

**DRIVING BUSINESS SUCCESS**

*Issue 1 Volume 17 January 2021*

# MAKING THE PROFESSION TODAY-READY

New Institute President Raymond Cheng on how unprecedented events mean CPAs need to be ready for any possibilities

**PLUS:**

## **YOUNG MEMBERS**

Roundtable discussion on career progression and challenges for young CPAs

## **ACCOUNTANT PLUS**

Anil Daryanani, Chief Financial Officer at Thakral Corporation Ltd.

## **SECOND OPINIONS**

What is the best way to motivate employees?

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**“The Institute has an important role to play in helping our members to recover from the challenges of the pandemic and harness new opportunities in the future.”**



Dear members,

It is my greatest pleasure to be your Institute President for 2021. It is a great personal honour for me, after having served on Council for over 10 years, and on various committees since 1998. I look forward to working closely with my two Vice-Presidents, Rosalind Lee and Ken Li, and our fellow Council members to apply our experience to the important task of leading our profession.

This last year has been one of disruption, and while the COVID-19 pandemic continues to affect Hong Kong, with dozens of cases daily, the arrival of vaccines from next month brings hope that we will soon turn the corner and begin the recovery.

As the Leadership Team set out in our “First Letter to Members” issued in December after the election, the Institute has an important role to play in helping our members to recover from the challenges of the pandemic and harness new opportunities in the future. To effectively help you, we must know your issues and concerns. We must communicate openly and plainly with you, listen to you, and respond to your needs.

When I was inaugurated as President of the Institute, I laid out 10 focus areas for the Institute for

2021 and we will work diligently on those areas, which are: implementation of “one member one vote” for the election of the President and Vice-Presidents; anti-money laundering compliance issues; the membership admission process for registration as CPAs; implementing the new Qualification Programme examinations; investigating long working hours; the digitalization of the profession; branding of the profession; global recognition of the Institute and our members; legal and compliance issues for accountants; and career development for members.

It’s a long list, but one we are raring to tackle. Indeed, we’ve already made progress on some of these issues. This month, for example, we have clarified the membership admission process by amending the membership application form. Council has also already set up one new task force, the Task Force on Legal and Compliance for Accountants, to help tackle some of these issues, and there are more new task forces on the way.

I was interviewed for *A Plus* this month and discuss more about what we need to do in the year ahead. I hope you will read the interview on page 16 to better understand what

we have planned.

It is not only the profession that needs to prepare for the recovery. This month I took part in a press conference announcing the Institute’s 2021-22 budget proposals ahead of the Financial Secretary’s Budget Speech in February. The proposals include 21 measures under the appropriate theme “Preparing for the recovery,” across four areas: preparing for the recovery; adapting to the new normal through more extensive digital transformation; public finance and taxation; and environmental measures. You can read more about the proposals in the Source article on page 40.

With the year of the ox around the corner I wish you all good fortune, a happy, a healthy and a prosperous year ahead! I hope that the characteristics of the ox, being diligence, perseverance, and a symbol of strength, will lead to a calmer and safer year for all of us. I recorded a video celebrating the Chinese New Year, and the new appointments to the Institute’s committees for the year ahead. The video is available along with some *e-fai chun* messages and WhatsApp stickers for sharing with your family and friends on the Institute’s website.

**Raymond Cheng**  
President

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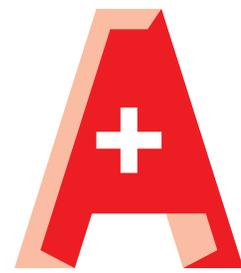




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**DRIVING BUSINESS SUCCESS**

### About our name

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



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ISSN 1815-3380

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© Hong Kong Institute of Certified Public Accountants  
January 2021. Print run: 7,300 copies  
The digital version is distributed to all 46,562 members,  
18,199 students of the Institute and 2,358 business  
stakeholders every month.



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# NEWS

Institute news Business news

## Institute announces recommendations for the government's budget



From left: Eugene Yeung, Convenor of Budget Proposals 2021-2022 Sub-Committee; Raymond Cheng, Institute President; and William Chan, Chair of the Taxation Faculty Executive Committee

The Hong Kong Institute of CPAs issued its tax policy and budget proposals for 2021-22 under the theme “Preparing for the recovery” this month. The Institute suggested a range of 21 different measures to prepare for the recovery, enhance public finance and taxation, help citizens and businesses to adapt to the “new normal” through more extensive digital transformation, as well as environmental measures to improve the local environment and citizens’ well-being.

The Institute estimates that the fiscal deficit for 2020-21 will reach HK\$348 billion for the year, while fiscal reserves are expected to stand at HK\$812 billion. “Hong Kong’s economy is facing various domestic and external challenges. Like many other jurisdictions, the near-total disruption to lives due to the COVID-19 pandemic and the related restrictions on travel, have had a significant impact on the economy, resulting in the high unemployment rate and budget deficit,” said Institute President Raymond Cheng. “Other challenges ranging from the outmoded tax

system, the United States-China trade war, the need for faster digital transformation in light of the ‘new normal,’ and the pressure on public finances, indicate an urgent need for the government to respond.”

The unemployment rate for the three months ending December 2020 reached 6.6 percent, the highest in nearly 16 years. “More should be done to support

employment and the economy now, through creating jobs in both the public and private sectors, and accelerating the scheduled infrastructure/construction projects to create demand,” said Cheng. To help graduates enter the job market and ensure a sufficiently skilled workforce, the Institute also suggested the government provide salary subsidies to employers for hiring graduates and career transition assistance to eligible people.

As the COVID-19 pandemic has revealed the weaknesses of the existing tax system amid the economic turmoil, the Institute once again called for a holistic review of the Hong Kong tax system. “A review of the public finance revenue model has become even more pressing after developments in 2020,” said Eugene Yeung, Convenor of Budget Proposals 2021-22 Sub-Committee.

With respect to the importance of investing in technology and infrastructure, the Institute highlighted that some of Hong Kong’s small- and medium-sized enterprises (SMEs) may not be able to

afford the cost of digital transformation and effective cybersecurity. “To help SMEs and the business community, the government should consider developing a public cloud infrastructure, upgrading the existing e-government services, and educating the public and SMEs about cybersecurity matters,” said William Chan, Chair of the Taxation Faculty Executive Committee. The Institute also recommended the government support disadvantaged families by subsidizing their Internet subscription plans.

The budget proposals are available on the Institute’s website. Read the summary of our recommendations on page 40.

### New committee appointments confirmed

The appointments to the new term of the Institute’s committees, panels and working groups to support the activities of the Council have been finalized. Members can learn about the various committees and their composition for this year on the Institute’s website. In addition, the Institute has established a new Task Force on Legal and Compliance for Accountants to consider challenges faced by members relating to certain legal and compliance matters, and to propose ways that the Institute can help members navigate them.

### QP December 2020 examinations held successfully

The Institute successfully held the final module examinations of the current Qualification Programme (QP) on 28 and 29 December 2020 amid the COVID-19 pandemic. Together with the Final Examination held in November, the entire December 2020 session of the QP has been completed. Preparation for the first offering of the Professional Level of the new QP continues ahead of the June 2021 examination session. Details about the new QP can be found on the Institute’s website.

## Research study on COVID-19 disclosures by listed companies available now

The Institute has published a new report on corporate disclosures in relation to the COVID-19 pandemic, undertaken alongside the Best Corporate Governance Awards. The report reviews how Hong Kong-listed companies with 31 March 2020 year-ends communicated the impact of COVID-19 in their annual reports and additional disclosures. It also makes recommendations for

how companies should improve their disclosures. For more details, read this month's How-to column on page 22.

## Institute launches events app survey

The Institute is conducting a survey of members who use the HKICPA Events app with the aim of identifying ways to improve it and create more value for users. App users will have received an invitation email, and a link can also be found in the app.

## Minutes of the 48th AGM

The minutes of the Institute's 48th annual general meeting (AGM) held on 10 December 2020 are now available for members to read. They can be found in the "Members' area" of the Institute's website.

## Council meeting minutes

The abridged minutes from the November and December Council meeting are now available for members to read. They can be found in the "Members' area" of the Institute's website.

## Resolution by Agreement

**Chan Kam Fuk, CPA (practising) and Dominic K. F. Chan & Co.**

**Complaint:** Failure or neglect to observe, maintain or otherwise apply Hong Kong Standard on Review Engagements 2400 (Revised) *Engagements to Review Historical Financial Statements*.

Chan was the sole proprietor of Dominic K. F. Chan & Co. The firm issued an unmodified review report on the interim financial statements of Summi (Group) Holdings Limited and its subsidiaries (collectively, group) for the six months ended 31 December 2018, noting material uncertainty about the group's ability to continue as a going concern.

The group made significant payments for capital expenditures during the period. The payments depleted the group's bank balances as at 31 December 2018. Most of the payments were for land improvement contracts and were incorrectly classified as "lease prepayments for orange plantations."

The respondents' working papers reflected: insufficient understanding of the group's accounting system; insufficient assessment of the impact of the inappropriate classification; and inadequate procedures in relation to impairment assessments. The respondents' review report also did not include an adequate explanation of management's responsibility for the preparation of the interim financial statements.

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

1. The respondents acknowledge the facts of the case and areas of non-compliance with the relevant professional standard;
2. The respondents be reprimanded; and
3. The respondents jointly pay an administrative penalty of HK\$50,000 and costs of the Institute of HK\$15,000.

## Disciplinary finding

**Kwok Kam Piu, CPA (practising)**

**Complaint:** Failure or neglect to observe, maintain or otherwise apply Hong Kong Standard on Auditing (HKSA) 230 *Audit Documentation*; HKSA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*; HKSA 500 *Audit Evidence*; HKSA 550 *Related Parties*; and the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants.

Kwok issued an unmodified auditor's report on a private company's financial statements for the years ended 30 April 2017 and 30 April 2018. In carrying out the audits, Kwok failed to obtain sufficient appropriate evidence regarding the company's balances with its directors and shareholders and on management fee expense. In addition, he did not perform adequate risk assessment on related party transactions, and he failed to identify management fees paid to a director-controlled entity as a related party transaction. Further, Kwok failed to prepare adequate documentation of audit procedures performed on a material amount of dividends paid. These audit deficiencies demonstrated Kwok's failure to exercise adequate professional scepticism, maintain the required level of professional knowledge and skill, and act diligently and in accordance with applicable professional standards. Kwok admitted the complaints against him.

**Decisions and reasons:** The Disciplinary Committee reprimanded Kwok. In addition, Kwok was ordered to pay a penalty of HK\$50,000 and costs of disciplinary proceedings of HK\$116,962. When making its decision, the committee took into consideration the particulars of the breaches committed in this case, the parties' submissions, and Kwok's personal circumstances and conduct throughout the proceedings.

Details of the Resolution by Agreement and disciplinary finding are available at the Institute's website.

## NEW U.K. BUSINESS SECRETARY PRIORITIZES AUDIT REFORM

Kwasi Kwarteng, the United Kingdom's new Secretary of State for Business, has pledged to push ahead with reforming the British audit market and to shake up the Big Four firms. The *Financial Times* reported that according to business officials and senior industry figures, Kwarteng said that audit reform is "one of his initial priorities." In 2019, government-backed reports into the audit market recommended a series of sweeping reforms including separating it from accounting, and changes to the law around the way auditors report to the public. However, more than a year later, the government has still not consulted on the findings, blaming the delay on the COVID-19 crisis. Donald Brydon, the former chairman of the London Stock Exchange, who carried out one of the reports, recently called on the government to introduce much-needed reforms in the wake of the Wirecard scandal that broke last year.



## CHINESE SHORT VIDEO START-UP TO RAISE UP TO US\$6.2 BILLION IN HONG KONG IPO

Kuaishou Technology, the world's second-largest short-video platform, plans to raise as much as US\$5.4 billion in what could be Hong Kong's biggest initial public offering (IPO) since Alibaba's US\$13 billion secondary offering in 2019. The listing will raise between US\$4.9 billion and US\$5.4 billion, but that could rise to US\$6.2 billion if bankers exercise an overallotment option to increase its size, according to a term sheet seen by media. Kuaishou, which is backed by Chinese Internet group Tencent, is marketing shares in a price range between HK\$105 and HK\$115 a share. Shares are expected to begin trading on 5 February. The Kuaishou IPO has 10 cornerstone investors, including the world's biggest asset manager BlackRock and Singapore's sovereign wealth funds Temasek Holdings and GIC.

# US\$163 BILLION

WAS THE VALUE OF CHINA'S FDI IN 2020

Mainland China was the largest recipient of foreign direct investment (FDI) in 2020, with its economy bringing in US\$163 billion in inflows, the United Nations Conference on Trade and Development (UNCTAD) said in a report released this month. This is compared with the US\$134 billion attracted by the United States last year, making China the top destination for new FDI. China's gross domestic product grew 2.3 percent in 2020, official data showed, making the world's second-largest economy the only major country to avoid a contraction last year. Overall, global FDI sunk by 42 percent in 2020 to an estimated US\$859 billion, from US\$1.5 trillion in 2019, according to the UNCTAD report.

## GRANT THORNTON SUED £200 MILLION FOR PATISSERIE VALERIE ACCOUNTING FAILURES

The liquidators of Patisserie Valerie are suing Grant Thornton for £200 million after the British café chain collapsed following suspected fraud. The lawsuit is set to be one of the largest brought against a mid-tier accounting firm in the London courts, reported the *Financial Times*. Liquidators FRP Advisory said in a report to creditors that Grant Thornton was negligent in the preparation and conduct of financial statements from 2014 to 2017. FRP also said "large accounting misstatements" resulted in Patisserie Valerie's board "being unaware that the group has insufficient funds to continue to trade." Grant Thornton said it would fight "rigorously"

to defend the claim. Patisserie Valerie collapsed into administration in January 2019 following the discovery of significant accounting irregularities at the company and a £40 million hole in its finances.



## RIDE-HAILING GIANT GRAB TO CONSIDER U.S. IPO THIS YEAR

Southeast Asian ride-hailing giant Grab is exploring a listing in the United States this year, reported *Reuters* citing sources familiar with the matter. Grab's initial public offering could raise at least US\$2 billion, one of the sources said, which would likely make it the largest overseas share offering by a Southeast Asian company. "The market is good and the business is doing better than before. This should work well for public markets," one source said. The size of the issue and timing have not been finalized and are subject to market conditions, said the sources. Grab has expanded rapidly from its beginnings as a ride-hailing venture in Malaysia in 2012 to become a company worth more than US\$16 billion, offering services such as food delivery, payments and insurance in Southeast Asia. Its backers include SoftBank Group Corp and Mitsubishi UFJ Financial Group.

## ANNUAL U.S. BANKRUPTCY FILINGS JUMP TO HIGHEST SINCE 2009

More large companies in the United States filed for bankruptcy in 2020 than in any year since the global financial crisis in 2009. Energy, retail and consumer services companies led a total of 244 filings, according to data compiled by *Bloomberg*, the most since 2009, when 293 U.S. companies sought protection from creditors. Data also showed that 27 bankruptcy filings from retailers marked the worst run for that sector since at least 2008, while 47 energy companies with liabilities of at least US\$50 million went bankrupt last year, the most since at least 2008. Bankruptcy experts predict another wave of filings this year as cash runs out for struggling retail companies including gyms and movie theatres.

## CHINA EVERGRANDE'S EV UNIT RAISES US\$3.35 BILLION

China Evergrande New Energy Vehicle Group, the developer's Hong Kong-listed electric car unit, raised US\$3.35 billion, signaling its plan to conquer the global electric vehicle (EV) market. The group sold 952.4 million new shares at HK\$27.30 each, according to a Hong Kong stock exchange filing. Investors in the group, also known as Evergrande Auto, included Chan Hoi-wan of developer Chinese Estate Holdings and spouse of Joseph Lau Luen-hung, as well as Liu Ming-hui, the founder of China Gas Holdings. Each bought HK\$3 billion of stake. The buyers agreed to a one-year lock-up on their shares. Evergrande Auto said the funds would be used to invest in research and development, production and paying off debts. According to the *South China Morning Post*, China is set to become the world's biggest market for EV when 4 million cars, or one in every five vehicles, will be powered by electricity by 2025.

