 1 final report on the digital economy acknowledges the need for further work due to the growing digitalization of the global economy, laying the groundwork for what would later become BEPS 2.0.

30 June 2016: The OECD/G20 Inclusive Framework on BEPS is established, expanding participation beyond OECD and G20 countries. In the first 12 months, over 100 jurisdictions join to implement BEPS 1.0 measures and monitor progress.

22 September 2017: The OECD reignites work on the digital economy, releasing a request for input on the tax challenges raised by the digital economy. The OECD's Task Force on the Digital Economy begins exploring options.

31 May 2019: BEPS 2.0 takes shape. The OECD releases *Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalization of the Economy*, a document formally introducing the two-pillar approach.

8 November 2019: The OECD introduces the Global Anti-Base Erosion (GloBE) proposal (Pillar Two), aiming to establish a global minimum tax rate. It would later be confirmed that the global minimum tax regime applies to large MNE groups with consolidated revenue of at least €750 million.

14 October 2020: The OECD releases detailed blueprints for Pillar One and Pillar Two. While consensus is not fully achieved by the original deadline (end of 2020) due to complexities and the COVID-19 pandemic, these blueprints provide a technical foundation for further negotiations.

8 October 2021: The Inclusive Framework finalizes the agreement, with 136 jurisdictions (out of 140) endorsing the two-pillar solution. The timeline shifts implementation to 2023-2024.

The Base Erosion and Profit Shifting (BEPS) project attempts to address weaknesses in an outdated international tax framework that create opportunities for BEPS, which refers to tax-avoidance practices and aggressive tax-planning schemes. While the BEPS 1.0 initiatives created notable changes in international tax rules, it did not comprehensively deal with the tax challenges created by the current digital business environment. To address this issue, the Organization for Economic Co-operation and Development (OECD) launched a new two-pillar solution – BEPS 2.0 – bringing dramatic changes to the global tax landscape.

Negotiations and consultations on BEPS 2.0 are ongoing, and significant progress has been made, particularly on Pillar Two compliance. As of April 2025, about 60 jurisdictions are in the final stage of legislation for Pillar Two, while five more are in the drafting stage, according to Deloitte Global Pillar Two Legislative Tracker.

Illustrations by Alexa Chan

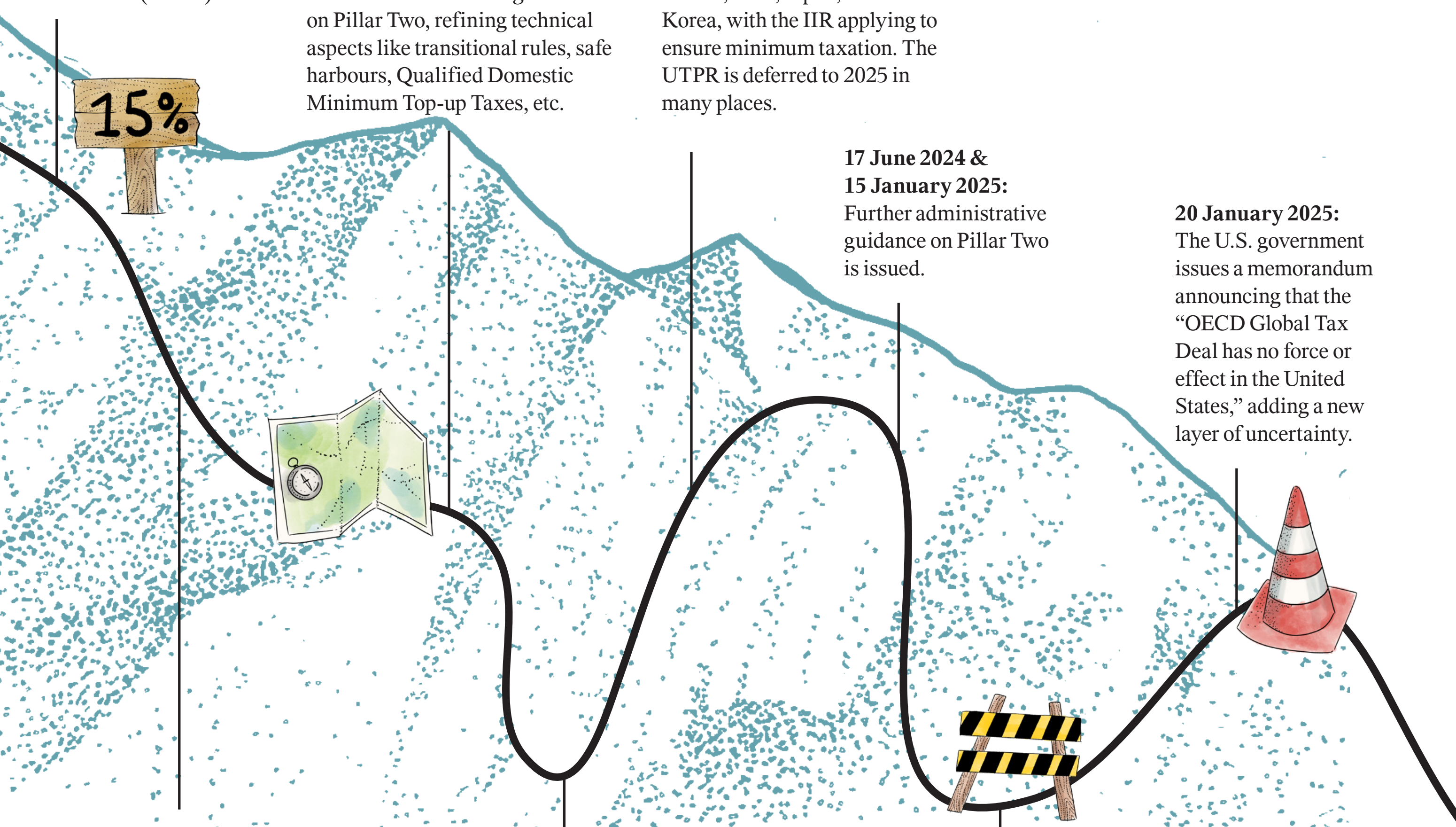
20 December 2021: The OECD releases the *Pillar Two Model Rules* (GloBE rules), providing a framework for the 15% minimum tax, including the Income Inclusion Rule (IIR) and Undertaxed Profits Rule (UTPR).

2023: Jurisdictions start drafting domestic legislation to enact Pillar Two rules. The OECD releases various administrative guidance on Pillar Two, refining technical aspects like transitional rules, safe harbours, Qualified Domestic Minimum Top-up Taxes, etc.

1 January 2024: Pillar Two rules become effective in several jurisdictions, including the EU, U.K., Japan, and South Korea, with the IIR applying to ensure minimum taxation. The UTPR is deferred to 2025 in many places.

17 June 2024 & 15 January 2025: Further administrative guidance on Pillar Two is issued.

20 January 2025: The U.S. government issues a memorandum announcing that the "OECD Global Tax Deal has no force or effect in the United States," adding a new layer of uncertainty.