## EY PLANS TO BECOME CARBON NEGATIVE IN 2021

EY announced its ambition to be carbon negative in 2021 and net zero in 2025. The firm said it will achieve this by significantly reducing its absolute emissions and removing and offsetting more carbon than it emits each year. In a statement, EY set out seven key components of its plans to reduce total emissions by 40 percent and achieve net zero in 2025. Elements of the plan include reducing business travel emissions by 35 percent by fiscal year 2025 against a fiscal year 2019 baseline; and providing teams with tools that enable them to calculate, then work to reduce, the amount of carbon emitted when carrying out client work. "We believe that combatting climate change is a vital element of building a better working world. While this challenge is unique and different for each organization, we are inspired by those that are setting ambitious targets despite the difficulties they face," says Carmine Di Sibio, EY Global Chairman and CEO.

## FITCH PARTNERS WITH AI START-UP TO IMPROVE DETECTION OF BANKS' RISKINESS

Fitch Ratings, one of the big three credit rating agencies, has partnered with an artificial intelligence start-up in a bid to improve its early detection of misconduct. Last year, Fitch helped lead a US\$6 million funding round for New York-based Sigma Ratings, which runs software that sifts through more than 30,000 news sources and 1,000 other databases, such as company registries. Fitch is now a minority owner in the business. The deal comes amid a spate of misconduct at financial services companies in recent years – including the collapse of Wirecard – which had largely gone undetected by regulators, auditors and investors, reported the *Financial Times*. "Regulators and investors are holding banks more and more accountable and Wirecard was a real wake-up call," said Marjan van der Weijden, Fitch's Global Head of Financial Institutions.

## SINGAPORE EXCHANGE TIGHTENS AUDITING RULES

The Singapore Exchange has tightened its requirements for listed company auditors following a string of accounting scandals in recent years. Singapore Exchange Regulation (SGX) said on 12 January that changes would increase the standards required of auditors and property valuers that deal with listed companies. "We expect the quality of the market and investor protection to improve as a result," said Tan Boon Gin, Chief Executive Officer of the SGX. The move follows a series of governance scandals in listed and unlisted companies in



Singapore. The number of accounting scandals has sapped liquidity from Singapore's equity market and weighed on valuations, analysts say, discouraging companies from listing on the bourse, reported the *Financial Times*.

## U.S. CFOS INCREASINGLY TASKED WITH HEALTHCARE MANAGEMENT COSTS

Organizations in the United States are increasingly tasking chief financial officers with managing employee healthcare costs, according to a survey by Willis Towers Watson, released 11 January. The survey found that one-third of finance executives will maintain primary responsibility for their organization's overall healthcare cost management and strategy over the next three years, compared with 11 percent of human resources executives. This is likely due to the greatly increased cost of healthcare coverage following the coronavirus pandemic, according to the study. Healthcare management is moving increasingly towards the finance department mainly because healthcare programmes are comprising more and more of a company's budget, and those costs tend to be volatile, Alan Silver, Senior Director of Health and Benefits at Willis Towers Watson, told *CFO Dive*.

# STARTING OVER

Crises like the pandemic can be catalysts for change and generate opportunities for businesses to create more value over time. By talking to company leaders, **Nicky Burridge** finds out what steps companies are taking to ensure a safe and successful relaunch and how they are redesigning business models to get through the disruption or prepare for a post-COVID world

**Illustrations by Ester Zirilli**

**T**he COVID-19 pandemic and its associated travel restrictions might be expected to have had a significant impact on a private jet management business. But Joyce Kee, Chief Executive Officer of Aegle Aviation, does not view the sharp fall in air travel in a negative light. Instead, she says it gave the company the opportunity to take a step back, review its systems, processes and people, and focus on ways to enhance its offering.

In fact, Aegle Aviation, which offers services ranging from handling flight logistics to providing technical support to private jet owners, saw a rise in demand for its consultancy services on jet purchases and maintenance. “This year, we took on new consultancy projects. Apparently, some people are working hard to prepare for the post-COVID economy coming back stronger. We expect more revenue contributions to come from our consultancy projects, as we tap into our knowledge and experience base,” says Kee, a Hong Kong Institute of CPAs member.

Even so, Kee adds that Aegle Aviation’s operating model has had to be tweaked on a daily basis during the pandemic, while its team has needed to be more dynamic to stay ahead of the game.

While COVID-19 has had a significant impact on economic activity, many businesses are viewing the pandemic as an opportunity rather than a challenge. For some companies, the pause it has provided has enabled them to review their operations ahead of a relaunch once restrictions are lifted, while for others it has acted as a catalyst to change their business model and explore new opportunities.

Aegle Aviation is not alone in having to refocus its services as a result of travel restrictions. High-end hotel chain The Hongkong and Shanghai Hotels, which owns The Peninsula in Kowloon, introduced changes as borders were closed and mandatory quarantine periods were introduced, significantly impacting tourist numbers in its markets across Asia, Europe and the United States.

Clement King Man Kwok, Managing Director and CEO of The Hongkong and Shanghai Hotels and an Institute member, explains that as a result, the group has been focusing on domestic tourism. “Our business model has not changed as we believe the fundamentals of luxury hospitality do not change over time, but we have developed some innovative staycation packages and dining packages to attract local guests,” he says.

Other tweaks include introducing “Peninsula Time,” which allows guests to have their room ready as early as 6 a.m. on their arrival date and checkout as late as 10 p.m. on their departure date. The group has also put in place additional health and safety measures at its hotels. “There is hospital-grade cleaning and disinfecting happening, although we do try to shield our guests from this unromantic reality,” Kwok says.



### Seizing the opportunity

Louisa Yeung, CEO of Hong Kong recruitment agency KOS International, sees the pandemic as being a significant opportunity for her business. “To me, a downturn is the best time to prove yourself. If we keep doing the basics right and maintain our professional standards, we will be able to stand out among our competitors. Once the downturn is over, we will have an excellent opportunity to take market share and expand, pushing the brand and business to the next level,” says Yeung, also an Institute member.

To keep the business going during the downturn, KOS International is focusing on its high margin recruitment services, rather than its payroll and human resources outsourcing operations. It has also expanded its coverage into new industries, such as logistics and supply chain, education, media and manufacturing.

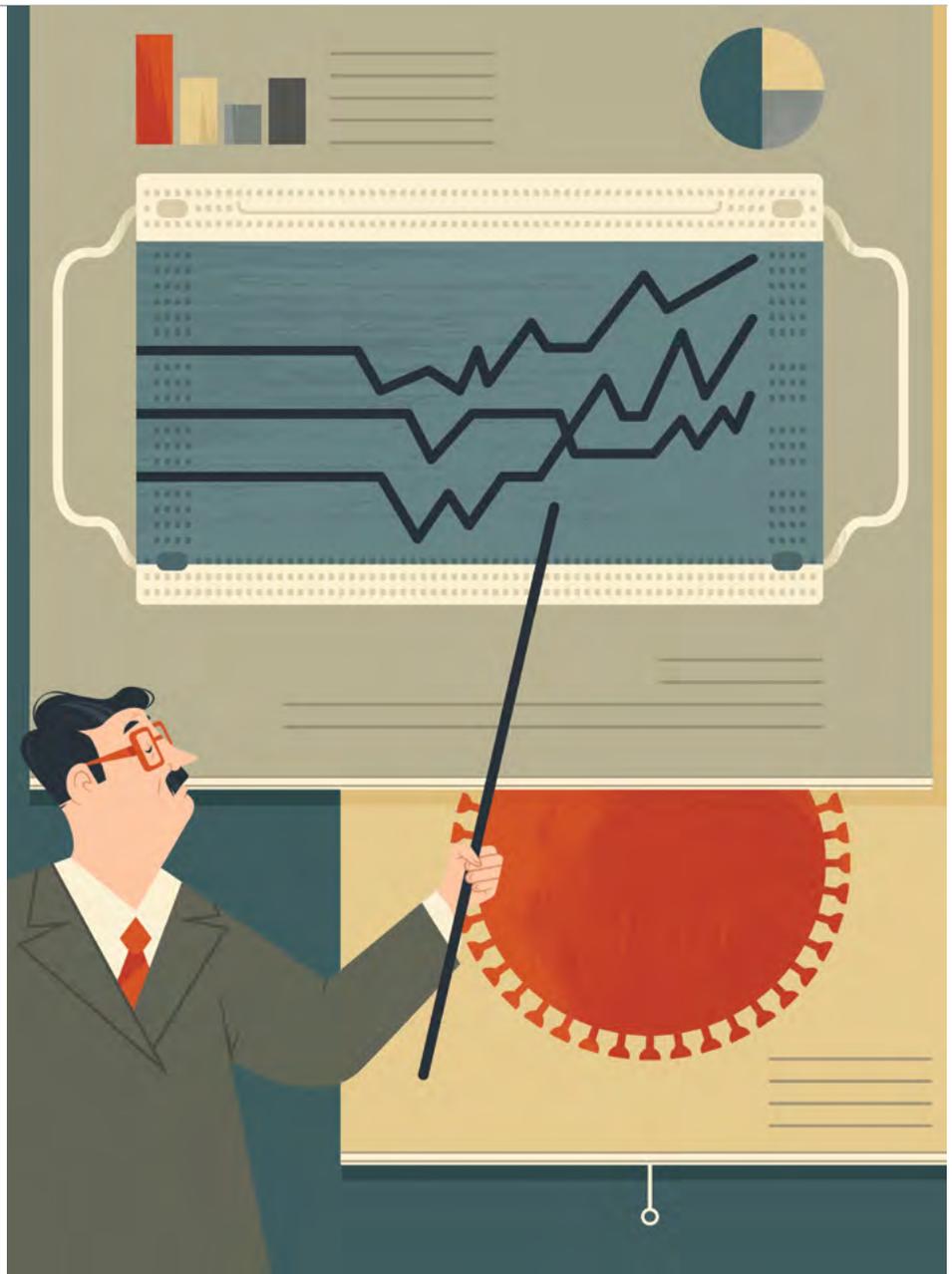
The company is also making the most of a surge in demand for technology-based positions as companies scrambled to digitize their operations. It has expanded the technology side of its business, transferring an experienced member of staff to take charge of the sector. “We stay very close to our key clients who are still hiring and ensure they receive top quality recruitment services and market advice. We also offer quality career counselling advice to our candidates by posting video clips on how to handle job searching,” Yeung says.

For Shirley Tse, owner of mergers and acquisitions accounting consultancy firm Dikan

Solution and an Institute member, the pandemic has also provided an opportunity to expand into new sectors. Tse explains that in the past, time pressures meant it was often difficult to spend a lot of time really getting to know clients. But with the pandemic reducing travelling and time spent commuting to the office, she has been able to spend more time with her clients, which has led to referrals to work with new clients in industries in which she was not previously active. “In the past, you may only have been able to spend one hour with a client but now you

can spend three hours with them. It leads to networking and this creates new opportunities,” she says.

Despite the opportunities created, this does not mean there were not challenges that needed to be overcome. For Kee, one of the immediate challenges was having to work away from Aegle Aviation’s offices, while keeping abreast of different countries’ travel restrictions and supporting crew who were quarantined or away from home for long periods of time. “Under the low flying mode, we also needed to be more conscious of



**“To me, a downturn is the best time to prove yourself. If we keep doing the basics right and maintain our professional standards, we will be able to stand out among our competitors.”**

aircraft maintenance,” she says.

IT consulting and support services company Arcotect has seen two major challenges as a result of the pandemic. The first was changing the way it communicated with its existing customers, with the company switching to electronic channels, such as Zoom, email, WhatsApp and WeChat. But more significantly, the pandemic reduced opportunities for it to meet potential new customers. “It has decreased our opportunities to bring in more business and sign-up new customers,” says Dr George Fok, CEO of Arcotect and an Institute member. Instead, he says the company was focusing its efforts on developing new products for when normal business activity could resume.

### Strong financials

Unsurprisingly, maintaining strong financials has been a key factor in surviving the business disruption. “We have been through many crises over the years, although COVID is one of the worst, and because of this, we have always maintained a strong balance sheet and a conservative financial position. We know that all crises will eventually end and that we can overcome adversity if we are well prepared,” says Kwok.

In the meantime, The Hongkong and Shanghai Hotels has accessed

some government subsidies and, while it is trying to minimize layoffs, it has had to furlough some of its staff. Arcotect has also had to take action. Fok says: “To stay afloat financially, the main tactics were to cut costs and downsize the workforce. The company is also conscious about managing our human resources more effectively and trying to improve the productivity of our staff.”

Yeung says KOS International has also kept a tight control on its expenses and ensured it has a good return on investment on all its expenditure. “We still celebrate successes but in a controlled fashion and manner,” she says.

### Looking after staff

Alongside ensuring they maintain sound financials, many companies have also prioritized taking care of their staff. “This is a time to look after people and ensure wellness is a priority. If your people are safe and trust the company, then when we come out of the pandemic, innovation will thrive,” Kwok says.

He adds that the mental health impact of the crisis on staff has been a big concern for The Hongkong and Shanghai Hotels, and alongside taking steps to ensure its employees feel safe and protected at work, including introducing extensive guidelines for hygiene standards, and appointing a hygiene manager

in all of its hotels to oversee cleaning protocols and regular testing procedures, it has also upgraded its medical benefits to include mental health awareness and treatment.

Kee at Aegle Aviation agrees on the importance of taking care of both staff and clients: “Our people are our assets, and protecting our assets has become our number one priority,” she says. In practice, this has meant the company always having first-hand regulatory information at its fingertips, as well as implementing digital transformation to enable remote working.

For KOS International, investment in its IT systems has paid off during the pandemic. “We have a world-class business operating system and our billers were able to operate smoothly during the pandemic. We offer flexible work hours, and have closed our office and moved everything online, so that our people will be able to work safely at home,” says Yeung. “In the recruitment industry, people and talent are our core assets.”

### Accelerating change

Tse at Dikan Solution thinks one of the lasting impacts of the pandemic is that it will accelerate changes that were already taking place. “Companies need to shift to digital marketing models. This approach is

favoured by the younger generation. I think the pandemic has increased the speed at which companies will bring forward plans in this area,” she says. Tse adds that she has also found working from home to be more efficient than going into the office, and she expects this change to persist after the pandemic.

Kwok at The Hongkong and Shanghai Hotels agrees: “Our industry has already been seeing a move towards increasing digitization and robotics, and we are exploring innovative UV sterilization technology and anti-viral cleaning equipment, such as using anti-viral coatings and products to test for the presence of viruses, bacteria, allergens and pathogens. There will also be increasing contactless check-in, digital room service orders and communication methods.”

He adds that the group has recently launched a system called PenChat allowing contactless communication. “These are all areas which were happening already, but the health crisis has accelerated the need for implementation,” Kwok says.

### Positioning for the recovery

Over the long term, Kwok remains optimistic that demand for luxury hospitality will remain strong, and the group is continuing to position itself to capture this market. “We are preparing our operations for the eventual end of the pandemic by ensuring that our businesses have adapted in terms of technology, and that our staff are well trained and most importantly, safe. We are upgrading our service offering according to requests from our guests,” he says.

The group is also continuing to press ahead with three new Peninsula Hotel projects in London,

Istanbul and Yangon, as well as the Peak Tram upgrade project in Hong Kong. The company is also reviewing its current hotels. “In our existing hotels we are taking the opportunity to enhance the retail arcade at The Peninsula Hong Kong, and we are reviewing our marketing strategies in Mainland China.”

Arcotect has also been preparing for when more normal business conditions resume. “We have been working on upgrading our software products and preparing business proposals in anticipation of business activities picking up again,” Fok says.

Keel thinks the current situation creates opportunities for Aegle Aviation which it is looking to harness. “For our business, offering customized charter solutions is an opportunity as it can be perceived as being safer and more accommodative to any personalized travel needs,” she says.

### Advice for others

For companies that have seen a drop in business volumes due to the pandemic, Fok suggests taking the opportunity to revisit the business plan and cost model, as well as working on contingency planning. “The budgetary control and review exercise will have to venture into uncharted waters, such as if total turnover falls by 50 percent, 60 percent and even 80 percent, looking at the likelihood of survival under those circumstances.”

He adds that companies should also think about a holistic exit strategy, covering individual product lines, market segments, such as geographies, channels or partnerships, and modes of operations, as well as exiting from the entire business altogether to preserve shareholder wealth, if

**“During downturns, we need to take all possible opportunities to keep our heads above water.”**

the potential for new shareholder wealth creation is limited. “An exit strategy is something not many businesses are willing to expend effort on, but it is fast becoming a reality that every business should start drawing up an exit strategy and identify when to trigger it, with monitoring metrics kept under constant review.”