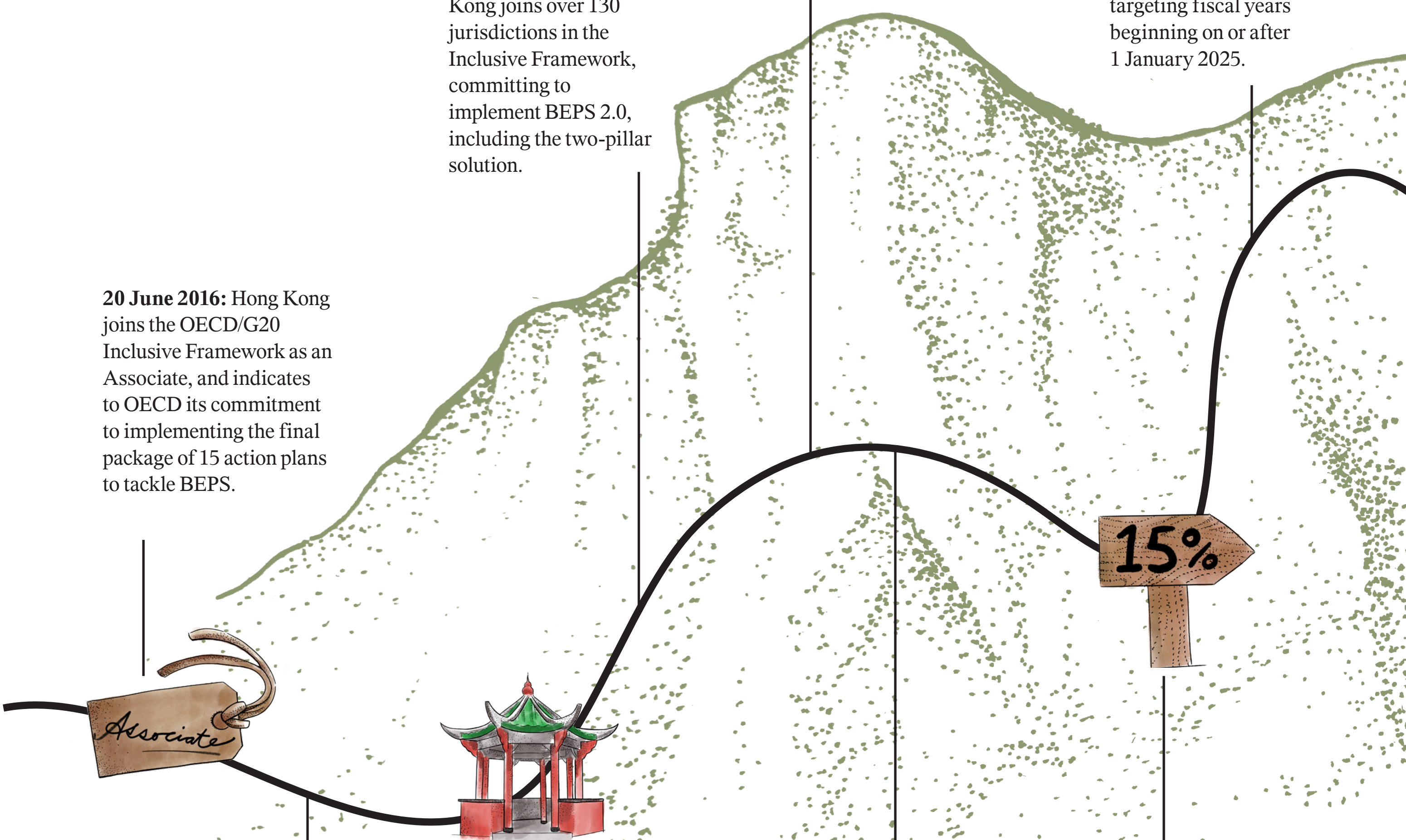


20 December 2022: The Inclusive Framework releases an implementation package relating to Pillar Two, including guidance on safe harbours, simplifying compliance for MNEs and tax administrations.

11 October 2023: The OECD releases the Multilateral Convention to Implement Amount A of Pillar One, which coordinates a reallocation of taxing rights to market jurisdictions, improves tax certainty and removes digital service taxes.

13 January 2025: The OECD releases a statement describing the current status of Pillar One negotiations. Although consensus has not yet been reached, the work is continuing.

Special thanks to **Doris Chik**, Tax Partner at Deloitte China, and a member of the Institute's Taxation Faculty Executive Committee, who *A Plus* consulted as an expert for the two timelines in this feature.



20 June 2016: Hong Kong joins the OECD/G20 Inclusive Framework as an Associate, and indicates to OECD its commitment to implementing the final package of 15 action plans to tackle BEPS.

8 November 2019: The OECD introduces the GloBE proposal (Pillar Two), aiming to establish a global minimum tax rate. Hong Kong begins evaluating its implications as a low-tax jurisdiction.

11 June 2020: The Hong Kong Financial Secretary establishes the Advisory Panel on BEPS 2.0, comprising scholars, tax experts, and business leaders to study the OECD's proposals and recommend strategies for compliance.

1 July 2021: Hong Kong joins over 130 jurisdictions in the Inclusive Framework, committing to implement BEPS 2.0, including the two-pillar solution.

8 October 2021: The OECD announces the finalized agreement with Pillar Two setting a global minimum tax rate of 15% for MNEs with annual consolidated revenue above €750 million. The next day, the Hong Kong government issues a statement supporting the OECD's announcement and confirms its intent to implement the BEPS 2.0 package.

23 February 2022: The Financial Secretary announces in the 2022-23 Budget Speech that a legislative proposal would be submitted in 2022 to implement the global minimum tax rate in 2023 and a domestic minimum top-up tax would be considered to be introduced starting from the year of assessment 2024/25.

22 February 2023: In the 2023-24 Budget Speech, the Financial Secretary announces that Hong Kong will implement the global minimum tax rate of 15% for in-scope MNEs starting from 2025, adjusting the earlier timeline from 2024 to align with international progress.

21 December 2023: The Hong Kong government launches a three-month public consultation on implementing the GloBE rules and HKMTT, targeting fiscal years beginning on or after 1 January 2025.

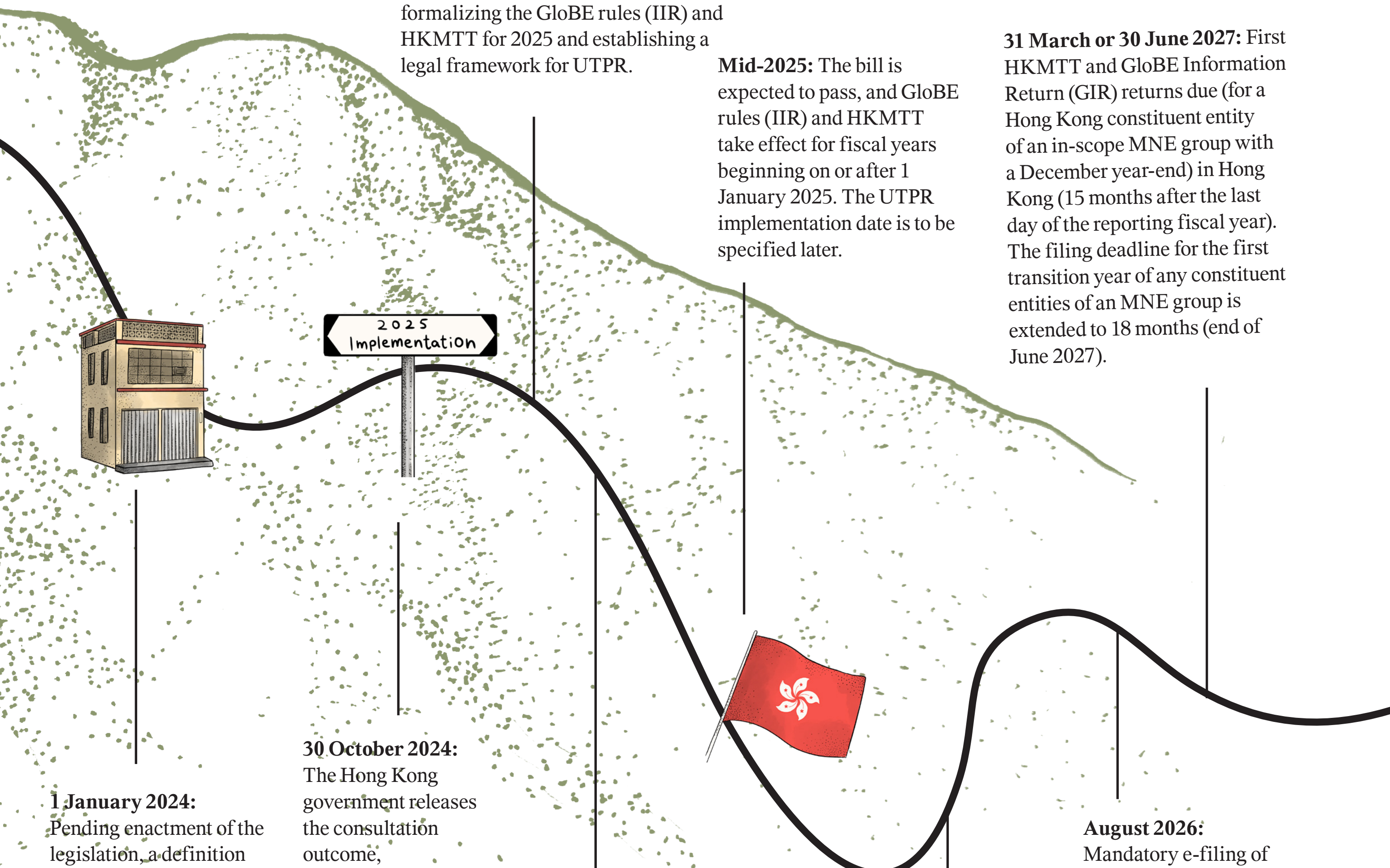
How is Hong Kong doing?

Since the launch of the OECD's BEPS project, Hong Kong has been supportive of international efforts to enhance tax transparency and combat tax evasion.

For Hong Kong, as a global financial hub, striking a delicate balance between meeting international obligations and maintaining Hong Kong's tax competitiveness by upholding its simple, certain and low tax regime has been a key focus all along the implementation process.

With the amendment bill seeking to implement BEPS 2.0 expected to be passed into Hong Kong law by mid-2025, in-scope MNE groups will be paying close attention to the new compliance requirements under the new GloBE rules and Hong Kong minimum top-up tax (HKMTT). Some may also be upgrading accounting and tax software to handle GloBE calculations and e-filing requirements.

This timeline reflects Hong Kong's journey as part of the global effort to address BEPS.



1 January 2024: Pending enactment of the legislation, a definition of "Hong Kong resident entity" is included in the Inland Revenue Ordinance to meet the requirements under the GloBE rules, and takes retrospective effect. This allows an entity that falls within the definition to be regarded as located in Hong Kong throughout the fiscal year 2024.

30 October 2024: The Hong Kong government releases the consultation outcome, confirming the 2025 implementation timeline and that the implementation of the UTPR is postponed.

27 December 2024: The Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 is gazetted, formalizing the GloBE rules (IIR) and HKMTT for 2025 and establishing a legal framework for UTPR.

8 January 2025: The amendment bill is introduced into the Legislative Council for its first reading.

Mid-2025: The bill is expected to pass, and GloBE rules (IIR) and HKMTT take effect for fiscal years beginning on or after 1 January 2025. The UTPR implementation date is to be specified later.