Tse at Dikan Solution suggests companies should explore online opportunities, adding that they should focus on what young people want, as they are the future generation of consumers. “If companies do this they can figure out what the new business model is likely to be like,” she says.

Yeung at KOS International emphasizes the need to remain agile and look for opportunities to diversify the business. “During downturns, we need to take all possible opportunities to keep our heads above water,” she says. Yeung adds that having a clear and transparent communication style, and keeping staff informed is also important, as well as striking a balance between the business’s interests and looking after employees.

Finally, she advises companies to be prepared to do more to help their clients. “We have offered valuable and realistic career advice to candidates who are out of jobs and they will remember us when the market is back to normal.”



Executive are more optimistic about the year ahead, according to *The Coronavirus Effect on Global Economic Sentiment*, a study issued by McKinsey & Company last month. 63 percent of the almost 1,400 executives surveyed from November to December 2020 say economic conditions in their countries will be better six months into 2021, up from 54 percent who said the same in mid-October.



# SECOND OPINIONS: WHAT IS THE BEST WAY TO MOTIVATE EMPLOYEES?



SABRINA KHAN  
CHIEF FINANCIAL OFFICER, APTORUM GROUP  
AND AN INSTITUTE MEMBER

There are many lessons to be learned from this pandemic. One such lesson is that a good understanding of human behaviour can be key to implementing staff management strategies. We can see that with the right motivation, some staff members can be productive working from home – but what separates the motivated from the unmotivated? There are four main factors that motivate individuals and teams to engage, increase effort, and achieve goals that go beyond a higher monetary remuneration.

**Progression:** This refers to an individual's ability to learn and develop himself or herself, to be challenged, and to acquire a sense of achievement. Some require a clearly laid out career path, knowing that their hard work is leading to, for example, a promotion. But for others, progression may be increased responsibility. The perceived level of responsibility delegated to a member of staff gives them a sense of worth and drives them to deliver expected results.

**Recognition:** From a young age, people are conditioned to experience joy from recognition for their hard work and praise for their achievements or good efforts. People want affirmation that they are acting or doing things correctly; they want to know that they are on the right track. Positive reinforcement is a powerful tool to drive people of all ages to push harder in seeking further recognition or praise. Recognition in front of peers further multiplies the level of joy attained from such recognition.

**Oversight:** While this strategy is not on trend in the modern world that we live in, there's no denying that negative reinforcement techniques do work when used in moderation. The likelihood of being punished or penalized may encourage individuals to put in the additional effort to get a task done. It cannot be used in isolation and must be used sparingly. A mix of positive and negative reinforcement can be considered, depending on the situation at hand.

**Accountability:** Teamwork has multiple benefits within a corporation, and one such benefit is that of accountability. Individuals, when highly integrated within a team and given a key role to play – at least perceived as a key role – will be highly motivated to play their part within that team and in project work. Accountability is a powerful tool whereby a team member feels they cannot let the team down and is even more powerful than the fear of letting themselves down. Bear in mind that this is another form of negative reinforcement, but one that is self-inflicted.

**“Teamwork has multiple benefits within a corporation, and one such benefit is that of accountability.”**



**DENNIS LEE**  
SENIOR CONSULTANT, TOTAL REWARDS,  
HONG KONG, MERCER

When talking about motivating employees, what usually comes to mind is undoubtedly salary, promotions and bonuses. While pay has always been critical to motivating employees, is it still sufficient for the workforce today and the future?

According to Mercer's engagement studies, employees are motivated when they can accept the new norm while feeling supported, developed, recognized and rewarded fairly and competitively by their employers.

In the past 12 months, employees have been scrambling to understand and come up with new ways of working. As a result of rapid changes in the business environment, job roles and responsibilities have shifted with the creation of new roles to support remote business models. Some of these include e-commerce, data analysts and work-from-home facilitators. Some roles have also been combined to overcome cost constraints. Amid these rapid changes, companies need to proactively review job designs, identify associated gaps in skill sets and provide support and training accordingly. This will allow employees to gain more confidence and security in their jobs and therefore increase motivation at work.

Simply benchmarking employees or positions against the market without linking pay and performance is another area companies should be mindful of, especially when motivating top-performers in tough times. While companies may view a bonus as an ample reward for top performers, our recent study shows that the average bonus difference between a high and average performer is just shy of one month's base salary. Only 23 percent of companies apply more than 50 percent weighting to individual performance as part of their performance evaluation. This could disincentivize top performers from giving their best, especially in roles high in demand roles like data scientists, cybersecurity specialists, etc. Their skill sets may be so unique that other companies are willing to pay a premium to recruit them for their future needs.

Motivating employees starts with listening, and companies need to look beyond salaries to design packages that take the motivational drivers of their multi-generation workforces into consideration. They should also rethink traditional compensation strategies to include pay-for-performance and pay-for-skills schemes, which may prove more effective in this new era of work.

**“Motivating employees starts with listening, and companies need to look beyond salaries to design packages that take the motivational drivers of their multi-generation workforces into consideration.”**



**DEREK YUEN**  
PEOPLE PARTNER, AUDIT, HONG KONG,  
KPMG CHINA AND AN INSTITUTE MEMBER

Motivation is a key driver of performance and employee satisfaction. As one of the firm's People Partners, it is my role to establish a work environment that supports and motivates our people to deliver excellence.

At KPMG, most of our professional staff are from Gen Y or Z, with the average age in the mid-20s to 30s. Younger colleagues are more motivated in environments where their views are heard and their needs are understood. We focus on a few key areas to keep them motivated, including establishing an environment that encourages teamwork, enabling autonomy in the workplace, setting clear goals, providing support and recognizing achievements.

Our people enjoy working with colleagues in a supportive environment that helps them stay positive, despite facing a heavy workload at times. To create a caring culture, we encourage open and honest communication, which is key to promoting respect, and a more productive team. While the pandemic has limited physical contact, it has made communication easier as we stay connected via online tools.

In fact, we had flexible work arrangements in place way before the outbreak of COVID-19; the pandemic accelerated our colleagues' adoption of this model, which offers staff the autonomy to deliver results in ways they deem best. Allowing autonomy at work keeps staff, especially the younger generation, motivated. In turn, they become more proactive in coming up with new ideas to solve problems.

Our professionals are often required to multitask, and it is easy for them to get lost without a clear set of goals and coaching. To help them, we provide clear guidance, explain the objectives of each task and encourage staff members to voice out their difficulties. As for personal development, we help colleagues set clear development goals to achieve new milestones.

When good outcomes are achieved, positive reinforcement is valued and informal appreciation, such as a “good job!” becomes equally as important as formal rewards. The most effective way to strengthen a recognition culture is to lead by example – always respect and appreciate the work of others. We have also built a “thank you” culture with multiple platforms and awards nomination systems in place, to recognize good work.

Overall, we strive to provide the resources and culture for our people to succeed in achieving their goals and grow. In turn, employees will be motivated by a sense of accomplishment.

**“Our people enjoy working with colleagues in a supportive environment that helps them stay positive.”**

# LEADING THROUGH UNCERTAINTY

Last year, COVID-19 brought significant disruption to the personal and professional lives of everyone, including Institute members, and the challenges will likely continue. Aware of the tough journey ahead, the Institute's new President, Raymond Cheng, is focused on helping members navigate the difficult times, succeed in business and their careers. He talks to *A Plus* about his top priorities for the year and the groundwork that has already been laid for a more resilient profession

Photography by Calvin Sit

**T**hrough his 22 years serving the Institute in various roles, Raymond Cheng knows the organization well and the diverse range of issues affecting the profession, from qualification to regulatory compliance to member support. "I think I have a wide understanding of the Institute, how the Institute has grown from a reasonably sized Institute of around 20,000 members 22 years ago to a huge Institute of 47,000 members," he says. "The first committee I served on was the Financial Accounting Standards committee in 1998. I have basically served on, if not all, most of the committees."

He has always been forthright and issues-focused, and it's an approach it appears he'll bring to his year as President of the Hong Kong Institute of CPAs. It is only days into his presidency and he has already announced new task forces – many that he'll personally chair – to look squarely at the prevailing challenges in a range of

areas from governance to the Institute's relationship with the Financial Reporting Council (FRC), and come up with actionable recommendations.

Highest on his list of priorities is helping members through Hong Kong's worst recession on record, brought by the COVID-19 pandemic. It's clearly something that has been on the top of Cheng's mind, as he checks off on his fingers several areas where he thinks the Institute can support members and students.

"Let's start with qualification," he says, highlighting how the Institute has already done well by successfully holding COVID-secure Qualification Programme (QP) examinations in December. "The students are very happy because they were facing the risk of having no exams for the whole year. That would've been very detrimental to their careers, their promotions, to them becoming members."

Cheng points out that the Institute supports current members through HKICPA Source, a career support



## LEADERSHIP PROFILE

Raymond Cheng



As the new President of the Hong Kong Institute of CPAs, Raymond Cheng looks forward to guiding the profession through the current recession and leading two new task forces to tackle regulatory challenges.

programme, allowing firms and businesses to post their career opportunities on a portal on the Institute's website. "Because of the downturn of the economy, some members are losing their jobs or in the middle of a transition between jobs, and they need help," he says.

The pandemic has made it tough for many members to carry out their normal duties, especially those who need to conduct cross-border audit work. "Many of us have to travel so with the lockdown, and with a quarantine policy of 14-21 days, it is difficult for us to travel even to Mainland China."

The Institute plays a vital role, says Cheng, in liaising between stakeholders, developing guidance on feasible auditing practices that members can follow, and all the while safeguarding the trust in Hong Kong's capital market. "First of all, we have issued COVID-19 guidelines for our accountants in business and auditors, guiding them through different situations and circumstances. For instance, how should they be

accounting for their assets because of the lockdown? Also, the Institute was in a discussion with the Hong Kong Stock Exchange (HKEX) and the Securities and Futures Commission (SFC) regarding easing the reporting requirements for listed entities because of the difficulties of carrying out an audit, which they agreed to."

Aside from helping members navigate the pandemic, Cheng has set out 10 major areas in his work plan. They include the implementation of "one member one vote" for the election of the President and Vice-Presidents; anti-money laundering compliance issues; the membership admission process for registration as CPAs; implementing the new Qualification Programme examinations; investigating long working hours; the digitalization of the profession; branding of the profession; global recognition of the Institute and our members; legal and compliance issues for accountants; and career development for members.

### A multifaceted presidency

In some areas, Cheng will carry on the work of his predecessors, including on the recently revamped QP. "Last year was one of the toughest times of the QP because of the pandemic," says Cheng, who chaired the Qualification Oversight Board in 2020. He is determined this year to move on from the delays and will get to work on rolling out the new QP.

"When we designed the new QP, we had taken into account the perspectives of employers, the clients from their perspective, what they want from an accountant nowadays," he says.

Another aspect of the new QP that excites Cheng is the emphasis on ethics. "With a fast-changing world and very complicated situations, maintaining professional ethics is very important. You can see that the new QP places a lot of emphasis on ethics and that can be applied universally whether you are a practising accountant or a professional accountant in business

## “With a fast-changing world and very complicated situations, maintaining professional ethics is very important.”

(PAIB). Ethics are the foundation of a successful accountant,” he says. “Professional scepticism and ethical behaviour are what clients and employers want. Ethics meaning whether you have integrity when carrying out your work.”

The future success of the profession in all areas depends heavily on members’ ability to digitize, says Cheng, another area that he plans to focus on this year, particularly for small and medium practices (SMP). “Especially now with COVID, technology and digitalization is the way for SMPs. We already have a sub-committee in the SMP Committee looking into digitalization like audit automation. But that’s not enough. We will soon set up this year a digitalization committee, which will extensively look into how we can help our SMPs in terms of automating their processes. We should not only look at audit automation, but also digital accreditation to help SMPs,” says Cheng, referring to a scheme similar to what is offered by the Institute of Chartered Accountants in England and Wales which accredits software for accounting practitioners.

Business growth and diversification is also crucial for smaller firms, notes Cheng. In fact, the survival of SMPs depends on it, as Cheng knows all too well, having built his own firm, HLB Hodgson Impey Cheng Limited, from being a medium-sized taxation services firm into one of the top listed company auditors in Hong Kong. “It’s important because just focusing on auditing makes maintaining their livelihood difficult. Under our SMP Committee, we also look into diversifying the professional

skills of our SMPs.”

Another area of opportunity is for Hong Kong SMPs to link up with SMPs in Mainland China, an idea Cheng came up with 10 years ago as convener of the then SMP committee to boost cross-border work. “We understand that SMPs have limited connections and resources, unlike the Big Four. That proved to be effective especially now with the pandemic, lockdown, and with the quarantine policy. With the teaming up they can actually work like a big firm.”

Cheng also fully intends to take on implementing the Institute’s commitment to “one member one vote” for the election of the Institute’s President and Vice-Presidents, a resolution passed by members at an extraordinary general meeting in March 2018.

“Now, it is almost three years and members are chasing us as to why there is no development with respect to “one member one vote.” In terms of timetable, it’s very difficult, because we’re talking about changing the law, and that involves passing a bill at the Legislative Council which is difficult to do in a short period of time. It can take years to get this done,” he says. A consultation paper on the matter will be released very soon, he adds.

In the meantime, he says, the Institute is exploring possible processes to put in place in the interim. “Could we actually do a poll for this? Obviously, you can’t force Council members to vote according to the poll, but there’s no harm in doing something like that during the period we are trying to pass the law. We will think of other possible interim measures to address the concerns

for members.”

Long working hours in Hong Kong’s accounting profession is another issue Cheng seeks to address. “I know it’s a very controversial issue but we simply must get out and face it,” he says, matter-of-factly.” This is a problem that no one wants to work on. They would say, ‘don’t let the cat out of the bag.’ But I have a different view. I think we have to address it.

“So we are setting up the Long Working Hours Steering Group. I think the first step would be to find out the root cause or causes of these long working hours before you find a solution. The aim is to come up with short, medium and long-term recommendations or solutions,” he adds. “I don’t know whether the steering group will live up to expectations but at least we don’t duck the issue.”

### An outward-looking profession

The career mobility of members will be another focus of Cheng’s year as president. He believes strongly in the qualification and brand of the Hong Kong CPAs, and says that with the right advocacy work by the Institute, there are not only an increased number of cross-border roles but also overseas career opportunities as well.

Many of those opportunities, he says, are in the Greater Bay Area (GBA), with Hong Kong, along with Shenzhen, being heralded as important growth engines for driving the development of the region. “I’ve been to the Mainland recently and you can see that people are moving their business from northern China to the GBA because of the government



Raymond Cheng’s 10 focus areas for the year include: the implementation of “one member one vote” for the election of the President and Vice-Presidents; anti-money laundering compliance issues; the membership admission process for registration as CPAs; implementing the new Qualification Programme examinations; investigating long working hours; the digitalization of the profession; branding of the profession; global recognition of the Institute and our members; legal and compliance issues for accountants; and career development for members.

policies, the benefits and the culture. This creates a lot of opportunities for accountants. These businesses want people like accountants to help them set up in the GBA and help them to run their business,” Cheng says.

The Institute will continue to help member firms in the GBA and PAIBs find employment in Mainland companies. “We have a GBA Committee exploring all these opportunities. But I think the first step is to have members’ understanding and support for the GBA. One of the plans of the committee is to try to, after the borders have opened, bring members to the GBA so that they can explore and understand the opportunities, and see it for themselves.”

Another important area that Cheng thinks is vital to build on is the Institute’s standing in the international accounting profession. The international outreach and thought leadership that the Institute carries out is something which burnishes the reputation of Hong Kong CPAs as they take on increasingly global roles, says Cheng, but much more remains to be done.

“I think we already have a solid foundation of global recognition, but so far we haven’t got the most out of it. Hong Kong is one of the founding members of the Global Accounting Alliance,” he says, referring to the international coalition made up of 10 of the world’s leading accounting bodies. “We already have a lot of global connections. It’s a matter of how we make use of that,” he says.

Cheng would like to see the Institute be a more active member of global alliances and international accounting organizations, to shine a light on the Hong Kong profession. “Other than attending conferences and meetings of, for example, the International Federation of Accountants Council, I think we should be finding ways to be more proactive in getting our brand out

globally. How can we get recognized not only by our counterparts but also their members?”

## Regulatory challenges

Cheng plans to spearhead two new task forces that will tackle two of the most pressing regulatory issues facing the profession. One is the Task Force on Legal and Compliance for Accountants, set up this year to tackle anti-money laundering matters, including issues related to the Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) Ordinance (AMLO) and recommendations of the Financial Action Task Force (FATF), the international standards setter for AML/CTF regulation around the world. As Cheng points out, the work of this task force is vital, given the fact that the Institute is responsible for AML/CTF regulation of the profession.

The road to compliance, however, hasn’t been so straightforward. “The government wants us to do more. Based on the FATF recommendations, they want us to regulate accountants working in professional entities related to accounting firms not covered by other regulators such as the Companies Registry,” Cheng explains. “The problem is those members are in very different businesses. They don’t want you to regulate their own business. So we are facing a situation whereby we have to regulate members but in order to do that you have to look into their business to see whether they have any AML issues, and that brings up a lot of objections.”

In order for the Institute to best act as the regulator for the profession regarding AML matters, and achieve mutual understanding, a more active dialogue with members is needed, says Cheng. “That’s why this year, we have set up a new task force to look into all these AML and FATF

recommendations, and see how the Institute should position itself to comply with all these regulations as well as gauging views and support from members so that everything can roll out smoothly.”

Another issue, which has been settled recently, was the Institute’s requirement to obtain authorization from the applicants for membership for the Hong Kong Police Force to undertake a criminal conviction record check, and release the checking results to the Institute, and give consent to the release of fingerprints at the outset of the membership application process. This started as part of a recommendation of FATF to enhance the examination of the qualifications of candidates for the satisfaction of the “fit and proper” requirements for registration as CPAs. The Institute has liaised with the Hong Kong police, and the application form and authorization form have been revised to address members’ concerns.

With regards to audit reform, Cheng previously served as deputy chair of the Audit Profession Reform Working Group, and was closely monitoring developments. “I was very vocal about the FRC when it started taking over some of the functions of the Institute,” he says. Now, his focus will be on handling and responding to recommendations the FRC made in a recent report on the Institute’s performance. “The report had made quite a number of recommendations and we’re not rejecting them but we need time to communicate more with the FRC.”

“The reason why we were surprised by the report published, I think, is the lack of communication between the Institute and the FRC and that’s why we will set up another task force, which I’ll be chairing, focusing on that particular issue and to work closely with the FRC. I’m already in communication with its Chairman.”

### A team player

Cheng says becoming an accountant was almost natural. “I come from a family of accountants with three generations of CPAs serving the profession, playing different roles and occupying different capacities. The inspiration came from the genes, the family culture and the understanding of the life of accountants since I was young.”

He received his CPA training while working at the Big Four in London, and now specializes in corporate audits at his firm. He was appointed managing partner of the firm in 2010, and chairman eight years later. He is proud of being an auditor. “The most interesting part of being an auditor is that you are not only getting to meet people from all walks of life but you get to understand and learn the elements and key to success for your clients of different industries,” he says.

Since that first Institute committee appointment in 1998, Cheng has been passionate about supporting the profession. He cites being the longest serving Council member, alongside his appointment as President, as one of the most fulfilling moments of his career so far. “The other one would be getting elected as committee member of the 2016-2021 Chief Executive of the HKSAR Election Committee Subsector Ordinary Elections (Accountancy Subsector),” he adds. “I have many ideas about how the profession could develop along with the fast-changing environment. I want to see accountants playing a leading role in the community and in the economy.”

**“I want to see accountants playing a leading role in the community and in the economy.”**



Cheng has served the Institute for over 22 years in various roles, starting with the Financial Accounting Standards Committee in 1998.

Outside of work, Cheng is actively involved in charity work, and has volunteered for good causes for most of his life, firstly in the United Kingdom when he was young, in Hong Kong and also in Guangxi Province. “Accountants are in ideal positions for community services as we should have the best knowledge in directing resources to the people most in need,” he says. He also strikes a work-life balance through his love of sports. He has played for the Institute’s golf team

as well as played in the Institute’s football tournaments, winning four silver trophies and one gold.

With the experiences he has gained, both within the Institute and outside it, Cheng believes now is the time for him to draw on it all to help build a better profession. “I can eventually put what I have learned, accumulated, seen and experienced for last 22 years into practice and demonstrate to members what I have manifested.”





Recommendations for companies preparing their next annual reports, given the need for greater assurance and confidence regarding how a company is managing the impact of the COVID-19 pandemic

## Steps to improving your corporate disclosures

**T**he COVID-19 pandemic continues to test companies' corporate governance practices. It has also highlighted the need for good communication and disclosure. Alongside the 2020 Best Corporate Governance Awards, the Institute conducted a brief desktop research project on how Hong Kong-listed companies with financial years ending 31 March 2020, have been communicating the impact of COVID-19 on their operations. This article highlights the findings of the report. The full report is available on the Institute's website.

### Inclusion in annual report

Consolidating the major COVID-19-related information in a dedicated section of a company's annual report is a stakeholder-friendly approach to disclosures. Information that would be useful for investors and other stakeholders, preferably in a dedicated section, in annual reports could include:

- A qualitative and quantitative analysis of the impact of the pandemic. Where possible, this can be analysed further by business lines and geographical locations. There should also be a statement to demonstrate the sufficiency of working capital.
- A reference to whether a specific team (e.g. crisis management team or teams) was formed to deal with the situation, provide timely and reliable information to the board and the top management, and help to develop appropriate measures and initiatives. Different teams could deal with different aspects of the situation, including communications with external and internal stakeholders. The composition of the team(s) could also be indicated.
- An assessment generally of the company's operations, liquidity and financial resources. In this regard, the Division of Corporate Finance of the United States' Securities and Exchange Commission has issued *Coronavirus (COVID-19) – Disclosure Considerations Regarding Operations, Liquidity, and Capital Resources* suggesting that companies should make transparent disclosures about how they are dealing with short- and longer-term liquidity and funding risks, due to COVID-19, particularly where these give rise to new risks or uncertainties. Companies should consider a broad range of questions when reviewing their circumstances.
- Information on whether the company needs to adjust any projected figures or policies. Given the significant changes of the business environment, for example, some listed companies may need to suspend their share buybacks and dividend payments.
- All the relevant, reliable and timely information in order to continually assess the overall impact of the pandemic on the company. This is particularly important, given that there could be resurgences of the pandemic until effective vaccines have been approved by the relevant authorities and made widely available to the public.

### Disclosure under section 307B of SFO

In the course of assessing the overall impact of the pandemic on the business, the company should also consider whether it needs to

make a timely disclosure under section 307B of the Securities and Futures Ordinance (SFO). This would be the case where, for example, disclosure of an assessment of the impact would be likely to materially affect the company's share price.

According to *Guidelines on Disclosure of Inside Information*, issued by the Securities and Futures Commission, whether there is "inside information" depends on the following factors:

- The information about the particular corporation must be specific;
- The information must not be generally known to that segment of the market which deals or which would likely deal in the corporation's securities; and
- The information would, if so known, be likely to have a material effect on the price of the corporation's securities.

Having assessed all these factors, even if it is concluded that there is no inside information, the company is encouraged to voluntarily disclose relevant information, for the sake of greater transparency and better management of stakeholder expectations. This can demonstrate leadership and help the company stand out from competitors in the same industry.

Instead of simply disclosing the relevant piece of information, where applicable, the strategies and measures to restore or revive the business could also be discussed, to enhance shareholders' and potential investors' confidence in the future of the business.

### Other recommendations

- **Interim reporting:** Due to issues of timing and insufficient information being available, companies that are not able provide a more detailed assessment in their annual reports should aim to provide more up-to-date information and details in interim reporting.
- **Financial reporting complications:** Companies should also consider how the pandemic may affect the application of financial reporting standards. The Institute has published the financial reporting guidance, which highlights some considerations that warrant specific attention for interim and annual financial statements in the present situation.
- **Website disclosures:** While stakeholders would welcome the disclosure of more information in annual and interim reports, these provide primarily historical information and may not reflect the latest picture in terms of the development of the pandemic. Websites can also provide a channel to share updated action plans and strategies with stakeholders. Some overseas listed companies have developed COVID-19 webpages on certain aspects of their response to the pandemic, given its huge impact, from the perspectives of colleagues, customers, and communities.

Although the above recommendations focus on the effects of COVID-19, these recommendations could also be applied in relation to other future events that have a far-reaching or global impact on businesses and the community.

Partner and Market Leader of EY Hong Kong's Financial Services practice, discusses the issue of mental well-being for accountants and auditors, and steps that companies, team leaders and individuals can take to protect themselves and their teams



## The importance of protecting your own and your team's mental well-being

**T**alking about mental health issues is traditionally a taboo topic in societies all across the world. However, dealing with our own mental well-being is something we all have to do. We all know someone, a friend or family member, who finds the pressures of work or personal matters challenging to manage at times. Unfortunately, too many of us will also know someone who struggles or has struggled with more serious mental health issues. The good news is that here in Hong Kong the taboo is beginning to break down, and individuals and companies are recognizing the importance of maintaining good mental health and providing support to help everybody achieve it.

Why is this so important for accountants and auditors? Research conducted by the City Mental Health Alliance Hong Kong (CMHA HK) from June to July 2020 has shown that within the corporate Hong Kong community, 27 percent of employees have experienced mental health issues within the last 12 months. The alliance is a collaborative venture founded by businesses in Hong Kong. It is business-led, expert-guided and aims to create a culture of good mental health for workers in Hong Kong, share best practices and increase mental health understanding in the workplace. While common symptoms such as anxiety, depression, difficulty sleeping, feeling agitated and stressed can be caused by many different factors, there is clear evidence that the working constraints placed on all of us in the past year by the COVID-19 pandemic have exacerbated these symptoms as people worry about job security, fear of contracting the disease and the lack of normal social activities. Before the COVID-19 pandemic, a similar CMHA HK study in 2019 found that 37 percent of professional services employees had already been experiencing mental ill health while in employment. We can only assume that these figures have risen over the last year.

So what can companies do? At EY in Hong Kong, we began to think about this in 2019, and launched our mental well-being programme as an addition to our broader well-being programme in October 2020, aligned with World Mental Health day. The objectives of the programme are threefold:

1. To explicitly acknowledge that mental well-being is as important as physical well-being and an area the firm is committed to invest in to support our people.
2. To educate managers and staff to build a better understanding of mental wellness and how to maintain it, and how to identify

3. To provide enhanced support for our people who need it, both internally, and through external providers.

We also recognized that we couldn't do this alone and turned to the CMHA HK for support. For companies that want to find out more, details can be found at [www.cmhahk.org](http://www.cmhahk.org).

While we are still developing and rolling out our programme at EY, we have set ambitious goals to educate all our people over the next few years, and dispel the fear of talking about and dealing with mental well-being issues in a constructive way. We believe all companies owe it to their employees to help them look after their mental well-being, support them in times of stress and anxiety and help promote good mental health and happiness.

What actions can individuals take to support their own mental well-being? Here are my suggestions:

- Establish an exercise routine. There is plenty of research now to support the link between physical and mental well-being, and the old saying "a healthy mind in a healthy body" is not just a common sense statement. Over my 28-year professional career, what I have learned is the importance of establishing a routine that I can stick to whether I am under pressure at work or not, which in my own case, is one hour of exercise in the early morning. I find that that time to myself, without the distraction of phones and emails, allows me to assess the day ahead and bring some perspective to whatever challenges I am facing.
- Develop strong relationships. Having strong relationships with your manager and teammates is important as it provides an infrastructure of support when things get tough.

In addition, companies can champion well-being and mental health. With COVID-19 restrictions likely to be remaining in place for some time, it is even more important that companies address and champion well-being and mental health in the workplace, and individuals monitor and protect their mental well-being, especially as we enter the traditional year-end busy season for accountants and auditors.

From a business perspective, a lack of support for mental health can lead to lower workplace productivity, higher staff turnover and affect the business' long-term success.

**"Individuals and companies are recognizing the importance of maintaining good mental health and providing support to help everybody achieve it."**

## ROUNDTABLE

Young Members Committee

The Institute's Young Members Committee (YMC) is committed to helping young CPAs find their way and grow and mature as individuals amid an increasingly complex and ever-changing work environment. Speaking at a roundtable, committee members tell Jeremy Chan how the YMC is nurturing the development of young members through its tailor-made events and activities, and how CPAs can benefit from getting involved

**Photography by  
Leslie Montgomery**

### **SPEAKERS:**

**(From left)**

#### **EDMUND WONG**

Practising Director of Patrick Wong CPA Limited, YMC Deputy Chairman and Convenor of YMC's PRC Affairs Sub-group

#### **YONNIE TSE**

Chief Financial Officer of Skyway United Limited and Deputy Convenor of the YMC's Public Relations and Networking Sub-group

#### **WILLIAM CHEUNG**

Finance Manager at a garment manufacturing group, and YMC Chairman

#### **YAN YEUNG**

Tax Partner of PwC Hong Kong and Mainland China and former YMC Chairman

#### **ADAM WONG**

Senior Audit Manager of EY and Deputy Convenor of the YMC's Professional and Career Development Sub-group



# A PLATFORM



**TO TRANSFORM**

## ROUNDTABLE

### Young Members Committee



**Y**onnie Tse wants young and busy CPAs like herself to know that an indispensable channel for them to network, learn and grow among other like-minded professionals exists within the Hong Kong Institute of CPAs – the Young Members Committee (YMC). “As soon as most graduates join a firm, they may feel that they aren’t able to speak freely with senior managers or partners. The YMC provides a way for them to express themselves. That’s what makes the committee so important,” says Yonnie, Chief Financial Officer of Skyway United Limited, an Institute member, a member of the YMC and Deputy Convenor of its Public Relations and Networking Sub-group.

The YMC was set up in 2012 to support CPAs under the age of 40 with their career and personal development. “Around a decade ago, there were no committees that served young members. This led to the formation of the 25.35 group, and two years later, the YMC,” adds Edmund Wong, Practising Director of Patrick Wong CPA Limited, an Institute member, YMC Deputy Chairman

and Convenor of its PRC Affairs Sub-group. “Right now, we serve around 18,000 young members, which make up more than 40 percent of all Institute members. It’s a very important communication channel between them and the Institute.” Through the committee’s events and activities, members are able to network with other professionals, share their experiences, engage in mentorships and, in doing so, develop long-lasting friendships. The YMC also helps to address the needs of young members today, which can range from career guidance to dealing with stress at work.

Many of the YMC’s events are organized by its three sub-groups. Its Public Relations and Networking Sub-group organizes social events for young members to build their business networks. The Professional and Career Development Sub-group arranges professional and career development events, while the PRC Affairs Sub-group is responsible for organizing events and activities that broaden young members’ knowledge on Mainland China affairs and help them to develop business networks across the border.

### Providing direction

One key event organized by the YMC is the Young Members Conference. Adam Wong, Senior Audit Manager of EY, an Institute and YMC member and Deputy Convenor of its Professional and Career Development Sub-group, says the annual conference aims to help CPAs who feel unsure of what long-term career to pursue. Originally called the Career Conference, the event typically features panel discussions, breakout group discussions, presentations from speakers, and networking with fellow attendees, the guest speakers and recruitment consultants.

“The conference helps our young members to decide on what they want to do in the future,” he explains, adding that the conference has two central themes. “One, we help those who want to stay in practice. We talk about what members can do, such as forensic work, restructuring and insolvency, or mergers and acquisitions, for example. Two, if members would like to step into another industry or head overseas, we invite guest speakers with similar experiences to share their story.”

**“At the YMC, we provide career advice to them – this gives them a better idea of what they can do in five to 10 years.”**



Indeed, the abundance of career opportunities that CPAs have presents a tricky challenge as many may not know how to progress, notes William Cheung, Finance Manager at a garment manufacturing group, an Institute member, Council member and YMC Chairman. “Accountants nowadays are finding that their career paths are very wide,” he explains. “A CPA who starts at the Big Four can either stay, work in a bank or work in the commercial field, and some even choose to change their career paths and become professional lawyers, for example. At the YMC, we provide career advice to them – this gives them a better idea of what they can do in five to 10 years.” Edmund agrees: “In addition to these keynote speakers, we also have breakout sessions comprised of eight to 10 members per table. It’s a good mix of senior members and human resources consultants to discuss their career developments with members. Our members have found this to be very inspiring.”