30 June 2026: Deadline for a Hong Kong constituent entity of an in-scope MNE group (with a December year-end) to file a top-up tax notification, relating to its obligations of filing top-up tax return. The top-up tax notification notifies the Inland Revenue Department that an MNE group has come within the scope of the global minimum tax and HKMTT.

August 2026: Mandatory e-filing of profits tax returns (year of assessment 2025/26) due for in-scope MNEs with December year-end, aligning with Pillar Two reporting requirements.

31 March or 30 June 2027: First HKMTT and GloBE Information Return (GIR) returns due (for a Hong Kong constituent entity of an in-scope MNE group with a December year-end) in Hong Kong (15 months after the last day of the reporting fiscal year). The filing deadline for the first transition year of any constituent entities of an MNE group is extended to 18 months (end of June 2027).

Eugene Yeung

The Chair of the Institute's Taxation Faculty Executive Committee, and Partner of KPMG on strategies to address the government's deficit, and the need for a thorough review of Hong Kong's tax system

Tackling Hong Kong's deficit

In late February, the government released the 2025-26 Budget titled "Accelerating development through reform and innovation." The Institute acknowledged its pragmatic approach to fiscal consolidation while aiming to maintain the quality of public and social services and was pleased to note that the budget incorporated, in part, several of its prior recommendations.

As announced in the Financial Secretary's speech, the city logged an estimated HK$87.2 billion deficit, taking into account the issuance of government bonds of HK$130 billion and repayments of HK$22.1 billion. The current fiscal year deficit marks the third shortfall in a row after the city recorded a deficit of HK$122 billion in 2022-23, and HK$101.6 billion in 2023-24.

Short to medium term measures

The Hong Kong government has announced several measures to increase revenue in the short to medium term to address the fiscal deficit. To better reflect the "user pays" principle, the government has proposed several adjustments to government fees and charges to increase its revenue. This includes increasing the air passenger departure tax; charging an application fee of under various talent and capital investor admission schemes and raising visa fees; reviewing and adjust tolls for major tunnels and trunk roads, annual license fees for electric private cars, parking meter charges, and fixed penalties for traffic offenses; and charging a boundary facilities fee for private cars departing via land boundary control points. The government also anticipates the implementation of the global minimum tax proposal under BEPS 2.0 will generate approximately HK$15 billion annually starting from 2027-28.

In addition to these revenue-generating measures, the government announced plans to reduce recurrent expenditure by 7 percent cumulatively through the fiscal year 2027-28 and a pay freeze for civil servants in 2025-26. As projects capital works expenditure are expected to increase to HK$120 billion annually, the government aims to leverage public-private partnerships and expects to issue government bonds reaching approximately HK$150 billion to HK$195 billion worth of bonds each year over the five-year period from 2025-26 to 2029-30 under the Government Sustainable Bond Programme and the Infrastructure Bond Programme.

Need for comprehensive tax review

Beyond the short-term measures presented in the budget, over the long term, the Institute believes the government should undertake a thorough review of Hong Kong's tax system to improve the certainty of tax treatment and find long-term solutions for a stable fiscal future. This review should also look into issues like enhancing tax breaks for research and development, and intellectual property-related businesses, to help Hong Kong stay ahead of the game.

The last comprehensive review of the Inland Revenue Ordinance was over 45 years ago, during which global economic and tax developments have undergone significant changes. Hong Kong has always adhered to a simple tax system, but this year, the government's two major revenue sources, stamp duty and land sales revenue, have significantly declined, revealing the problems arising from a narrow tax base.

Since researching and implementing a new tax type takes at least five to 10 years, even if it is not an ideal time to introduce new taxes, a review should be initiated as soon as possible to maintain the overall competitiveness of the system. If considering the introduction of new taxes, detailed research and consultation are required, and social consensus must be obtained, which may take years. The government should plan early.

Long term economic expansion

To address the Hong Kong government's deficit and promote long-term economic expansion, a focus on sustainable development is essential. Expanding the economy improves citizens' living standards and increases government revenue in the long term. The government should actively explore new revenue sources and feasible options to support future economic development and ensure the long-term well-being of society.

Hong Kong's robust legal environment, simple tax system, excellent infrastructure, and diverse culture make it a leading international financial centre. To enhance the business environment and attract investment, the government could review the two-tier profits tax system, lower the tax rate for small- and medium-sized enterprises (SMEs), or raise the threshold. SMEs account for over 98 percent of all enterprises in Hong Kong, providing numerous job opportunities and being a crucial pillar of the economy. Targeted support for SMEs is vital. Additionally, to attract foreign investment, eligible regional headquarters could enjoy a 50 percent profits tax reduction and subsidies for consulting and legal fees for companies relocating to Hong Kong.

Addressing talent gaps is crucial for enhancing workforce competitiveness. Doubling the basic allowance for salaries tax for parents of newborns and for healthy and skilled retirees aged 65 and above can encourage workforce re-entry. Providing time-limited subsidies or tax incentives for specific industries, simplifying visa procedures, and offering subsidies for private education for overseas talents' children can attract and retain skilled professionals.

By implementing these strategies and implementing a robust modern tax regime, Hong Kong can ensure sustainable development, support SMEs, revitalize its economy, and address talent gaps, ultimately contributing to long-term economic expansion and helping to address the government's deficit.

SECOND OPINIONS: WHAT ROLE SHOULD ACCOUNTANTS PLAY IN ASSESSING AND DISCLOSING NATURE-RELATED FINANCIAL RISKS?

RAYNE VAN DEN BERG
PRINCIPAL AT NATCAP+

As professional accountants, our primary role is to protect and create value. This duty is often specified in our position descriptions as chief financial officers. The question is, where is the value? How do we protect it? How can we create it?

CFOs don't have the luxury of relinquishing their responsibility to protect long-term corporate value in order to focus solely on short-term gains. Especially if these gains or profits are not genuinely repeatable or sustainable over time. Diminishing returns or cash flows on unmaintained assets will eventually erode corporate value. This concept, well understood by accountants, is at the heart of the definition of sustainability.

This fundamental concept of protecting and creating value in assets can be logically extended to natural capital assets, alternatively, the ecosystem assets that provide services to businesses and societies, such as pollination, water, climate control, carbon sequestration, food, and fiber. Businesses depend on these natural capital assets for current and future revenue streams but are increasingly at risk from issues such as climate change, biodiversity loss, and resource depletion.

Because these natural capital assets are at risk, the role of accountants becomes more integral to business strategy and reporting. CFOs and other professional accountants are being increasingly called upon to measure, value, and drive overall corporate value, both financial and non-financial.

> "Because these natural capital assets are at risk, the role of accountants becomes more integral to business strategy and reporting."

Strategically, accountants play a crucial role in identifying, quantifying, assessing, and disclosing nature-related financial risks that are likely to impact their operations and associated value chains. Nature-related financial risks are those that manifest in deteriorating financial performance and corporate value due to the depletion of natural capital assets.

Secondly, accountants are responsible for integrating nature-related risks into the financial statements, ensuring that organizations comply with evolving disclosure requirements such as the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, the Corporate Sustainability Reporting Directive and the International Sustainability Standards Board Standards. Accountants must not only ensure transparency but also enhance the quality and comparability of nature-related financial disclosures to allow stakeholders, including investors, regulators, and consumers, to make informed decisions.

Accountants need not wait to be asked to assess their businesses' nature-related financial risks for compliance and mandatory reporting obligations, but they should begin to measure and value them in order to perform their duty to protect and create underlying corporate value – including natural capital value.

PATRICK HO
HEAD OF SUSTAINABLE DEVELOPMENT AT SWIRE PROPERTIES, AND TNFD TASKFORCE MEMBER

As US$44 trillion of economic value generation – over half the world's total GDP – is moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss, accountants are at the forefront of integrating nature-related considerations into financial decision-making.

Accountants are skilled at pinpointing potential nature-related risks, such as biodiversity loss, water scarcity, or land degradation, and quantifying their financial impact. For instance, they might analyse how unintended habitat destruction in a company's supply chain could lead to potential regulatory penalties or reputational damage. By using tools like cost-benefit analysis and scenario modeling, they can assess these risks and incorporate them into financial forecasts.

Accountants ensure that companies comply with emerging frameworks such as the TNFD. This involves implementing frameworks that guide how companies assess and disclose their nature-related risks and opportunities, derived from their impact on and dependencies on nature. They also help ensure the accuracy and transparency of nature-related disclosures by applying auditing skills to verify nature-related metrics.

> "Beyond compliance, accountants also drive value creation by identifying opportunities in nature-positive transitions."

Beyond compliance, accountants also drive value creation by identifying opportunities in nature-positive transitions. They advise boards on governance structures for nature-related oversight and develop strategies aligned with global or national biodiversity conservation goals.

Strategic planning for nature-positive transitions is particularly crucial to Swire Properties, a member of the TNFD Global Taskforce, and among the first 320 global companies to adopt the TNFD Early Adopter Programme.

In our 2024 Sustainability Report, as part of our integrated Climate- and Nature-related Financial Disclosures, we have published our TNFD-aligned disclosures, integrating nature-related risks and opportunities alongside climate reporting.