### Helping out

The YMC is committed to helping young members manage work-related stress. As William notes, based on conversations with its young members over the years, a

majority of them regularly face the issue of long working hours, which leads to stress and the lack of a work-life separation. “Young members who are still juniors in their firms or companies face a heavy workload and therefore, long hours at times,” he says. Adam adds that part of the issue is the increasing need for young accountants to stay on top of changing regulatory and technological

developments. “In response to the changing economic environment, there have been a lot of amendments to accounting standards and increasing regulatory requirements to safeguard the public interest, for example,” he explains. “Also, as society innovates and uses new technologies, CPAs need to stay on top of these developments. This has added more work in recent years.”

Project managers who previously worked long hours as juniors may also expect a similar work ethic from their team, says Yan Yeung, Tax Partner of PwC Hong Kong and Mainland China, an Institute member and former YMC Chairman. “Our young members are made up of both junior staff and middle management,” she adds, noting that the YMC has actively been speaking with members who are middle management on the sensitive yet widely accepted issue of overtime work. “We’ve been reminding project managers to take their team members’ feelings into consideration,” Yan says. “If they’re too demanding and want junior accountants to work overtime all the time, we advise them on ways to avoid this, for example by having a better allocation of duties to staff. We emphasize that this is part of being a good and effective project

manager, as well.”

William acknowledges that the issue is widespread but says that no one is to blame, as managers themselves are also under pressure. “Some managers may also be preoccupied with their own tasks assigned by their managers. This may get in the way of them communicating with juniors,” he says. Therefore, the YMC also helps manager-level members to understand the importance of working well with their teammates. “Maintaining a good relationship with juniors is key. By doing so, they would be willing to go the extra mile for you and with you, especially if you work in a team,” says William.

Junior members, he stresses, are also encouraged to take the initiative to make their voices heard in the workplace. “Young members have to be both brave enough to speak to their managers, and yet humble enough to listen to their opinions,” William notes. “But the reality is most juniors probably won’t speak up, so managers need to take the initiative to truly help them, instead of assigning them more work or a hard deadline.”

Young members who have trouble communicating with senior managers can build their interpersonal skills through the Institute’s Mentorship Programme, adds Yan. “I agree with William that young members must be brave and humble – but it can be tricky to strike a balance. It takes years of experience to learn how to effectively deal and communicate with seniors. This is something mentors can help young members with, since they have more experience,” she says.

The YMC helps young members advance in their careers through the Mentorship Programme, which pairs mentees with mentors with the purpose of career development

## ROUNDTABLE

Young Members Committee



through consultation and experience sharing. Yan says the programme is an effective way for young members to get acquainted with and be mentored by a more senior professional. “Members can also gain these communication and leadership skills through the Mentorship Programme,” she adds.

Yonnie adds that the programme particularly benefits young members who work in the commercial field. “Young members who work at the Big Four may already have a mentor or coach, but professional accountants in business may not receive the same help,” she says. William agrees, noting that through the Mentorship Programme, juniors have a chance to network with senior managers and partners from firms such as the Big Four.

The benefits of the programme aren’t one-sided, notes Yonnie. Since the launch of the programme, mentors have also gained knowledge through mentoring and speaking with a younger professional. This has led to the Institute launching an initiative where young members take on the role of mentors. “We’ve launched a pilot run of reverse mentoring, where the mentees help the mentors,” she says. “The idea is that the young generation learns things very quickly

as their exposure is different too. They might have more experience on the IT side of things, ideas and trends, and can share these views with their seniors. This is something we’re interested in.”

### Growing together

Beyond lending young members a helping hand with their career aspirations, the YMC strives to help CPAs with their overall personal development. “Personal development is something professionals need to start thinking about early on in their careers. By the time they become more senior, they might be more focused on their career, business or even their family,” says Yonnie. “But for young members who have just entered the workforce and need to deal with people such as clients, managers and bosses, they have to focus on building both technical and soft skills.”

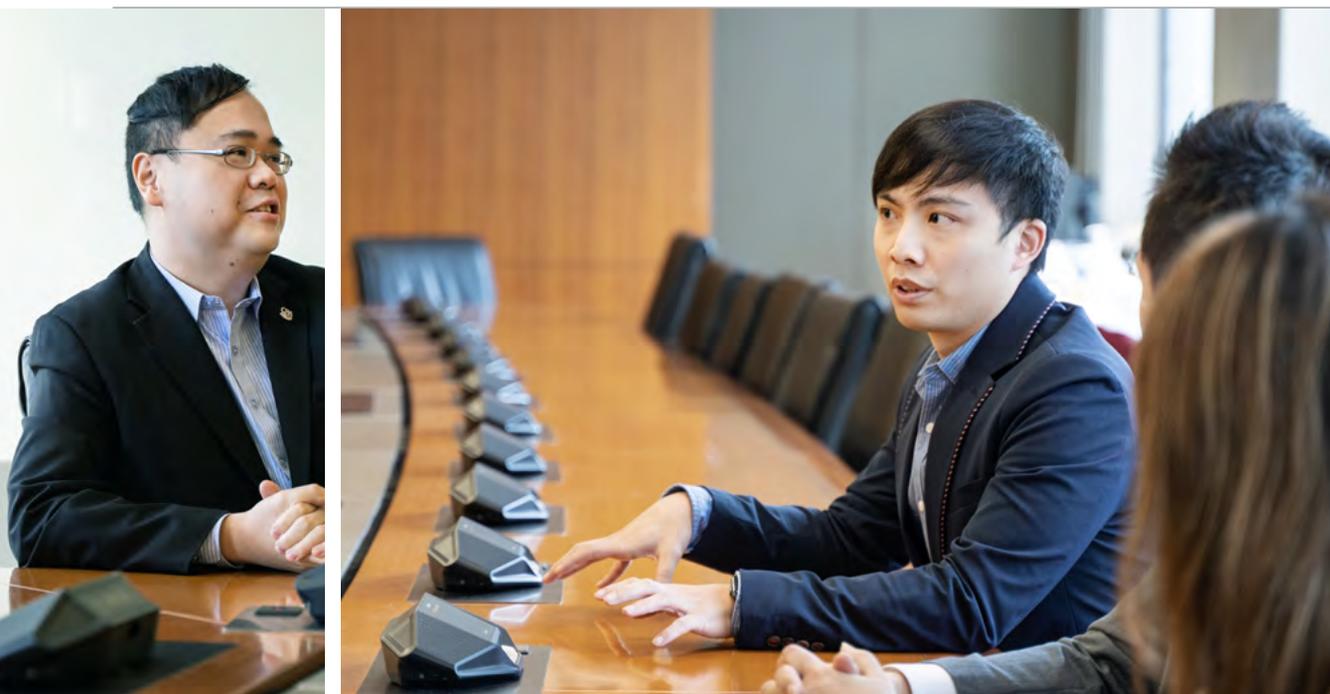
To build on young members’ interpersonal and communication skills, the YMC places emphasis on events and activities that encourage members to network and bond with each other. Events range from networking events with members from professional bodies, cocktails, hikes around Hong Kong, trips to Mainland China, visits to the Hong Kong Stock Exchange and the

Hong Kong International Airport, indoor war games, wine and sake tasting sessions, baking classes and workshops on social etiquette.

Edmund says the cross-sector networking element is what sets the YMC apart from other committees. “For small and medium practitioners, we have the Small and Medium Practices (SMP) Committee. From members in the commercial sector, we have the Professional Accountants in Business Committee. But at the YMC, we gather members from all different sectors to socialize and mingle,” he says. “Many members have stayed at the YMC for years because of this aspect.” Edmund, who also works at an SMP, praises this. “It’s also quite inspiring to learn how to develop another line of business from speaking to these young members.”

While the events help CPAs to get to know other accountants from other companies across different industries, Yonnie says some events also allow young members like herself to meet professionals from outside the profession. “The YMC organizes joint professional and networking events with members from professional bodies such as lawyers, engineers and architects. It’s a great channel to meet with

**“The YMC organizes joint professional and networking events with members from professional bodies such as lawyers, engineers and architects. It’s a great channel to meet with other professionals.”**



other professionals,” she says. “CPAs won’t have the chance to do so, otherwise.” Adam recalls how he enjoyed one particular event involving members from other professional bodies. “I remember when I joined the first cocktail, I only knew one person – so these events almost push you to socialize,” he says. “People will approach you and say hello, so it’s a very relaxing place to meet people.”

Yonnie also notes that the activities and outings organized by the YMC provide an opportunity for young members to network and build friendships with other CPAs outside the context of work. One of her most memorable moments with the YMC was a coastal clean-up event in 2016. “Along with 50 other members, we cleaned a coastal area in Tuen Mun, which was followed by a nice barbecue,” she recalls. “It was such a nice opportunity to not only clean up the rubbish from the area and do our part in helping the environment, but also network, chit chat and enjoy some good food with everyone under the sun. We look forward to organizing another similar event again once it’s safe.”

Before the pandemic, the YMC’s PRC Affairs Sub-group organized biannual visits to Mainland China for young members to visit regions

within the Greater Bay Area and cities such as Shanghai. Edmund, Convenor of the sub-group, recalls how all attendees got to know one another during those short trips. “The whole ‘being stuck with someone’ is a big part about these tours,” he laughs. “Since it’s a two-to-three day event, a lot of members have found that it’s a great way to meet and bond with new people.” Yonnie, who has also joined the trips on multiple occasions, agrees: “At the YMC, we place emphasis on social networking events, so the trips to Mainland China are the perfect opportunity for young members to mingle with each other. The visits are a mix of corporate visits and sightseeing. Usually, everyone becomes really good friends after the tour.”

### Open for all

The YMC is busy preparing its events and activities for the year ahead. Though many of them are expected to take place virtually, the committee saw how effective its online events were in 2020 and may continue to hold events in this format. “The webinars have become somewhat of a trend – since going virtual, our participation rate is the highest it’s ever been,” notes Yan. Adam hopes the added flexibility

continues to attract attendees. “Some of our webinars are archived and available for members to views, in case they’ve missed an event,” he adds. Yonnie concurs, noting how the online sessions allow her to attend events despite her packed schedule. “We accountants are busy, and with these virtual events, we can keep working and still attend webinars.”

Edmund, however, would like to go back to in-person events as soon as possible. “Most members are still looking forward to our face-to-face events,” he says. William agrees: “It’s still a challenge to network virtually.”

Yan says that the committee is always looking for new talent to help nurture the next generation of accountants. She encourages members to consider volunteering for YMC sub-groups, noting that doing so also helped her as a young professional. “At the YMC, we serve young members and we are always looking for new blood to help the committee,” she says. “I’ve been a member of the YMC since I was a manager, and I’ve since been promoted to a partner. What I’ve learned from being a committee member has given me the exposure and also helped me to build my network.”



# GUIDING GROWTH

Since joining Thakral Corporation Ltd. in the early 1980s, Anil Daryanani has helped the business to – at various times – grow, stay afloat and thrive, especially during trying times. As Chief Financial Officer of the organization, he tells [Jeremy Chan](#) how he was involved in the company’s diversification of its business, how his CPA skills have helped elevate both him and the business to new heights, and the important lessons he has learned in his nearly 40-year-long career as an accountant

Photography by Calvin Sit

**L**ike many of his peers in college in India, Anil Daryanani wasn’t quite sure what career he wanted to pursue after graduating. But, he had a way with words and numbers. As a young student, he achieved top marks in both his accounting and English exams – something that caught the attention and curiosity of his instructors. “My professor once handed my accounting exam paper results to me and questioned: ‘did you find this to be too easy?’” recalls Daryanani, Chief Financial Officer of Thakral Corporation Ltd., and a member of the Hong Kong Institute of CPAs. “I remember scoring in the 90s for both subjects during my final year of college.”

The constant outpouring of support from his professors and high exam scores were enough for him to consider a career in the field. “Accounting, especially in India, is seen as a premier profession,” he adds. “The exams are difficult to pass, making it hard to get qualified.”

He left India to join his family in Hong Kong in his late teens. While adapting to the fast pace

of the city, he spent his first year acquiring locally-recognized qualifications before joining Thakral Corporation, a family-controlled company then known as Thakral Brothers, in 1982 as an accounts clerk. Soon after, he signed up to become an accountant through the Hong Kong Society of Accountants’ (now the Institute) Joint Examination Scheme. “I got my qualification the hard way – working full-time and studying part-time for exams,” he said.

Over the last almost four decades, he has been hands-on in the growth of the company, such as with its listing on the Singapore Exchange (SGX) in 1995 and the diversification of its investments. Currently, the company’s two core divisions are its investment and lifestyle divisions. Its investment division sees the company investing directly or with partners in real estate, which includes retirement resorts and property in Australia, as well as office buildings and business hotels in Japan. Through its lifestyle division, Thakral Corporation markets and distributes beauty, wellness and lifestyle products within Mainland China, Hong Kong, Southeast Asia and India.



### A diverse role

The variety of investments and products, Daryanani says, makes the job interesting and keeps him busy. As a CFO, he is in charge of the financial management functions of the group. “I’m responsible for the company’s financial reporting, risk management, internal controls, financial planning, treasury and taxation,” he says. “I also look after the legal and corporate secretarial functions.” He has found himself especially hard at work with the diversifications and growth of the company’s two main divisions in the last five years.

In 2016, Thakral Corporation established GemLife, a developer of premium retirement resorts in Australia, as a joint venture with the Puljich family, who have a 30-year track record of building and running retirement resorts across Australia. From a single project in Bribie Island in Queensland, GemLife has expanded to now have 10 projects at various stages in Queensland, New South Wales and Victoria with others in the pipeline. GemLife established itself as one of the leading players in the resort style retirement living segment in Australia within just four years from inception. “This business is something we are particularly excited about,” Daryanani says.

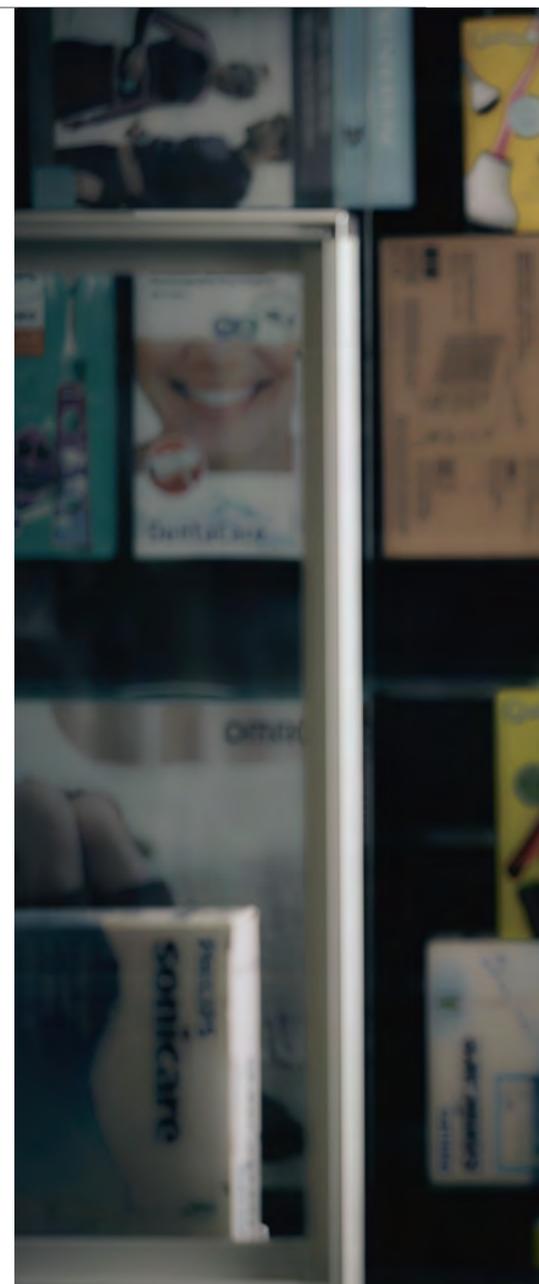
He adds that the investment decision was based on prior research that the company had done on the nation’s demographic development. “Within the next decade, one in five people will be above the age of 65, so a good amount of the population will be moving into the elderly bracket,” he notes. “Our resorts are aimed at the over-50s demographic, who are largely wealthy baby boomers; individuals whose children have already grown up, started their own families and moved out.”

Indeed, according to *Understanding the Future Consumer*, a report released in August 2020 by Australian research-based advisory company McCrindle, the

population of Australia will within a decade consist of more people above the age of 65 than those under 18 – for the first time in its history. “Some of our customers found that their houses were too big and decided to downsize after their children moved out. Having sold their houses, they don’t have to stress about mortgages when buying in our GemLife projects,” adds Daryanani. “They can buy a GemLife house and have cash leftover to do what they want and still have a high quality of life.” The resorts come equipped with facilities such as gyms, saunas, pools, spas, libraries, movie theatres and ballrooms. “The facilities keep our customers entertained, occupied and happy.”