Following the TNFD's LEAP framework (Locate, Evaluate, Assess, Prepare), we conducted a comprehensive screening of our global portfolio using biodiversity indicators to identify priority sites. We have also mapped our business activities against key environment assets and ecosystem services, assessing dependencies and impacts. This analysis revealed potential nature-related risks and opportunities across property management, construction, and hotel operations, with corresponding financial implications and mitigation strategies.

CHRIS JOY
HEAD OF INTERNATIONAL AT THE HONG KONG INSTITUTE OF CPAS

The recently launched guide by the Global Accounting Alliance (GAA), titled *Why nature matters to accountants: a guide to building resilience and value through nature-positive action*, serves as an essential resource for accountants aiming to integrate nature-related issues into their work, thereby enhancing business resilience and value.

> "The GAA guide provides fundamental insights into the significance of nature in the professional roles of accountants – whatever their function in or relationship with an organization."

Nature-related financial risks encompass a broad spectrum of challenges, including biodiversity loss, climate change, and resource depletion. These risks can significantly impact an organization's financial health and long-term sustainability. Accountants, with their expertise in financial analysis and reporting, are uniquely positioned to identify, assess, and disclose these risks, ensuring that businesses are not only aware of their environmental impact but also prepared to mitigate potential financial repercussions.

At a strategic level as well as in risk analysis, corporate reporting, and assurance work where nature-related requirements are ever-increasing, accountants have a professional responsibility to ensure that nature is appropriately considered in their work. The accounting profession can leverage its focus on the public interest to play a key role in championing and driving the transition to a more resilient net zero, nature-positive, and socially aware economy. With their unique skillsets, accountants are uniquely qualified to tackle nature-related issues by supporting organizations to identify and address nature-related risks and opportunities.

The GAA guide provides fundamental insights into the significance of nature in the professional roles of accountants – whatever their function in or relationship with an organization. It emphasizes the importance of understanding how nature-related issues can affect financial performance and offers actionable steps to integrate nature into daily practices. By adopting the principles outlined in this guide, accountants can help their organizations and clients navigate the complexities of nature-related financial risks, fostering a culture of sustainability and resilience.

This guide is part of the GAA's broader efforts to ensure that the profession is part of the solution in tackling the global nature crisis going forward. As a proud member of the GAA, the HKICPA is part of the GAA's collective nature commitments made as 10 of the world's leading professional accountancy bodies.

We encourage all accountants to read this detailed guide to discover how nature can foster a sustainable future.

FIVE QUESTIONS FOR PAIB
Peisi Deng

Peisi Deng, Wealth Advisor at investment platform StashAway Hong Kong, dispels misconceptions about robo-advisory, and shares how her CPA skills help her earn client trust

What are the biggest lessons in your career so far? Do what you enjoy, excel at, and what the market needs. This combination brings out your unique competitive advantage in the market and enhances your personal satisfaction. As we spend most of our day time at work, it is only sustainable if we feel energized and motivated. Don't just wait for opportunities, be proactive in creating or capturing them. Many business and personal development opportunities in my career come from reaching out, asking for help, and actively requesting feedback.

Tell us about your transition from traditional financial institutions to the FinTech space. AI is poised to disrupt various industries, including wealth management, whether we like it or not. Technology has empowered us to scale high-quality wealth management services to reach beyond just high-net-worth individuals. COVID accelerated this shift. I firmly believe in taking a proactive approach to adapting to these changes. Rather than waiting for disruption to occur, I aspire to be an active participant in shaping it. Meanwhile, I thrive in dynamic environments characterized by high levels of autonomy, such as start-ups, where I have the opportunity to influence product strategy and develop scalable business plans that can respond to the evolving needs of the market.

What is a common misconceptions about robo-advisors? People often perceive the investment process of robo-advisors as a mysterious black box. However, the reality is quite different. These digital platforms combine advanced algorithms with the expertise of human investment professionals. By analysing large amounts of data, the algorithm can generate insights for investment professionals to make informed decisions. This blend of technology and human insight enhances the efficiency of investment strategies to optimize returns while managing risk effectively. Thus, the inner workings of robo-advisors are far more transparent and nuanced than many might believe. Some people also think that they will only be able to talk with a chatbot on a robo-advisory platform. In fact, platforms provide choices, including a non-commission driven human advisor providing a personal touch.

What are you telling clients who are looking to navigate the current market volatility? Cut through the noise and focus on the long term. Instead of getting caught up in the whirlwind of daily headlines, it is far more beneficial to develop an understanding of the market cycles and establish a core asset allocation strategy. Historical data consistently demonstrates that staying invested in a diversified multi-asset portfolio is the most prudent approach. The time in the market matters much more than timing the market in generating long term return.

In what ways has your CPA training helped you in your career? My rigorous accounting training honed my business acumen and analytical skills, enabling me to quickly identify discrepancies in data and extract meaningful insights. This ability to cut through complexity and provide clear, insightful perspectives has been essential in earning clients' trust and effectively leading business conversations. As a wealth advisor, it is crucial to provide comprehensive wealth management services to private clients, and to progress as a leader in adding value to the companies that I work in.

FIVE QUESTIONS FOR PAIP

Janet Tsang

Janet Tsang, Executive Director, Audit and Assurance, Head of Clients Accounting, at Baker Tilly Hong Kong, on the challenges she addresses for effective audit practices and how she builds strong relationships with clients

What are the biggest lessons in your career so far? Throughout my career, I have gained valuable technical expertise in accounting and auditing, while developing strong client relationships and leadership skills. I have also recognized the necessity of adapting to regulatory changes, highlighting the importance of continuous professional development. Mentoring others has also reinforced my commitment to integrity and ethical standards. Each challenge has provided opportunities for growth, enhancing problem-solving abilities and fostering a proactive approach to innovation. Overall, my experiences have shaped a commitment to making a positive contribution to the accounting profession.

What are the challenges and opportunities of your role? As an audit director, I face challenges such as adapting to regulatory changes, managing diverse client expectations, and ensuring the effective integration of new technologies. The increasing complexity of financial transactions requires a comprehensive understanding of various industries. However, these challenges present opportunities. By fostering a culture of continuous improvement, and advocating for ethical practices, I can drive my team towards delivering exceptional service. This commitment not only builds trust with clients but also empowers my team.

What is your approach to client service? Over the years, I have learned that building strong relationships requires active listening and compassion, allowing clients to feel valued and understood. Transparency is crucial; clients appreciate clear explanations and consistent updates throughout the engagement. Proactive problem-solving has proven effective, as anticipating challenges and offering solutions builds trust. Also, seeking regular feedback helps refine services and ensures they align with client expectations. Ultimately, a collaborative and responsive approach is essential for developing lasting partnerships that support clients in achieving their goals.

What are the key challenges that audit professionals are currently facing? They include navigating constantly changing regulations and compliance standards. The integration of advanced technologies, such as artificial intelligence and data analytics, demands ongoing training and adaptation. Data security has become increasingly critical due to rising cyber threats. Additionally, balancing high-quality audits with resource constraints and meeting client expectations for real-time insights creates pressure for the profession. A talent shortage complicates recruitment and retention efforts, while globalization introduces diverse regulations. Against all of this, it's important to maintain ethical standards to sustain trust and credibility in the profession.

How has your CPA training helped you in your career? My CPA training has been crucial in shaping my career by providing a solid foundation in accounting principles and enhancing my credibility. The qualification has opened doors for career advancement and allowed me to build a valuable professional network. A key component of my training was the emphasis on an ethical framework, which reinforced the importance of integrity and ethical decision-making in my work. Ongoing education has instilled a commitment to continuous learning, keeping me updated on industry trends.

A new milestone in sustainability assurance

An overview of HKSSA 5000

In March, the Institute completed the due process and published its first sustainability assurance standard – HKSSA 5000 *General Requirements for Sustainability Assurance Engagements*. This milestone aligns with the Hong Kong government's Roadmap on Sustainability Disclosure in Hong Kong (HK Roadmap) released in December 2024.

What is HKSSA 5000?

HKSSA 5000 is fully aligned with ISSA 5000 and deals with assurance engagements on sustainability information. HKSSA 5000 is applicable to assurance engagements on sustainability information reported under a suitable framework or criteria. Examples of suitable framework or criteria used to measure or evaluate sustainability matters are HKFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, HKFRS S2 *Climate-related Disclosures* and Appendix C2 Environmental, Social and Governance Reporting Code issued by The Hong Kong Stock Exchange.

Why does it matter?

HKSSA 5000 provides a robust framework for practitioners conducting assurance engagements on sustainability information. It supports the consistent performance of high-quality sustainability assurance engagements and aims to enhance the reliability and transparency of disclosed sustainability information. In turn, this strengthens the confidence and trust of intended users in the sustainability information provided.

Who can use it?

HKSSA 5000 is intended for use by both professional accountant assurance practitioners and non-professional accountant assurance practitioners, provided they meet the required quality management and ethical requirements. HKSSA 5000 requires practitioners to apply HKSQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements*, or *Other Assurance or Related Services Engagements*, and the *Code of Ethics for Professional Accountants* issued by the Institute, or professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be at least as demanding as HKSQM 1 and the provisions of the Code related to sustainability assurance engagements.