Daryanani was tasked with managing the investment division’s finances at the very beginning. “During the initial stages of the investment decision, I helped to set up the corporate structure that was holding these investments in Australia,” he says, adding that he and his team also set up the accounting policies and internal control mechanisms in the country. “Given that this project was new and located overseas, we performed the accounting work here in Hong Kong at the start, but that was eventually outsourced to a local Australian provider.” Daryanani coordinated with the team from Hong Kong by providing them with transactional information, reviewing their reports and also giving timely feedback. “In terms of working with them on financial or technical accounting matters, there was very little issue given that the profession equips us with skills that are not constrained by differences in local generally accepted accounting principles and tax systems. These interactions helped me to learn more about the Australian system, which became useful over the longer term.”

“Business has been good,” he says. “We have five resorts in operation and another five under construction or awaiting development approvals.” The COVID-19 pandemic, Daryanani adds, also provided



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As Chief Financial Officer of Thakral Corporation Ltd., Anil Daryanani is in charge of its financial reporting, risk management, internal controls, financial planning, treasury, taxation, legal and corporate secretarial functions.

an unexpected boost in the company's business in Australia in 2020. "We saw many people opting to move out of large, congested cities seeking life in more open areas, which these homes provide," he says. Beyond retirement resorts, the company also has two ongoing luxury residential property developments in Sydney and Queensland. "We have a project in Noosa, a small beach resort holiday town about a two-hour drive from Brisbane, which has done quite well," he adds. "The first two phases of this housing complex are almost full, helped by the shift by those living in the city."

Outside of Australia, the company

has investments in Japan including commercial and retail buildings, as well as business hotels. Though the organization has a long history in Japan – it set up a textiles sourcing office in Osaka in 1936 and was incorporated there in 1972 under the name Thakral Brothers Limited – it only began acquiring investment properties in the country in 2014, when it bought two commercial properties. In 2016, the group began investing in business hotels, also in Osaka. In 2018, it invested in another hotel and two additional office buildings. "Currently we have nine properties including the

three hotels. We also had one retail building, which we sold early last year," he says.

With each investment, Daryanani is tasked with reviewing the financial metrics and legal documentation of the asset to be acquired and relaying this information to the board for investment approval. "Every investment also involves outside investors, so I need to appraise them on the acquisition and organize their equity contributions," he adds. "I have to monitor the financial performance of our assets and report this to the board and investors on an ongoing basis."

## ACCOUNTANT PLUS

Anil Daryanani

Daryanani has worked at Thakral Corporation Ltd. since 1982. He was born in Lucknow, India and has lived and worked in Hong Kong all his working life.



**“There are certain things you need in life to move up the ladder. The CPA qualification gives you access to the highest levels.”**

### Pursuing new avenues

Beyond property investment, the company is also expanding the lifestyle products distribution business. Starting 2013, Thakral Corporation has been distributing beauty and wellness products such as body toning equipment and skincare devices by DermaWand, Panasonic, Philips, T3 and Slendertone, and more recently fragrances by Cacharel, Diesel, Ermenegildo Zegna, Estée Lauder, L’Oréal, Maison Margiela, Ralph Lauren, and hair, skin and body care products by John Masters Organics. It also has a joint venture with United Kingdom-based health and beauty product company CurrentBody. Thakral also distributes branded consumer electronics such as drones and digital action cameras from Shenzhen-headquartered tech company DJI.

Since 1982, the company has been distributing consumer electronics such as video cassette recorders, TVs, calculators and cameras from brands such as Canon, Nikon, Panasonic and Samsung in Hong Kong and within Mainland China. While it kept its product range up-to-date to cater to changing consumer trends over time, a shift in consumer demand forced the company to rethink the products it handled. “Around 2010, we started to notice a decline in the camera distribution market, especially in Mainland China, where we had around 10 percent market share,” explains Daryanani. “The shift to mobile phones started taking place, so that segment started to fade. For us, that was a good chunk of our business, so in 2013, we decided to leave the camera business completely. It was time.”

Faced with the need to remain relevant as a result of the market shift, Thakral looked at consumer spending habits within Mainland China in a bid to identify more profitable avenues of business. “We found that the Chinese population, with their

growing affluence, were spending more money on their appearance,” he notes. “At the time, the beauty space wasn’t too crowded or saturated either.” The company already had established distribution networks within Mainland China through their consumer electronics business in previous years, which provided them with a leg up to venture into the market, despite the new product line. “It gave us the opportunity to establish ourselves in that space,” he adds.

Currently, the operations of their lifestyle division take place in Hong Kong, Mainland China and India and Japan, notes Daryanani. “It’s my role to oversee all operations and make sure they are stable and able to generate cash. I have a direct involvement in that,” he says, adding that business has been growing. “Of course, volumes aren’t as large as they used to be when we were distributing consumer electronics, but margins are better,” he adds. “Prices matter too – a digital camera back then would cost a few thousand dollars, which is way more than most beauty devices or haircare and skincare products.”

### Here for the long run

Looking back at his almost 40-year career at Thakral Corporation, Daryanani has enjoyed the opportunity to grow and work with its various investments, and is glad to witness the company grow from its humble beginnings to the multifaceted organization it is today. “We started as a small shop in Hankow Road, Tsim Sha Tsui. Over the years, we’ve expanded, listed on the SGX, survived through the Asian Financial Crisis and diversified our portfolio. It’s been a challenge keeping up with everything, but you have to learn as you go along,” he says. “Given that we’ve dealt with so many different businesses over the years, I’ve been able to broaden my scope without having to leave the company to find something else. Having easy access to some of the latest consumer electronic products and gadgets – boy’s toys – has been an added benefit.”

He also credits his CPA qualifications for providing him with the right financial knowhow and business acumen. “There are certain things you need in life to move up the ladder. The CPA qualification gives you access to the highest levels,” he says. “Having this sort of grounding and technical knowledge gives us the ability and confidence to work with board members and various business professionals.”

This is because being a CPA nowadays, Daryanani says, means having a diverse set of skills and the ability to constantly acquire new skills at any age. “You need to be flexible. It’s important that you keep your mind and attitude open to avoid pigeonholing yourself,” he explains. This requires one to be proactive in learning inside and outside of work. “As finance professionals, you have access to virtually any part of the organization, so it’s important to take the time to understand how everything works. You are in a good position to become an all-rounder. I believe that the

only constant is change, so we need to keep learning and stay up to date to remain relevant.”

Daryanani is also grateful for the opportunity to live, work and hone his skills as an accountant in a global financial hub like Hong Kong. He recalls how it took him some time to get used to the local language, the perpetual hustle and bustle, and the environment – remarkably different from his hometown – when he first arrived. Born in Lucknow, a city in north India, he moved to Pune, a city three hours’ drive from Mumbai at the age of three, where he went through schooling up until college. “I was just about to turn 18 when I moved to Hong Kong. Though I had finished the equivalent of form seven in India, I remember having to go back to school here for a year to attain my General Certificate of Secondary Education and qualifications from the London Chamber of Commerce and Industry. It was the only way to get recognized locally.”

With no knowledge of Cantonese, he enrolled himself in regular classes and took the time to study the language and practiced speaking with the locals whenever he could. As Daryanani recalls, he learned enough to converse with others. “I remember being interviewed by the Immigration Department staff when I applied for my Hong Kong passport. It was conducted in Cantonese and I could still carry myself through the conversation,” he remembers. Though his Cantonese, he admits, isn’t polished, it is enough to get by. “Right now, I’d say it’s *ma ma dei* (麻麻地),” he laughs, using the local slang term for “average.”

Having been in Hong Kong for all of his working life, Daryanani looks forward to guiding the growth of Thakral Corporation’s business divisions for as long as he can, and one day eventually retiring here. “Every time I travel some place nice, I feel that that is where I want to retire. But as soon as I touch down in Hong Kong, I change my mind,” he says. “I love how beautiful our city really is, that we have easily accessible islands and countryside with multiple options of transport that are all very efficient. I’ve been to many places around the world and the efficiency with which things get done here is simply unbeatable. Everything just works here.”

But when he wants to slow down and recharge, he finds comfort in exploring Hong Kong’s scenic side. “I think we have one of the most beautiful harbours in the world. I try to walk at the waterfront near my house every night,” he says. “We’re very lucky to have country parks and outlying islands that are easily and quickly reachable. The city itself is gorgeous and it’s a great place to live and work.”

Daryanani, a passionate fan of music, also enjoys rocking out to his favourite tunes whenever he has his earphones in. “My son has been getting me into the more contemporary pop music of today which I also enjoy, but I grew up listening to bands such as Bon Jovi, Def Leppard, Foreigner, Journey, Queen and many others. I love my 80s rock,” he laughs.



Thakral Corporation’s two core divisions are its investment and lifestyle divisions. Its investment division sees the company investing directly or with partners in real estate, which includes retirement resorts and property in Australia, as well as office buildings and business hotels in Japan. As part of its lifestyle division, the company markets and distributes beauty, wellness and lifestyle products within Mainland China, Hong Kong, Southeast Asia and India.





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# Change Management in the VUCA Era

Embracing change is the only way businesses can continue to survive amid the disruption and uncertainty brought on by COVID-19. Dr Mark Lee's e-Series on change management will help professionals to identify those key areas that require change and to properly initiate them



Dr Mark Lee has more than 10 years of research and teaching experience at the university. He currently serves as the Research Director of the Asia Pacific Institute for Strategy, and his research covers areas such as strategy and operations management. He has previously been invited to be a guest speaker at the American Chamber of Commerce in Hong Kong, Association of International Accountants, The Chinese Manufacturers' Association of Hong Kong, Federation of ASEAN Accounting Firms, Federation of Hong Kong Industries, Derui International School, among many others.

**C**ertainty is a very important aspect within the accounting profession. However, beginning with the Sino-United States trade war and social unrest in Hong Kong in 2019 and the COVID-19 pandemic in 2020, the profession, practice standards and environment have been fraught with uncertainty and change. Many companies, as a result, have been fighting to survive, putting professional accountants under more work pressure.

The most effective way to deal with change is to do so dynamically while identifying new opportunities. Change management is a never-ending task for all corporate executives, especially in today's era of volatility, uncertainty, complexity and ambiguity (VUCA). Generally speaking, the success rate of change is less than 30 percent, so the question is how can corporate executives adjust their pace to respond to these rapid changes and yet strive to help all team members work hard in this uncertain environment?

The Asia Pacific Institute for Strategy identifies the impact on the industry and changes faced by manager and practitioners from three perspectives: environmental insight, management-level change and practitioner change. This helps industry participants to deal with new changes from different angles.

Change is also a continuous process and not a single event. Many management gurus and corporate change practitioners have proposed or summarized methods of change management, such as Kotter's 8-Step Change Model, McKinsey's 7S model, Lewin's change model, and so on.

The pandemic has also changed the paradigm of work and life as we know it. Many people realize that we can't return to socializing like we used to for some time, so to cope with change, it is important to turn crises like this one into opportunities.

Telecommuting may be the most important way of working under the new situation. This poses a huge challenge for accountants, as in the past, accounting work had to be done on-site.

Due to changes in working methods, employees' skills and work drive will also need to change. Because they cannot manage face-to-face, how can managers empower their employees? How can they ensure that employees know how to drive themselves? How can employees quickly master the "informatization" and IT capabilities required for the new remote office?

## About the course

To help companies strike a balance between seeking new business breakthroughs in this complex and ever-changing environment, and helping accounting practitioners to overcome the impact of uncertainty, the Asia Pacific Institute for Strategy has launched its Change Management Series.

The e-Series, Change Management in the VUCA era, is a series of three modules targeting professionals at all levels, from young leaders, middle management, to executives. The series includes tools for change management, new work paradigm response methods, and the roles that management and organizations play in the transformation process.

The course combines the current VUCA industry and social environment – especially the impact of the pandemic on the industry – to provide managers with a new perspective to promote the realization of change. It shares six new work paradigms and discuss how to make key decisions and deal with different challenges under each work paradigm.

By the end, the course aims to help professionals address these questions: Are you and your company at a loss due to changes? Have you learned how to deal with it? Or have you identified that the crisis has brought you new opportunities? Faced with new opportunities, have you made the relevant changes?

Change requires leadership, management and the participation of all employees. To understand your role in this transformation, the course also shares how to identify the core competence of a company as a manager, and then lead the company to efficiently initiate change.

# Beware of expectation gaps when auditing the financial statements of owners' corporations in Hong Kong

An overview of what auditors should keep in mind when conducting audits of owners' corporations

Auditors may sometimes be engaged to perform audits on the financial statements of owners' corporations in Hong Kong. The corporations' daily operations and regulatory environment are different from commercial entities, so heightened attention should be given to certain areas during the financial statement audit. Members should also be mindful that Hong Kong Standards on Auditing (HKSA) still apply to the conduct of their audits of owners' corporations.

Below are some common scenarios encountered by respondents in complaint cases handled by the Hong Kong Institute of CPAs' Compliance department that may deserve auditors' attention.

## Sufficient planning of the audit

Disputes arising between former and current management committees of owners' corporations are not uncommon. Sometimes they can lead to complaints against unsuspecting auditors. The disputes usually relate to alleged improper use of owners' funds, incomplete books and records, delays in depositing management fees into bank accounts, etc. Auditors should be alert to these factors as they may affect audit risk assessments and audit planning necessary to ensure audit quality.

In one case, management committee minutes reflected serious disputes between the former and current management committees alleging that the books and records kept by the former committee were materially incomplete and management fee deposits into the bank account were delayed. The auditor did not perform a sufficient review of

the minutes when he planned the audit. Had he done so, he would have been able to identify the heightened audit risks in relation to the corporation's books and records and receipts of management fees. Then, appropriate audit procedures could have been designed and performed to respond to the audit risks assessed.

When planning and performing an audit, an auditor is encouraged to have a sufficient understanding of minutes of the management committee and general meetings of owners, and other correspondence. Any significant discussions, communications and disputes relating to daily operations, record keeping and decisions made should have been recorded in these documents. The recorded information is vital for the auditor to assess audit risks, formulate an audit strategy and design sufficient, appropriate responses to address the risks assessed.

## Obtaining sufficient appropriate audit evidence

One audit deficiency commonly found is auditors' lack of appropriate audit evidence. In one case, payment of consultant's fees were subject to approval by the management committee following a resolution passed by owners at an annual general meeting (AGM). However, the consultant fees were paid without any approval of the management committee. Since the auditor was unaware of the resolution, he did not verify if the requisite approval had been obtained for the payment of the consultant's fees. Accordingly, the auditor was found to have failed to obtain sufficient appropriate audit evidence in understanding the

corporation's operation environment and the risks of material misstatements.

Another case involved material changes of certain comparative figures in the financial statements of an owners' corporation. Among those figures, the comparative figure of owners' reserves disclosed in the financial statements was almost twice the amount of the prior year figure. The auditor failed to perform audit procedures to obtain sufficient appropriate audit evidence to satisfy that the adjustments to the opening figures did not contain material misstatements. The expected audit procedures in this case would have included (i) understanding the nature of the adjustments; and (ii) reviewing the source documents to verify the existence of the transactions giving rise to the adjustments and accuracy of the relevant balances. The auditor was unable to show that he had access to the complete records of the owners' corporation and had obtained sufficient appropriate audit evidence to support the changes.

Another deficiency in the above case pertains to test work on the amount receivable from the estate's property management company. The auditor did not receive a response to the audit confirmation request. Notwithstanding, the auditor issued his unmodified opinion on the corporation's financial statements. In this circumstance, the auditor should have performed alternative procedures.

As articulated in the disciplinary order of the above case, it is the duty of the auditor to obtain the relevant and necessary information and to be satisfied that there are no material misstatements before formulating his professional audit opinion, otherwise, he shall qualify his

opinion to reflect the inadequacy.

In order to avoid the above audit deficiencies, auditors should be mindful to obtain sufficient appropriate audit evidence to support their opinion expressed.

### Preparing sufficient audit documentation

Another common issue identified in the audits of owner' corporations is lack of sufficient audit documentation. One case revealed that the owners' corporation was required to pay a contractor for renovation work completed in stages. Due to delays in the renovation, the owners' corporation would be entitled to a material amount of compensation. However, the financial statements did not disclose any compensation receivable. The auditor claimed that they had enquired about the compensation but not recorded their enquiry in the audit working papers. As the auditor, he should document the enquiry made and the evidence obtained on evaluating the likelihood and extent of recovering the compensation. Documentation should allow a knowledgeable third party to understand the amount and type of work that was undertaken to enable the auditor to conclude on the entity's financial statements.