Which standard shall be applied?

HKSSA 5000 is an overarching standard that includes requirements and application material for all aspects of a sustainability assurance engagement. Once it becomes effective, practitioners are not required to apply HKSAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* or HKSAE 3410 *Assurance Engagements on Greenhouse Gas Statements* when performing sustainability assurance engagements including greenhouse gas statements.

What level of assurance does it address?

HKSSA 5000 addresses both limited and reasonable assurance engagements. The difference between limited and reasonable assurance is primarily in the degree to which it enhances the confidence of the intended users regarding the sustainability information. The level of assurance obtained in a limited assurance engagement is substantially lower than in a reasonable assurance engagement. The procedures conducted in a limited assurance engagement differ in nature, timing, and extent from those in a reasonable assurance engagement. HKSSA 5000 delineates specific requirements and application material specific for each type of assurance. HKSSA 5000 also applies to combined assurance engagements where limited assurance is obtained on selected information and reasonable assurance on other information and the conclusions are presented in the same assurance report.

When will it be effective?

HKSSA 5000 will be effective for assurance engagements on sustainability information reported for periods beginning on or after 15 December 2026, or as at a specific date on or after 15 December 2026. Earlier application is permitted, as long as practitioners comply with the relevant quality management standards and ethical requirements, including any consequential amendments as a result of the publication of HKSSA 5000.

How will practitioners be supported in implementation?

The Institute has a holistic capacity building (CB) programme that covers sustainability reporting, sustainability assurance and sustainability ethics, to assist practitioners in building awareness and enhancing their skills to effectively navigate the evolving sustainability landscape. The sustainability programme is an ongoing initiative that began a few years ago. The sustainability assurance CB programme will commence in June with webinar and workshops planned for the second half of 2025.

Is assurance on sustainability information mandatory in Hong Kong?

As at the time of writing this article, obtaining assurance on sustainability information remains voluntary in Hong Kong. The HK Roadmap outlines Hong Kong's blueprint for developing a comprehensive ecosystem to support sustainability disclosures, encompassing sustainability assurance, data and technology, as well as skills and competencies. Moving forward, the Accounting and Financial Reporting Council will release a proposed local regulatory framework for sustainability assurance for public consultation in 2025. This framework will address various aspects, including the registration of assurance providers, the implementation of assurance and ethics standards, and the establishment of the related regulatory regime.

This article was contributed by ***Cherry Yau****, Associate Director of the Institute's Standard Setting Department.*

Improving the equity method of accounting

A summary of the Institute's response to the IASB Exposure Draft *Equity Method of Accounting – IAS 28 Investments in Associates and Joint Ventures (revised 202x)*

In September 2024, the International Accounting Standards Board (IASB) issued an exposure draft (ED) proposing amendments to International Accounting Standard (IAS) 28 *Investments in Associates and Joint Ventures* in response to stakeholders' application questions on the equity method. The IASB has also taken this opportunity to reorder the standard to help entities apply it. The proposed amendments are expected to reduce diversity in practice and provide users of financial statements with more comparable and useful information. In January 2025, the Institute's Standard Setting Department responded to the ED. The full response is available on our website.

We appreciate the IASB's efforts to address long-standing application questions in IAS 28, thereby reducing diversity in practice and enhancing comparability and understandability of financial statements. Nevertheless, since the ED does not address the fundamental issue of the nature of equity method, certain application issues would arise. Furthermore, we have identified certain aspects of the ED that necessitate clarification and guidance.

Treatment of transaction costs

We consider that the ED lacks clarity regarding how transaction costs incurred in the purchase of an associate should be accounted for. Our respondents have expressed mixed views on this treatment. One view supports expensing transaction costs to profit or loss, considering that the ED is developed based on an approach similar to International Financial Reporting Standard (IFRS) 3 *Business Combinations* for measuring the cost of an associate. Conversely, the other view supports capitalizing transaction costs as part of the cost of an associate. This approach is supported by the IFRS Interpretations Committee's agenda decision made in July 2009 and paragraph 6.5 of the *Conceptual Framework for Financial Reporting*, which treats the purchase of an associate as a purchase of an asset, indicating that the costs incurred for acquiring an associate should be capitalized. Given the prevalence of this issue in Hong Kong and the existence of divergent views, we recommend that the IASB clarify the treatment of transaction costs in the final standard.

Cost burden and practical challenges in performing PPA

Our respondents have expressed significant concerns regarding the cost burden and practical challenges of performing Purchase Price Allocation (PPA) for each purchase of additional interest in an associate, as well as for other changes that result in an increase in ownership interests. Due to a lack of control by the investors, associates are often reluctant to share information beyond what is required to apply the equity method in the investor's financial statements. These challenges are further compounded when measuring the fair value of contingent consideration related to purchases of unlisted associates as determining fair value requires additional information for estimating the associates' future performance. The costs and burden could be more significant for preparers lacking valuation resources. Accordingly, we recommend that the IASB clarify that PPA is necessary only when its impact on the investor's financial statements is material and explain how such a materiality assessment should be performed.

Recognition of a bargain purchase gain

We support recognizing bargain purchase gains in profit or loss when purchasing additional interests in an associate that includes previously recognized goodwill. We consider that this treatment aligns with the "accumulation of purchases" approach adopted throughout the ED. Nevertheless, several respondents consider that such bargain purchase gains should instead be offset against the previously recognized goodwill for practical reasons. These include the potential impact on current practices adopted by investors that are dual-listed on the stock exchanges of Hong Kong and Mainland China and the risk of overstatement of goodwill included in the investment if impairment assessments are not conducted properly. Given these concerns, we recommend the IASB:

(i) Provide guidance similar to IFRS 3.36 to address the possibility that a bargain purchase gain is recognized due to an inappropriate PPA;
(ii) State in the final standard that investments in associates should be tested for impairment as a single unit of account whenever a bargain purchase gain arises; and
(iii) Assess the impact of the proposal to jurisdictions where the majority of companies are currently applying the alternative view, and determine if any refinements to the proposal are necessary.

Deferred tax effects on purchase of an associate

The ED requires an investor to perform PPA and recognize the related deferred tax effects when accounting for purchase of an associate, without distinguishing whether an associate constitutes a business. As per IFRS 3.2(b) and paragraph 15(b) of IAS 12 *Income Taxes*, deferred tax is not recognized upon initial recognition of an asset or a group of assets which does not constitute a business. If the same concept applies to the purchase of an associate, it is unclear why deferred tax should be recognized for the purchase of an associate that does not constitute a business. Accordingly, we recommend that the IASB clarify whether PPA should be performed and consequently, whether the recognition of deferred tax effects should be required for purchases of all associates, including those that only hold assets and do not constitute businesses.

*This article was contributed by **Carrie Lau** and **Katherine Leung,** Associate Directors of the Institute's Standard Setting Department.*

Amendments to HKFRS 9 and HKFRS 7 on the classification and measurement of financial instruments

Key implications of the amendments that may be relevant and have a wider impact on reporting entities in Hong Kong

Background of the amendments

In May 2024, the International Accounting Standards Board (IASB) issued *Amendments to the Classification and Measurement of Financial Instruments*, which amended International Financial Reporting Standard (IFRS) 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*, to address the matters identified during the post-implementation review (PIR) of the classification and measurement of IFRS 9 and clarify stakeholders' concerns and emerging issues. The Hong Kong Institute of CPAs issued the equivalent *Amendments to Hong Kong Financial Reporting Standard (HKFRS) 9 Financial Instruments and HKFRS 7 Financial Instruments: Disclosures* in August 2024. The key areas of the amendments include:

(i) Clarifying the date on which a financial asset or financial liability is derecognized;
(ii) Introducing an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if specified criteria are met;
(iii) Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and other similar features;
(iv) Clarifying the requirements for classifying financial assets with non-recourse features and contractually linked instruments; and
(v) Additional disclosure requirements regarding investments in equity instruments designated at fair value through other comprehensive income (FVTOCI) and financial instruments with contingent features, for example, features tied to ESG-linked targets.

Among these amendments, we consider those related to the initial recognition or derecognition of financial assets and liabilities (i.e. (i) and (ii) above) and the classification of financial assets with ESG-linked features, as well as the related disclosures (i.e. (iii) and (v)) to be particularly relevant for the majority of reporting entities in Hong Kong. Accordingly, this article focuses on highlighting these requirements and their implications. It does not cover the amendments related to non-recourse features and contractually linked instruments.

Please note that the discussions regarding the implications of the key amendments below are not exhaustive. Entities should read the full amendments and conduct their own assessments based on their specific facts and circumstances.