In another case, the auditor failed to document matters relating to the audit of the major account balances. Without documentation of the audit procedures and conclusions related to those important accounts, the auditor was unable to adequately support the unmodified audit opinion that had been issued.

### Sufficient understanding of the scope of the engagement

Sometimes, auditors may be engaged to perform non-statutory audits. Auditors' lack of a proper identification of the characteristics of an engagement and definition of the audit scope may result in failure to detect items which warrant further consideration. In one case, the auditor was engaged to audit the accounts of a renovation project of the external wall of a residential estate. The project took a period of 15 months, during which time various funds were transferred and expenses were incurred. The auditor issued an unmodified opinion but the project's accounts included a number of material receipts and expenses unrelated to the renovation project. Without a properly defined audit scope, the auditor would not be able to establish an overall audit strategy and design audit procedures effectively. Consequently, the auditor was unable to address the risks of material misstatements in the financial statements.

### Proper communication helps

Individual owners are understandably concerned about whether the money they contribute to the owners' corporation are being properly managed. They may not fully understand the audited financial statements and auditor's responsibilities, unless they have a business background. These misunderstandings seem to have contributed to an increase in the number of complaints the Institute has handled over the past few years.

While auditors are responsible to the owners in a collective manner, members may still receive enquiries

from individual owners. Auditors may consider reminding the enquirers that the management committee has the primary duty to prepare the books and records and financial statements under the Building Management Ordinance (Cap. 344). They may direct the enquirers to contact the management committee.

### Conclusions

When performing an audit on the financial statements of owners' corporations, auditors should always be mindful of the corporation's nature of daily operations and the regulatory environment under which it operates. Proper understanding of the engagement characteristics and clarity of the audit scope improve risk assessment and audit planning. Auditors are also reminded to obtain sufficient appropriate audit evidence and prepare adequate audit documentation.



*The article was contributed by the Institute's Compliance department*

# Preparing for the recovery: a summary of the Institute's budget recommendations

A look at the Institute's budget recommendations to the government ahead of the budget speech 2021-22 in late February

Like many other jurisdictions, the near-total disruption to lives due to the COVID-19 pandemic and the related restrictions on travel continue to have a significant impact on Hong Kong's economy, resulting in the high unemployment rate and budget deficit we see today. Other challenges ranging from an outmoded tax system, geopolitical tensions, the need for faster digital transformation in light of the "new normal" under COVID-19, and the pressure on public finances, indicate an urgent need for the government to take additional actions to support the economy, and help the public and businesses to adapt to the new normal.

Taking into account the extra spending for the four rounds of Anti-epidemic Fund (AEF) spending, the Hong Kong Institute of CPAs estimates that the fiscal deficit for 2020/21 will reach HK\$348 billion. Fiscal reserves are expected to stand at HK\$812 billion, equivalent to around 12 months of government expenditure.

While many hold out hope for a vaccine to mitigate the virus, it is likely that 2021 will still face disruption. The government should therefore continue to support the economy and its preparations for the recovery.

The recent challenges should also not distract the government from the task of maintaining Hong Kong's position as a global financial hub. In addition, a comprehensive review of public finance and tax policies will help secure Hong Kong's future economic success.

To cater the above, the Institute

submitted its *Tax policy and budget proposals 2021-22* with 21 measures, under the title of "Preparing for the recovery," to the government for their consideration in late December 2020. The proposals cover four main categories: (i) preparing for the recovery, (ii) help citizens and businesses to adapt to the new normal through more extensive digital transformation, (iii) enhance public finance and taxation, and (iv) environmental measures to improve the local environment and citizens' well-being.

## Preparing for the recovery

The unemployment rate reached 6.6 percent in the three months ended December 2020, the highest in nearly 16 years. Underemployment also reached 3.4 percent during the period, almost the highest in 17 years. In its four rounds of AEF measures there have only been two rounds of the Employment Support Scheme (ESS). The record high unemployment rate suggests that the effect of the ESS does not appear to be long lasting.

More should therefore be done to support employment and the economy, through creating jobs in both the public and private sectors. In view of the particularly high unemployment rate in the construction sector, the government should consider accelerating the scheduled infrastructure/construction projects to create more jobs. The government should also help recent graduates to enter the job market and ensure that the existing workforce is

sufficiently skilled to benefit from the digital transformation taking place by funding relevant training.

Even with the financial support, in mid-November the government was projecting a decline in real gross domestic product (GDP) of 6.1 percent. This is the biggest decrease in GDP recorded by Hong Kong, lower than the 5.9 percent decrease after the Asian Financial Crisis in 1997. While the International Monetary Fund forecasts that the economy will return to growth in 2021, the recovery will be modest at 3.7 percent, Hong Kong will need help from the government in preparing for the recovery, supporting its population, and providing the training the working age population needs to benefit from the digital transformation taking place.

The Institute's recommendations include five measures regarding preparing for recovery: 1) job creation in both the public and private sectors; 2) employment-related financial assistance; 3) career transition assistance; 4) targeted relief measures; and 5) maintaining Hong Kong as an international commercial centre.

The government should ensure that any future economic relief measures are targeted to those most affected as far as possible to maximize the benefits while minimizing the burden on public finances. Providing domestic consumption subsidies, instead of direct cash subsidies to business owners, to incentivize consumers to spend (similar to the "Triple Stimulus Voucher Programme" in Taiwan) is one of the targeted relief measures that the government could consider.



### Adapting to the new normal through more extensive digital transformation

Being able to work remotely has proven to be critical to the survival of many businesses in 2020. Remote working and learning is an illustration on how important IT is for success in this Internet-enabled era. The pandemic has shown the world the importance of investing in technology, and the infrastructure needed to support it.

Hong Kong has world class Internet coverage – but there are blind spots, which need to be fixed to improve livability across the territory. Hong Kong's first 5G subscription plan launched in 2020, but support is still needed to facilitate total coverage and increase usage of the technology. Development of Hong Kong's 5G infrastructure is therefore critical to securing the benefits of this new technology.

Supporting Hong Kong's small- and medium-sized enterprises (SMEs) in particular is key to ensuring that the economy can adapt to the new normal. Some SMEs do not have the resources necessary to support their digital transformations and cybersecurity needs. To help SMEs, the government should consider developing a public cloud infrastructure, upgrading the existing e-government services, and educating the public and SMEs about cybersecurity matters.

It is important for Hong Kong's future that everyone has access to technology. Access to the Internet has been vital for

students this past year to continue learning while schools have been closed. The government should support needy families by subsidizing their Internet subscription plans.

The Institute proposes three measures for adapting to the new normal through more extensive digital transformation:

- 1) facilitating digital transformation;
- 2) enhancing cybersecurity; and
- 3) subsidies for needy students.

### Public finance and taxation

The record government deficit predicted for 2020/21 is a consequence of its AEF spending supporting the economy as well as the lower revenue estimates due to the downturn in the economy. While necessary, it is important that the government considers how it pays for the supporting measures.

The COVID-19 pandemic has revealed the weaknesses of the existing public finance model amid the economic turmoil, demonstrating the problems Hong Kong faces due to its narrow tax base and heavy reliance on three taxes (profits tax, salaries tax and stamp duty) and land sales, which are highly sensitive to the economic cycle.

The Institute has been advocating the importance of conducting a holistic review of the Hong Kong tax system for the past several years. A review of the public finance revenue model has become even more pressing now in order to address the longer-term public finance challenges and avoid potential structural deficit.

Therefore, the government should consider new revenue sources including introducing new types of broad-based taxes when the economy is ready.

We also saw progress in 2020, albeit slowed by the pandemic, towards agreement in international taxation that is likely to require adjustments to the Hong Kong tax system. The Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting 2.0 initiative, which is expected to be agreed by the middle of 2021, proposes allocating taxing rights for cross-border activities based on revised nexus and profit allocation rules and giving the parent and source jurisdictions a right to tax untaxed/undertaxed income where an entity's income is taxed at an effective rate below a certain minimum rate (known as the Global Anti-Base Erosion rules, GloBE). This will likely require adjustments to the Hong Kong tax system. As a low tax jurisdiction, Hong Kong must ensure that it collects the "top-up tax" levied under these rules. Otherwise, other jurisdictions will collect the top-up tax in this zero sum game. Implementing an "alternative minimum tax" under the domestic tax law that mirrors the tax base and rate of GloBE has been advocated by stakeholders and tax professionals as a defensive measure.

Meanwhile, the government should ensure that the tax system is fit and proper for the future, and that Hong Kong can remain an attractive location for international businesses through reviewing of Hong Kong's preferential tax regimes.

The Institute makes nine recommendations in how the government could review the public finance and taxation situation: 1) review of public finance revenue model; 2) undertake a comprehensive review of the Hong Kong tax system; 3) expedite treaty negotiations with major trading partners; 4) introduce unilateral tax credit for foreign taxes paid in non-treaty jurisdictions; 5) promote Hong Kong as an intellectual property hub; 6) enhance tax certainty; 7) rationalize personal allowances; 8) tax measures to support remote learning and working; and 9) other tax-related support measures.

In addition to the proposals on extension of tax payment deadlines and increase of the tax rebate ceiling, the Institute recommends the government to introduce tax loss carryback in the profits tax regime and share the burden with landlords who offer rental concessions by giving a 200 percent special deduction for landlords on rent forgiven during 2020/21 and 2021/22.

## Environmental measures

Concerns about environmental degradation and climate change have been given greater impetus worldwide in recent years. Sustainability and eco-friendly activities are also becoming increasingly important considerations for Hong Kong. Businesses are also increasingly aware that investors, particularly among the younger generations, are concerned about the impact of climate change and

environmental damage, and choosing to invest in less damaging businesses. During the year, the environmental, social and governance reporting requirements of the Listing Rules of the Stock Exchange of Hong Kong were strengthened, with more required to be disclosed on a comply-or-explain basis than previously.

The Institute suggests that the government should make use of the Computer and Communication Products Recycling Programme and distribute refurbished second hand computer devices to needy students. It should consider introducing some tax and non-tax measures based on the “polluter pays” principle.

It is noted that the government has recently announced its aim to achieve carbon neutrality before 2050. Since improving the local air quality can help improve the life quality of Hong Kong's citizens, the government should consider measures to promote the usage of electric vehicles and replacing aged commercial vehicles with more efficient models.

The Institute makes four recommendations of environmental measures to consider for Hong Kong's future: 1) facilitate the distribution of secondhand computers to needy students; 2) green taxes; 3) incentives for replacing aged commercial vehicles; and 4) encourage early adoption of electric vehicles.

With the challenges ahead, the Institute believes the measures proposed above can help the government to take concrete action to prepare for the recovery and

explore new sources of revenue. Financial Secretary Paul Chan will give the 2021-22 Hong Kong Budget Speech on 24 February, outlining the government's short, medium and long term plans for Hong Kong. It is expected that the government will announce measures to help stabilize the economy, and prepare for the recovery.



*The article is contributed by **William Chan**, Chairman of the Taxation Faculty Executive Committee, **Eugene Yeung**, Convenor of the Budget Proposals 2021-22 Sub-committee, **Eric Chiang**, Deputy Director, **Selraniy Chow**, Manager, Advocacy and Practice Development, and **Paul Smith**, Manager, Corporate Communications, Hong Kong Institute of CPAs.*

# TECHNICAL NEWS

## The latest standards and technical developments

### Members' handbook

Update no. 251 relates to the issuance of Practice Note (PN) 820 (Revised 2020) *The Audit of Licensed Corporations and Associated Entities of Intermediates*. The PN has been restructured and revised to put more emphasis on risk assessment and based on that, to provide additional guidance on how risk assessment should drive the extent of audit work for licensed corporations.

Update no. 252 relates to the publication of the revised Accounting Guideline 5 *Merger Accounting for Common Control Combinations*.

Update no. 253 relates to amendments to the *Code of Ethics for Professional Accountants* as a result of the International Ethics Standards Board for Accountants' (IESBA) *Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants* to better promote the role and mindset expected of all professional accountants; and PN 730 (Revised) *Guidance for Auditors Regarding Preliminary Announcements of Results* to align with the latest regulatory requirements and provide additional guidance in various practical scenarios.

Update no. 254 relates to editorial corrections to Hong Kong Accounting Standard 39 *Financial Instruments: Recognition and Measurement* and Hong Kong Financial Reporting Standard 9 *Financial Instruments* and an update of the glossary.

### Financial reporting

#### Invitations to comment

The Institute is seeking comments on:

- The International Accounting Standards Board (IASB) Exposure Draft ED/2020/4 *Lease Liability in a Sale and Leaseback* by 10 March.

- The IASB Request for Information *Post Implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities* by 1 April.
- The IASB Discussion Paper DP/2020/2 *Business Combinations under Common Control* by 5 July.

#### Institute submission

The Institute has submitted its comment letter on the International Financial Reporting Standards (IFRS) Foundation's *Consultation Paper on Sustainability Reporting*.

#### Frequently asked questions on the interaction between HKFRS 16 Leases and the Hong Kong Insurance (General Business) (Valuation) Rules

The Institute has issued an FAQ to make members aware of a recently issued circular from the Insurance Authority on applying the provisions of the *Insurance (General Business) (Valuation) Rules* in the valuation of a right of use asset and related lease liability and its relation to HKFRS 16 *Leases*.

#### IASB investor perspective article

Issue 22 of the IASB *Investor Update* is now available and highlights financial reporting challenges arising from COVID-19.

#### December 2020 IASB podcast and update

The December podcast, focusing on the IASB discussions at its monthly meeting, and the December *IASB Update*, highlighting the tentative decisions reached at the IASB monthly meeting, are now available.

#### IASB December 2020 IFRS for SMEs

The December 2020 *IFRS for SMEs Update*

newsletter, providing a summary of news, events, and other information about the IFRS for SMEs standard and related SME activities, is now available.

#### December 2020 IFRS Interpretations Committee update

The December *IFRS Interpretations Committee Update* newsletter, summarizing the decisions reached by the Interpretations Committee at its September meeting, is now available.

### Auditing and assurance

#### IAASB issued quality management standards for auditors

The International Auditing and Assurance Standards Board (IAASB) has issued a set of three revised quality management standards aimed at improving quality management for auditors across the globe. The standards become effective on 15 December 2022. The Institute will follow the International Convergence Programme for local adoption in due course.

#### IAASB's videos on quality management standards

The IAASB has published video introductions to the new and revised quality management standards explaining the key aspects of the three standards to help stakeholders begin their implementation efforts.

#### IAASB December virtual meeting

The highlights and audio of the IAASB December virtual meeting is now available.

#### IAASB communique on audits of less complex entities

The IAASB has issued a communique detailing development plans for a separate

standard for audits of less complex entities.

#### IFAC support resources

The International Federation of Accountants (IFAC) releases the following support resources:

- A publication describing an agreed-upon procedures (AUP) engagement with case studies and example procedures that might be applied and two illustration AUP reports from International Standard on Related Services 4400 (Revised) *Agreed-Upon Procedures Engagements*.
- A brochure explaining and differentiating the range of audit, review, compilation, and AUP services which small- and medium-sized practices can provide and tailor to meet the needs of their small- and medium-sized entity clients.

#### U.K. FRC response to using technology to enhance audit quality

The Financial Reporting Council (FRC) in the United Kingdom has published its response to its recent consultation, *Technological Resources: Using Technology To Enhance Audit Quality*. The FRC's response incorporates discussion of responses received as well as discussion of other matters that have arisen throughout additional outreach and engagement with stakeholders.

#### ICAEW guidance on determining materiality during COVID-19

COVID-19 is likely to impact how materiality in audits is determined by auditors and the choice of benchmarks used. The Institute of Chartered Accountants in England and Wales article provides reminders to auditors of considerations when determining materiality in audits as well

as how these considerations might be relevant in the current environment.

#### Financial fraud risks to watch for amid the pandemic

An article in the *Journal of Accountancy* discusses financial fraud risks that professional accountants including auditors need to be especially watchful for fraud amid severe financial pressure associated with the coronavirus pandemic.

#### Reminder – Auditing and COVID-19

The Institute's quick guide provides a summary of the key issues and considerations impacting the audit of financial statements as a result of COVID-19 and resources from global accounting bodies to help members navigate some of the challenges for the next reporting period.