Highlights of key amendments and their relevant implications

1. Initial recognition or derecognition of financial assets and liabilities

Date of initial recognition or derecognition of financial assets and liabilities – general principles

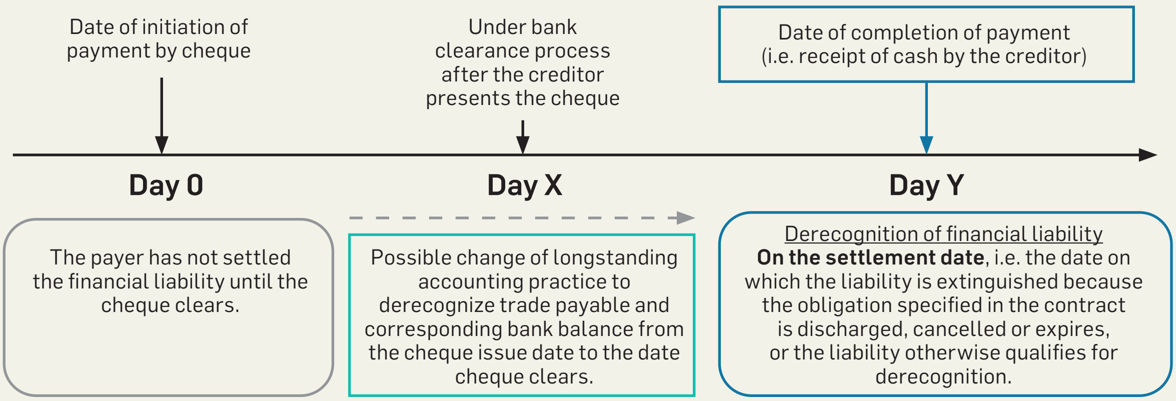
The amendments clarify that financial assets or financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regarding derecognition, financial assets are derecognized when the entity's rights to the contractual cash flows expire or are transferred. In the case of financial liabilities, the amendments clarify that a financial liability is derecognized on the "settlement date", i.e. the date on which the financial liability is extinguished because the related obligation specified in the contract is discharged, cancelled, expires or the liability otherwise qualifies for derecognition.

Implications and relevant considerations

Unless using an electronic payment system that meets the specified criteria in HKFRS 9.B3.3.8 (refer to "Derecognition of a financial liability through electronic transfer" below), entities cannot derecognize a financial asset or financial liability until the amount has cleared in the receiving entity's bank account. These requirements apply to payments made via cheque, debit card or credit card and other electronic transfers that do not satisfy the conditions in HKFRS 9.B3.3.8.

In Hong Kong, it is common for companies to derecognize their financial liabilities upon the issuance of cheques to their creditors. At each month-end, they perform bank reconciliation procedures to reconcile any differences in the closing balance between the bank ledger and bank statements (e.g. cheques not yet cleared by the bank). The amendments

Diagram – Derecognition of trade payable settled by cheque



could change this current practice by clarifying that entities can derecognize their financial liabilities only when cheques are cleared by the bank, instead of when they are issued, as illustrated in the diagram above.

Under the amendments, the debtor should derecognize trade payable on Day Y when the creditor receives the cash, as opposed to Day 0 when the debtor issues the cheque. Similarly, a creditor derecognizes a trade receivable upon receiving cash from the debtor after the cheque has been cleared by the bank.

As illustrated in the diagram, entities whose current financial reporting processes do not align with the clarifications provided in the amendments might be affected. Therefore, entities should revisit their processes and assess whether the accounting policy for derecognition of financial assets and financial liabilities conforms to the amendments.

Derecognition of a financial liability through electronic transfer

The amendments introduce an accounting policy option that allows an entity to deem a financial liability (or part of it) to be settled in cash using an electronic payment system as discharged before the settlement date if the conditions specified in HKFRS 9.B3.3.8 are met. This enables the entity to derecognize the financial liability before the settlement date. This option does not apply to other means of settling financial liabilities, such as payments by cheque, debit card or credit card. Once an entity elects this accounting policy option, it is required to apply that accounting policy to all settlements made through the same electronic payment system. However, the option can be applied to electronic payments on a system-by-system basis.

Implications and relevant considerations

The amendments are not expected to have a significant impact on entities operating in Hong Kong and Mainland China where electronic payment systems generally operate on a real-time basis.

However, it is important to note that the amendments apply to specific scenarios involving payments made through an electronic payment system for financial liabilities. For entities intending to apply the accounting policy option permitted by the amendments, additional work will be required to analyze the contractual and legal requirements for each electronic payment system in their jurisdictions to determine whether the specified conditions are met. This analysis could be complex, particularly in cases of cross-border payments. Furthermore, entities' financial reporting processes might be affected, for example, some entities that previously derecognized financial liabilities only upon cash receipts will need to adjust their practices if the accounting policy option is adopted.

2. Classification of financial assets – contractual terms that are consistent with a basic lending arrangement

The PIR of IFRS 9 discussed the challenges raised by stakeholders regarding the classification of financial assets with contingent features whose cash flows are linked to ESG targets. Questions have been raised as to whether the contractual cash flows from these financial assets are solely payments of principal and interest on the principal amount outstanding (SPPI) under IFRS 9. In response to the stakeholders' feedback, the IASB amended IFRS 9 to provide guidance on how an entity assesses whether contractual cash flows of a financial asset with contingent features are consistent with a basic lending arrangement, specifically, whether:

- The contractual cash flows that could arise before and after the change in contractual cash flows would meet the SPPI test.
- The nature of contingent event relates directly to, and the contractual cash flows change in the same direction as, changes in basic lending risks and costs.
- The SPPI test may still be met when the nature of contingent event does not relate directly to changes in basic lending risks and costs.

To illustrate the application of the requirements, the amendments also add examples of financial assets with contingent features that have, or do not have, contractual cash flows that are SPPI.

Implications and relevant considerations

The amendments provide additional application guidance for <u>all</u> financial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assets whose contractual cash flows could change as a result of contingent events. Therefore, entities should reassess whether their financial assets with contingent features are impacted by the amendments. Judgement may be needed in assessing whether financial assets containing contingent features satisfy the SPPI test under the amendments, e.g. what is considered as "significantly different" in applying the new requirements of HKFRS 9.B.4.1.10A.

In cases where there is a change in the measurement category of existing financial assets as a result of applying the amendments, entities should provide the relevant disclosures according to the transition provisions in the amendments.

3. Disclosures

Disclosures – investments in equity instruments designated at FVTOCI

The amendments require the following additional disclosures for each class of FVTOCI investments:

- The change in fair value in other comprehensive income during the period, showing separately the amounts related to investments derecognized in the period, and those held at the end of the reporting period; and
- The aggregate fair value of investments (as opposed to fair value of each such investment before the amendments) at the end of the reporting period.

The amendments also require disclosure of any transfers of the cumulative gains and losses within equity during the reporting period related to the FVTOCI investments derecognized in that reporting period.

In addition, the amendments provide an example in the Implementation Guidance to HKFRS 7 to illustrate the application of the above new disclosure requirements.

Implications and relevant considerations

The grouping of investments into classes should be performed based on the requirements of HKFRS 7.6. The applicability of the new disclosure regarding the transfers of cumulative gains or losses within equity depends on the entities' existing accounting policy on whether to transfer these cumulative gains or losses.

Disclosures – contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event

The amendments introduce new disclosure requirements to enable users of financial statements to understand the effect of contractual terms that could change the timing or amount of contractual cash flows based on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs. These new disclosures include:

- A qualitative description of the nature of the contingent event;
- Quantitative information about the possible changes to contractual cash flows that could result from those contractual terms; and
- The gross carrying amount of financial assets and the amortized cost of financial liabilities subject to those contractual terms.

The above disclosure requirements apply to each class of financial assets measured at amortized cost or FVTOCI and each class of financial liabilities measured at amortized cost.

Implications and relevant considerations

The new disclosures are applicable to both financial assets and financial liabilities whose cash flows would change due to a contingent event, and not only financial assets whose classification requirements have been amended. They are not required for financial instruments measured at fair value through profit or loss, as the changes in fair value are considered to provide sufficient information to enable users to assess the future cash flows of those instruments.

While entities should group investments into classes based on the requirements of HKFRS 7.6, judgement may be necessary when determining the appropriate level of aggregation or disaggregation of information for disclosures. In addition, entities may need to exercise judgement in determining the nature and extent of qualitative and quantitative disclosures required by the amendments, taking into account the complexity of the instruments and materiality.

Effective date and transition

The amendments will become effective for annual reporting periods beginning on or after 1 January 2026. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets and the related disclosures is permitted. An entity shall apply the amendments retrospectively. Restatement of comparative information is not required, and is only permitted to do so without the use of hindsight.

*This article was contributed by **Carrie Lau** and **Kennis Lee**, Associate Directors of the Institute's Standard Setting Department. Visit our "What's new" webpage for our latest publications, and follow us on LinkedIn for upcoming activities.*

TECHNICAL NEWS

The latest standards and technical development highlights

Members' Handbook highlights
Handbook Update No. 324 relates to the publication of Hong Kong Standard on Sustainability Assurance (HKSSA) 5000, which is the equivalent of International Standard on Sustainability Assurance (ISSA) 5000 issued by the International Auditing and Assurance Standards Board (IAASB). HKSSA 5000 is an overarching standard that outlines requirements and application material for all elements of a sustainability assurance engagement. It provides a robust framework that supports the consistent performance of quality sustainability assurance engagements, aiming to enhance the reliability and transparency of disclosed information. The key impacts document provides an overview of the standard and addresses major local stakeholders' comments gathered during the consultation of ISSA 5000.

Handbook Update No. 323 revises Practice Note (PN) 860.1 (Revised) *The Audit of Retirement Schemes* in Volume III. It is updated to address the implementation of eMPF as a result of the amended Mandatory Provident Fund (MPF) Schemes Ordinance and relevant guidelines. The updated PN is effective for reporting periods ended on or after 31 December 2024. It is only applicable for MPF schemes which have completed onboarding the eMPF Platform. The extant PN remains applicable for MPF schemes which have not joined the eMPF Platform.

Handbook Update No. 322 relates to the issuance of *Contracts Referencing Nature-dependent Electricity* (Amendments to HKFRS 9 *Financial Instruments* and HKFRS 7 *Financial Instruments: Disclosures*). The key areas of the amendments include:

- Clarifying the application of the "own-use" requirements;
- Permitting hedge accounting if nature-dependent electricity contracts are used as hedging instruments; and
- Adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The amendments will become effective for annual reporting periods beginning on or after 1 January 2026. Earlier application of the amendments is permitted.

Financial reporting

Institute submission
The Institute has submitted its comment letter on the International Accounting Standards Board (IASB) Exposure Draft *Provisions – Targeted Improvements*.

Educational publication
The Institute has issued the educational publication *Financial Reporting Considerations for Closing Out 2024*. This publication aims to provide preparers with key reminders and insights for preparing their 2024 annual financial statements in accordance with HKFRS Accounting Standards. It covers topical financial reporting issues, and highlights major new and amended HKFRS Accounting Standards that will become effective after 2025.

Auditing and assurance

Institute submission
The Institute has submitted its comment letter on the IAASB *Post-Exposure Consultation: Invitation to Comment Before the IAASB Finalizes the Narrow Scope Amendments to the ISQMs and ISAs as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code*.

Technical Bulletin: Determining the appropriateness of the auditor's reporting framework
The Institute's recently issued Technical Bulletin AATB 7 aims to help practitioners determine an appropriate reporting framework for engagements other than audits or reviews of financial statements. The guidance also assists intended users of the practitioner's report in understanding the purposes of different types of auditor reporting, thereby addressing specific needs, such as regulatory obligations.

ISSA 5000 and IESSA global baseline standards for sustainability assurance
The IAASB and the International Ethics Standards Board for Accountants (IESBA) have launched an integrated effort to support effective implementation of their landmark standards in sustainability reporting and assurance:

- ISSA 5000 provides a principles-based framework for conducting assurance engagements on sustainability information reported by entities.
- International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA), the provisions related to sustainability reporting, and the new standards addressing using the work of an external expert in the *International Code of Ethics for Professional Accountants (including International Independence Standards)*, establish a strong ethical foundation for sustainability reporting and assurance engagements.

Visit the joint IAASB and IESBA webpage for more information. In jurisdictions adopting the standards, both ISSA 5000 and IESSA will become effective for periods starting on or after 15 December 2026, with early adoption permitted and encouraged. The Institute will follow its due process for the convergence and adoption of these standards.

Updated circular for the New Capital Investment Entrant Scheme
In January, the Financial Services and the Treasury Bureau and Invest Hong Kong announced the details of various enhancement measures for the New Capital Investment Entrant Scheme, set to take effect from 1 March 2025. Consequently, the Institute has updated Circular on Reporting under Rule 4.2 and Rule 4.4 relating to Net Asset Requirement and Rule 4.6 relating to

Investment Requirements of the New Capital Investment Entrant Scheme to reflect the revised requirements.

Reminders for Auditors' Reporting on Licensed Corporations

The Accounting and Financial Reporting Council has published the *Checkpoint – Reminders for Auditors' Reporting on Licensed Corporations*, which provides an overview of their 2024 inspection findings relating to licensed corporation (LC) audits and assurance engagements. This publication identifies ongoing audit quality concerns and recommends good practices to improve quality of work, along with key emerging risks and opportunities for LC auditors.

IAASB publication on first-time implementation guide for the ISA for LCE

The IAASB has released the First-Time Implementation Guide for the ISA for LCE. This guide provides an overview of the *International Standard on Auditing for Audits of Financial Statements of Less Complex Entities* (ISA for LCE) concepts, structure and format. It offers step-by-step insights into each part of the standard with examples and comparisons to other ISAs, equipping auditors with the tools needed for effective implementation of the ISA for LCE.

IFIAR publication on use of technology in the audit

The International Forum of Independent Audit Regulators (IFIAR) 2025 report on Use of technology in audits – observations, risks and further evolution highlights findings related to the use of automated tools and techniques observed in IFIAR Member inspections .The report includes key messages arising from discussions with the Global Public Policy Committee networks.

Ethics

Invitation to comment

The Institute is seeking comments on the IESBA Consultation Paper: Collective Investment Vehicles and Pension Funds by 30 May. The consultation seeks views on auditor independence matters pertaining to audits of Investment Schemes when these Schemes involve external parties. It also aims to inform the IESBA's consideration of whether its International Independence Standards are sufficiently clear and fit for purpose for such audits.

Sustainability

GAA guide on nature matters for accountants

This Global Accounting Alliance (GAA) guide, Why nature matters to accountants, provides accountants working in business and practice with foundational knowledge and practical actions to begin integrating nature into their work. It explores the financial impact of nature-related issues and includes real-world case studies showcasing best practices, along with a list of resources.

New webcast series – Sustainability-related risks and opportunities and the disclosure of material information

In November 2024, the IFRS Foundation published a guide to help companies in identifying and disclosing material information about sustainability-related risks and opportunities that could reasonably be expected to affect their cash flows, access to finance or cost of capital over the short, medium or long term. To provide further support, the IFRS Foundation has launched a new webcast series to explain:

- The definition of material information and its application in the International Sustainability Standards Board Standards;
- The meaning of "sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects", and how to identify such risks and opportunities; and
- How to identify and disclose material information about these risks and opportunities.

Insolvency

INSOL Hong Kong 2025

INSOL International, the global association for restructuring, insolvency bankruptcy professionals, held its major international conference on 17-19 March in Hong Kong, marking the first time the event has been held in the city since 2014. The conference, which was co-chaired by a member of the Institute's Restructuring and Insolvency Faculty Executive Committee, reached its capacity of 700 participants well ahead of time. In addition to the main conference, a number of related ancillary event were held at the same location, including a member associations' meetings attended by Institute representatives, the seventh INSOL/World Bank Group Legislative & Regulatory Colloquium, financiers and judicial roundtable meetings, and an offshore meeting.

Bankruptcy and Companies Legislation (Miscellaneous Amendments) Ordinance 2023 (Commencement) Notice 2025

The Official Receiver's Office (ORO) has issued a letter for the attention of insolvency practitioners (IPs).

The letter reminds IPs that 14 July 2025 is designated for the commencement of all provisions of the Bankruptcy and Companies Legislation (Miscellaneous Amendments) Ordinance 2023 (Ordinance) that have not yet commenced. Part 2 of the Ordinance deals with amendments to the Bankruptcy Ordinance (Cap. 6), the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) and their subsidiary legislation relating to the electronic submission of certain documents to the Official Receiver. Please also refer to the press release for details.

ORO Circular No. 1/2025

The ORO has issued the above-captioned circular for the attention of liquidators, which supersedes Circular No. 3/2017. The main change is that, when liquidators submit their bill of costs to the ORO, along with a resolution passed by the committee of inspection (COI) confirming that the COI has been provided with the details prescribed in the circular, those details should now include "dates and names of respective grades of staff and the hours spent on the main activities of work performed" during the relevant period, rather than on a weekly basis as previously specified. This relaxation follows discussions between the ORO and the Institute's Restructuring and Insolvency Faculty Executive Committee.

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

ANSON CHAN

Head of Financial Intelligence Unit of Financial Crime Prevention at UBS AG Hong Kong

Photography by Anthony Tung

Anson Chan's sensitivity to data and detail-oriented mindset allow him to handle his job duties as Head of Financial Intelligence Unit of Financial Crime Prevention at UBS AG Hong Kong. He talks to *A Plus* about the draw of being an anti-money laundering specialist, and how his CPA qualification plays a key role in his journey of continuous learning.

Please explain your current role and responsibilities. What first drew you to the area of anti-money laundering (AML)?
As the Head of Financial Intelligence Unit of Financial Crime Prevention at UBS AG Hong Kong, my primary responsibility is to support senior management in managing and upholding the AML investigation framework. This includes reviewing all investigations, filing Suspicious Transaction Reports, sharing AML intelligence with other locations, and participating in projects that are investigation and transaction monitoring related. My career in AML first began with a mobility opportunity at Deloitte Hong Kong, where I started my journey as an auditor and later transferred to the Deloitte forensic team to perform various AML audit and advisory projects. As there is no one-size-fits-all solution in the area of AML, I enjoy the dynamics and uniqueness that come with my engagements and investigations. Each case requires a deep and holistic assessment of regulation and all the relevant facts such as transaction and client data, to uncover the underlying risks and take appropriate actions. This complexity and challenge led me to specialize and continue my career in the AML field.

What are the most rewarding and challenging aspects of your role, and why?
The most rewarding part is the opportunity to make an impact and contribute to improving the AML framework of the bank, by identifying high-risk AML typologies and advising on control enhancements. Additionally, the bank provides me with opportunities to collaborate with colleagues in various locations through AML projects and regular intelligence sharing. These experiences allow me to strengthen my AML knowledge, stakeholder management skills, and keep me abreast of the latest global developments. While the most challenging part of the role is dealing with complex investigations and keeping track of emerging financial crime technology risks, this motivates me to continuously learn and improve my knowledge. By doing so, I can effectively manage these challenges and assist the bank in fulfilling regulatory expectations.

In what ways has your CPA training or qualification helped you in your role?
The CPA training has been instrumental in my role and throughout my career journey. Apart from the analytical skills and detail-oriented mindset that most CPAs have instilled in them, my past training consistently reminds me of the importance of continuous learning and staying updated with technology and regulatory developments. In addition, the people management skills that I have acquired through audit and advisory engagements have helped me in my current role, especially in presenting risks to different stakeholders and managing their expectations.

Where do you see yourself in the next five to 10 years in your career?
I aspire to continue my career in the AML profession in the coming five to 10 years. By leveraging my AML knowledge and with the assistance of technology, I aim to explore a more efficient and risk-based approach to perform my role and address the emerging AML risks in the future.

What are the biggest lessons you have learned so far from work experience or managers?
A well-organized routine and clear goals are essential for me to ensure work is in good shape. Through better planning, I can focus more of my time on dealing with higher-risk situations. In addition, this is critical to staying aligned with the bank's holistic AML framework and keeping abreast with industry developments. Most importantly, from my work experiences and managers, I have learned that self-discipline is key to success. This enables me to maintain a high level of focus and efficiency in performing my roles, and also make sound judgements in managing the risks in each AML investigation and engagement.

Guiding the transformation of Hong Kong's accounting profession: The Institute's Strategic Plan 2025

The key focuses under the Strategic Plan 2025 that are essential to leading the accounting profession towards continuous development

In the face of unprecedented global political and economic uncertainties, rapid technological advancements, talent shortages, and evolving regulatory requirements, the accounting profession is undergoing a critical transformation. This transformation aims to position accountants as "super connectors" and "super value creators," helping businesses navigate challenges, seize opportunities both domestically and internationally, and expand their global footprint.

As the statutory body responsible for developing Hong Kong's accounting profession, the Hong Kong Institute of CPAs has formulated the Strategic Plan 2025. This plan is organized around three strategic themes: Building Trust, Nurturing Talent, and Driving Development and Transformation.

Promoting sustainability assurance

Building trust is essential for the credibility and integrity of the accounting profession. Under this theme, we aim to articulate the ethical conduct, professional competence, and contributions of CPAs to the public interest. One key component is building awareness and capacity in sustainability disclosures.

With environmental, social and governance (ESG) becoming a core global business issue, the Institute, as the setter of Hong Kong's sustainability disclosure standards, has been committed to the development of Hong Kong's sustainability disclosure ecosystem. Since the release of the internationally aligned Hong Kong Financial Reporting Sustainability Disclosure Standards at the end of last year, the Institute has recognized the increasing market demand for transparency and reliability in sustainability information. In March, the Institute issued the HKSSA 5000 *General Requirements for Sustainability Assurance Engagements*, fully aligned with international standards, and plans to release ethics standards for sustainability assurance within the year to further enhance the credibility of Hong Kong's sustainability disclosures.

Accountants, with their professional financial reporting knowledge and experience, are ideal candidates for providing sustainability assurance services. The Institute will leverage resources from international accounting organizations to promote the critical role and value of accountants in sustainability reporting and assurance. Additionally, the Institute will strengthen related initiatives to enhance market recognition of professional assurance. To address the rapid changes in sustainability work, the HKICPA will closely collaborate with stakeholders through various measures to build capacity and create a more favourable environment for the comprehensive implementation of Hong Kong's sustainability disclosure standards.

Innovating the QP curriculum

Cultivating talent is essential to promoting industry transformation. However, like many other industries, the accounting sector is facing a certain degree of talent shortage. To address this, the HKICPA will enhance the Qualification Programme (QP) by introducing the Certificate in Accounting and Business. This certificate recognizes the learning achievements of students who have completed a certain stage of the QP modules, spurring them to continue their studies to become professional accountants. It also encourages individuals working in various industries to complete the certificate to validate their practical accounting and business knowledge. The Institute is also collaborating with the Hong Kong Examinations and Assessment Authority to gradually implement computer-based examinations for the QP curriculum, aiming for full implementation by the end of 2027 to improve the efficiency and experience of the QP examination process.

At the same time, the rapid development of technology, especially artificial intelligence, can assist with many repetitive procedures, helping to unleash accountants' professional potential and focus on more value-added work, thereby improving overall industry efficiency. The Institute believes that accountants who can harness technology will capture opportunities arising from the digitalization wave. The Institute will actively promote further digitalization in the industry, providing support through training programmes, resources, and guidance to help professionals adapt to new technologies and adopt relevant digital tools.

Assisting accountants and enterprises in Going Global

Hong Kong's accounting industry has long been a pillar of local economic development, playing a crucial role in consolidating Hong Kong's status as an international financial centre through its high-quality professional services and alignment with international standards. The qualifications of Hong Kong accountants have always been internationally recognized. Currently, the Institute has mutual recognition or exemption arrangements with 11 overseas accounting organizations. In the future, the Institute will negotiate cooperation with more international accounting organizations to seek more opportunities for member exchanges and mutual recognition agreements. The Institute will also actively participate in international and regional conferences to bring Hong Kong's voice to the international stage.

Additionally, the Institute will strengthen connectivity with Mainland China. The Council will lead a delegation to Beijing in May to visit various entities, including the Ministry of Finance, the China Securities Regulatory Commission, and the Chinese Institute of Certified Public Accountants, to share the latest developments in Hong Kong's accounting industry and explore opportunities for deepening industry cooperation. The Institute will also continue to expand the *List of accounting firms helping Mainland enterprises go global* to leverage Hong Kong accountants' international vision and rich experience to help Mainland enterprises expand their overseas presence and seize more opportunities.

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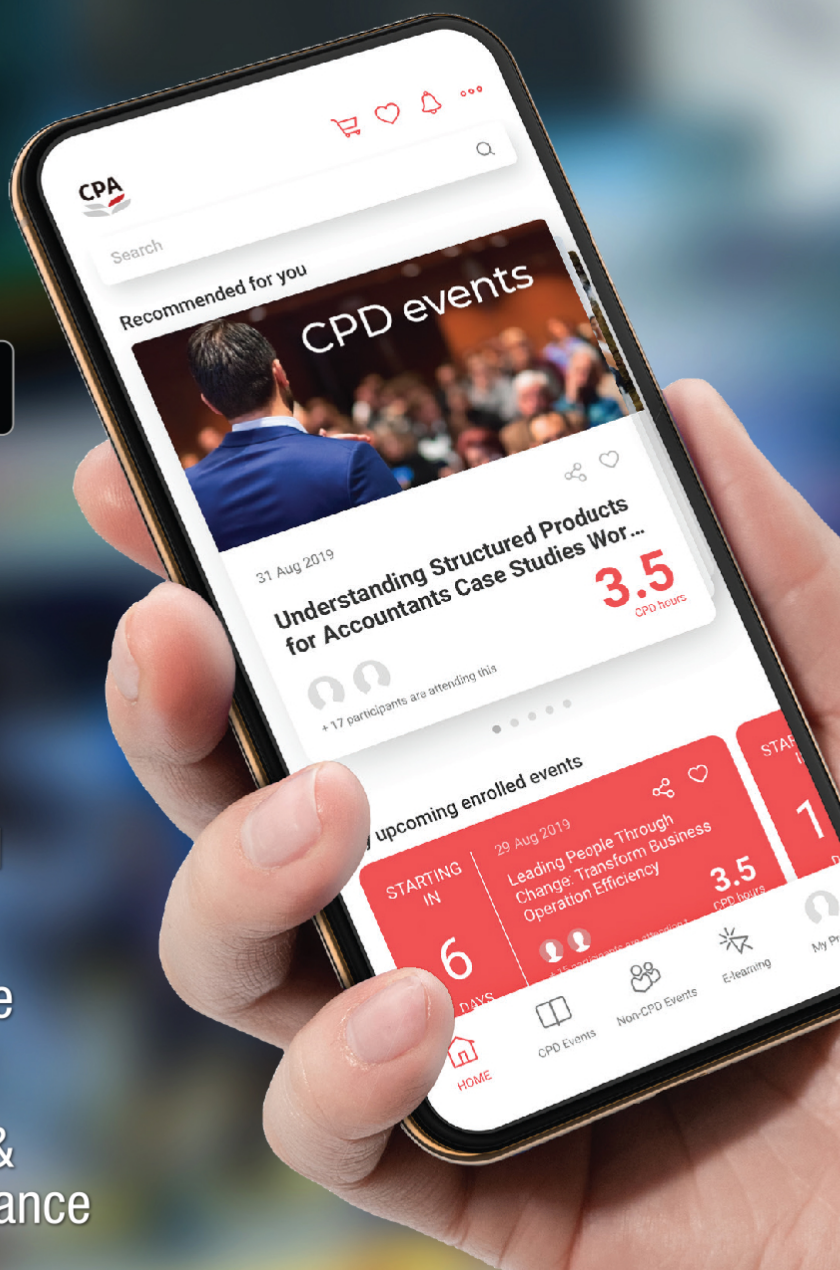

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