#### Ethics

#### IESBA November – December virtual meeting

The audio of the IESBA November – December virtual meeting is now available.

#### Report on the IESBA accomplishments

The IESBA report includes an update on the board's current projects and initiatives and highlights its efforts in promoting awareness, adoption, and implementation of the *International Code of Ethics for Professional Accountants (including International Independence Standards)*. It also summarizes the board's accomplishments between 2016 and 2020.

#### Guidance on navigating the heightened risks of fraud during the COVID-19 pandemic

The Staff of the South African Independent Regulatory Board for

Auditors, IESBA and IAASB jointly released a publication highlighting the heightened risks of fraud arising from the disruptive and uncertain COVID-19 environment and the implications for professional accountants in business, including accountants in government, and professional accountants in public practice, including auditors.

#### Sustainability

#### New guidance on integrating climate-related matters into financial reporting

The Climate Disclosure Standards Board has issued new guidance on the disclosure of the financial effects of climate-related issues on a company's financial statements. The guidance builds upon the existing IFRSs and addresses three main questions: Are climate-related matters relevant to financial reporting? How should climate-related matters be factored into a company's financial reporting and what this might look like? What steps can companies take to integrate material climate-related matters into financial reporting?

#### Corporate finance

#### SFC consults on proposed amendments to the Code on Pooled Retirement Funds

On 18 December, the Securities and Futures Commission (SFC) issued a consultation paper on the proposed amendments to the *Code on Pooled Retirement Funds* for (i) enhancing its requirements for the operation of these funds; and (ii) clarifying the obligations of key operators including product providers, trustees, management companies and insurance companies. Please refer to the press release for details.

The deadline for submission to the SFC is 19 March.

### **SFC's consultation conclusions on proposed customer due diligence requirements for open-ended fund companies**

On 23 December 2020, the SFC released consultation conclusions on proposed customer due diligence requirements for open-ended fund companies (OFCs). In the consultation, the SFC had proposed that OFCs should be required to appoint a responsible person to carry out anti-money laundering/counter-terrorist financing functions as stipulated under Schedule 2 to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), similar to the requirements imposed on limited partnership funds under the Limited Partnership Fund Ordinance (Cap. 637) (LPFO). Under the LPFO, the responsible person must be an authorized institution, a licensed corporation, an accounting professional or a legal professional. Following the consultation, the SFC will proceed with legislation to implement the proposal.

Please refer to the press release for details.

### **Consultation conclusions on Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display**

The Stock Exchange of Hong Kong (HKEX) issued consultation conclusions on *Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display*, on 18 December 2020. The proposals received broad support from institutional respondents. See the press release for details.

The Institute issued a response to the original consultation paper in July, which, in general, supported the HKEX's proposals.

## **Corporate governance**

### **HKEX's Latest Review of Issuers' Corporate Governance Practices and Practitioners' Insights on Corporate Governance and ESG**

On 18 December 2020, HKEX published the findings of its latest review of issuers' corporate governance practices and market practitioners' insights on corporate governance and environmental, social and governance (ESG).

Please refer to the press release for details.

## **Taxation**

### **Announcements by the Inland Revenue Department**

Members may wish to be aware of the following matters:

- Latest arrangements of Inland Revenue Department's (IRD) public services.
- Legislation Council question on welfare and employment for the elderly.
- Taxpayer convicted of making false statements in connection with holdover applications for provisional tax and falsely claiming deductions of expenses of self-education and approved charitable donations.
- IRD Annual Report 2019-20.
- Hong Kong-Serbia comprehensive avoidance of double taxation agreement.
- IRD Notice: Pay promptly as tax is falling due.
- Stamp Office Stamping Circular No. 01/2021: Stock Borrowing Relief – Filing of Return of Stock Borrowing Transactions.
- Taxpayer jailed for evading salaries tax.
- Stamp Duty statistics.

## **Legislation and other initiatives**

### **Announcements by the government**

Members may wish to be aware of the

following matters:

- Government extends social distancing measures under Prevention and Control of Disease Ordinance.
- Government strengthens restrictions to persons arriving at Hong Kong from the U.K.

### **AML notices**

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



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

**WORK AND LIFE**

CPA chess players



Photography by Anthony Tung

Arthur Lui, Finance Manager at Charles Taylor Mutual Management (Asia) Pte. Limited, began playing Chinese chess as a kid growing up in Canada. He continued playing as a university student in California.

# MAKING THE RIGHT MOVES

In both chess and Chinese chess, one careless move can be the difference between winning and losing. Players need a well-thought-out strategy, mental agility and years of practice – just to maintain consistency. Three Institute members tell [Erin Hale](#) how they began playing, the importance of thinking ahead, and their key to dominating the chessboard

**K**eeping an open mind is an important skill needed in each game of Chinese chess, and one that has also translated years later into the workplace for Arthur Lui, Finance Manager at Charles Taylor Mutual Management (Asia) Pte. Limited and a Hong Kong Institute of CPAs member.

“If my mind gets stuck in one direction or way of trying to beat my opponent, the original plan almost always doesn’t end up working,” Lui says. This requires him to take a step back and look at the bigger picture. “If a single way doesn’t work, sometimes you just have to look at the big picture, find where the ultimate goal is and try to work your way around to reach it,” he adds.

It is moments like these that draw him to a game of Chinese chess. Board games have soared in popularity around the world in the past year thanks to COVID-19-related lockdowns and televisions shows like *The Queen’s Gambit* on Netflix. But for some CPAs like Lui, board games are no passing fad. They credit games of strategy like chess, Chinese chess and Go, another two-player strategy board game, with helping them to develop the discipline and critical thinking skills during their school years that they later needed to succeed in careers in accounting and finance.

Chess can be traced back to India more than a thousand years ago, spreading through Persia before it developed into its modern form in Europe in the 1600s. Chinese chess, meanwhile, has legendary roots in China’s warring states period over 2,000 years ago, while Go, once considered one of the “four essential arts of the Chinese scholar” originated some 4,000 years ago.

Growing up in Canada, Lui began playing Chinese chess in Canada against his father. But he

quickly outpaced him and began playing in a club setting in high school. “My dad first taught me how to play – but he was pretty bad at it – so after a year or two, I would challenge my uncles to a game of Chinese chess every time they visited my house. After about three years, I started getting bored of playing against my parents and uncles. I was only around 10 or 11 at the time,” he recalls.

When Lui entered high school, he was surprised they didn’t have a Chinese chess club nor students who knew how to play Chinese chess. “I wanted to find more people to play with, so I decided to found the Chinese chess club,” he adds. When he eventually went to university in California, he had less time to devote to pastimes, but still managed to visit the occasional bubble tea café in Los Angeles for a game of Chinese chess.

**“If my mind gets stuck in one direction or way of trying to beat my opponent, the original plan almost always doesn’t end up working.”**

Lui was truly able to hone his skills as a student through practice, study, and interacting with players from different backgrounds at the cafés. Many of the lessons learned along the way, he adds, have stuck with him in the workplace.

“When I had just founded the Chinese chess club in high school, I realized I didn’t really know how to play strategically or in a

methodical way,” Lui recalls. “I purchased books to help myself improve and brought them to the Chinese chess club during lunch hour to try and engage with other members. We would talk about classic Chinese chess strategies.”

One key strategy, Lui notes, is knowing how to think outside the box. “By taking my time and being creative, I find there is more than one solution to attack an opponent. Some strategies may be better than others, but I have to be able to come up with them first, before I can decide on which one to use,” he says.

Playing International chess and Chinese chess also gave him different kinds of perspectives. In International chess, the pieces are ranked in power: the king mostly stays put while queen has the most weight followed by the bishop, knight, castle and all the way down to the pawn. In Chinese chess, all pieces are of the same value.

“In Chinese chess, the attacking pieces have a much [more equal] value on the board. So during a game, every piece counts, as opposed to International chess, where you might want to sacrifice a weaker piece to maintain your stronger pieces. In Chinese chess, things are more even,” he said.

Learning to play such strategic games, however, has helped him in his work life to visualize problems and plot his way out of a challenging situation. “There are always occasions where I feel like I’m at the bottom or about to lose. But if I persevere or challenge myself, I can change the outcome and overcome any obstacles.”

### Taking time, planning ahead

Emil Chung says playing board games are akin to giving your brain a workout. “Playing chess or Go helps you to think ahead.

Emil Chung, Vice President at Cassia Investments, has played chess all his life. He fell into the hobby as a secondary school student in Hong Kong and formed a chess club in Australia, where he also attended school.

Photography by Anthony Tung

The whole point of the game of chess in general, I would say, is to anticipate how your opposition will move,” says Emil Chung, Vice President at Cassia Investments, a consumer-focused private equity company, and an Institute member. “The more advanced you are, the better you are at thinking five steps ahead. Thinking ahead helps you to anticipate how the game will evolve and all the variations. It can get quite complicated,” he says.

Chung began playing chess as well as Go while he was a high school student in Hong Kong and later in Australia. “When I studied in Melbourne for high school, my passion followed me there. Then when the Internet came about, I was able to find players online. They were just very friendly games. I remember just waiting for anybody to play chess with online,” he recalls.

“After studying in high school, there was a chess club at the University of Melbourne. That’s where I saw people playing Go, and why I played it there during my four years at university.” In a game of Go, pieces are added with each move as players try to capture the most territory on the board, with the game increasing in complexity as time goes on.

While his time playing both games has waned since then, as he

**“The more advanced you are, the better you are at thinking five steps ahead. Thinking ahead helps you to anticipate how the game will evolve and all the variations.”**

found himself busy with work and family, the challenges brought on by the COVID-19 pandemic in 2020 pushed Chung to think five steps ahead.

“Both games help me to think ahead. Not only do they help me anticipate what my clients or management may say or do in my day-to-day, but I have a clearer idea about the direction of a business. I think of five steps to achieve a goal, but when one step doesn’t work, I think about five next steps to fix it,” Chung explains. “This thinking process has been quite important, especially after being hit by the pandemic last year, which was one of the most challenging years in my whole career. Playing chess has helped with my mental performance and mental health at work and outside of work.”

### Racing against time

For Kingston Ho, time is of the essence – especially in a nerve-wracking chess game. “My toughest opponent has always been the clock!” says Ho, Non-Executive Director at Connect Academy Trust, and an Institute member. Ho, who plays both Chinese and International chess, remembers one neck-to-neck tournament game back in secondary school where he managed to outmanoeuvre his competitor by playing faster.

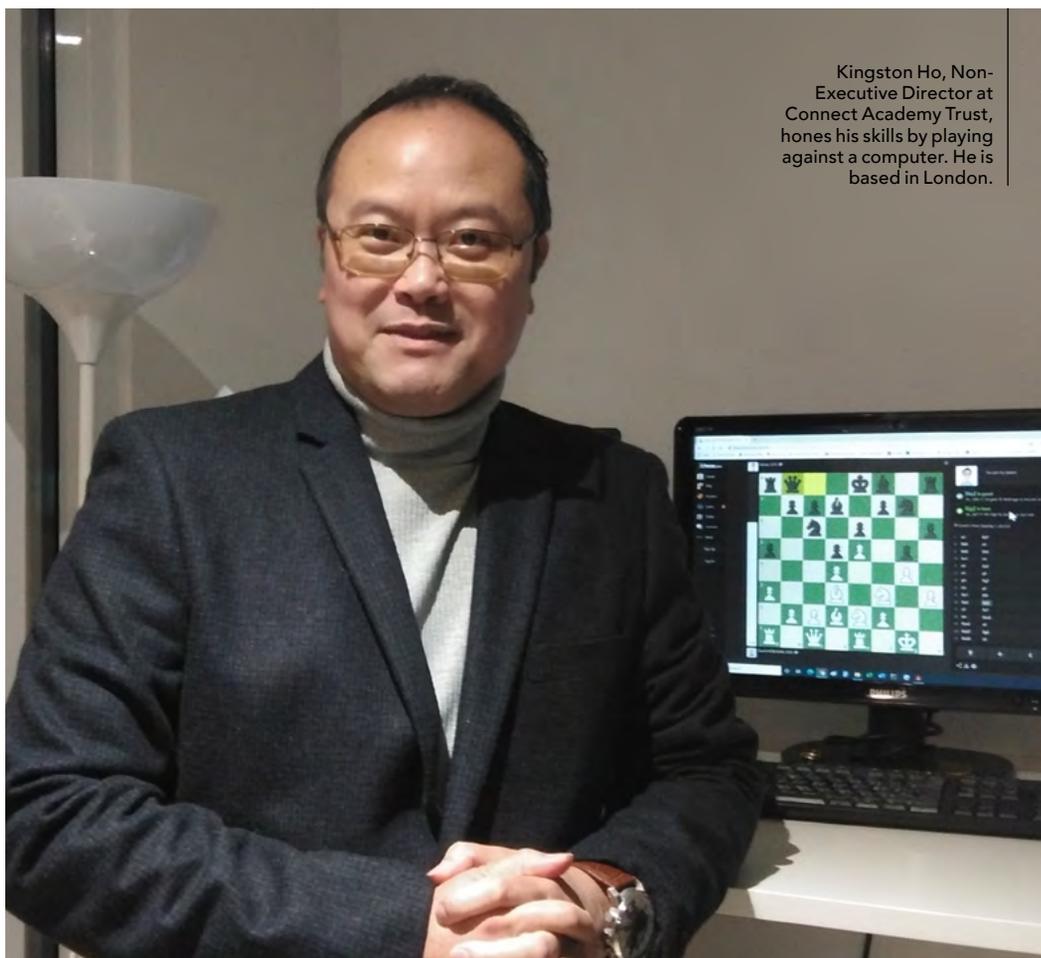
“There wasn’t much hope of winning, so instead, I decided to go for a draw,” says Ho. His opponent failed to keep up with Ho’s quick new strategy and began running out of time. “Both timers were going to end soon, so he began to rush his moves. Finally, with a bit of luck, I got myself into a position where I could not move any of my remaining pieces, and the game ended with a draw,” he says.

Each game of chess, Ho explains, has a slightly different objective and philosophy, but they are all strategic. In chess and Chinese chess, players try to capture an opponent’s “king” although pieces and maneuvers

vary as International chess is the only version with the all-powerful queen. “In both Chinese and International chess there are many classic openings, or gambits. The queen’s gambit is a famous one in International chess, in which the white side loses a pawn in exchange for initiative,” explains Ho. Initiative refers to threats made by the player that cannot be ignored, which put an opponent in the position of having to spend turns responding to threats rather than creating new threats. “If the black side ‘dances’ to the music, white will take down a pawn after a few moves, squaring off on pieces and maintaining initiative gained. It is important to gain knowledge in the latest traps and tricks, and the corresponding best practice responses.”

Ho, who is based in London, keeps his skills sharp by playing against a computer. Online games against a computer give players the flexibility to play whenever and wherever they want, but as Ho notes, it can feel somewhat impersonal. While outsmarting a computer at a game of chess can be difficult, it isn’t as challenging as playing against a human opponent. “I guess supercomputers will one day outplay all human players, but I believe that strategy and other abstract thought is still beyond the reach of machines, perhaps until the day artificial intelligence and machines can compute their own probabilities and make judgements accordingly,” Ho says.

Technology, however, has helped to bridge the gap between human and machine, adds Ho, noting that with options like Zoom and Skype, players can compete against friends in real time online – even during a pandemic. “In the past, playing in real life offered social interaction and enhanced bonding, as players could see and talk to each other face-to-face. Online games lacked this element. Nowadays, advances in technology have removed this limitation. But due to lockdowns,



Kingston Ho, Non-Executive Director at Connect Academy Trust, hones his skills by playing against a computer. He is based in London.

## “My toughest opponent has always been the clock!”

players can only play through online platforms,” Ho says.

Ho is content that technology allows him to keep practicing chess, especially as lockdowns remain in place in London, noting that more time at home allows former and current chess enthusiasts to spend more time reconnecting with their interests with friends at home and abroad.

### Trying a new challenge

Despite the many benefits of chess and Go, the legacy and reputation surrounding these games can make them intimidating for beginners – especially adult learners. Fortunately, technology has made

it much easier for newcomers to try their luck in their own time, and also learn basic rules and strategy, says Lui.

“Historically, newcomers could just join a club. There were often places with advertisements that welcome beginners to join and try playing the game. But nowadays, both learning and trying the game can easily be done online. There are many websites and applications that allow one to play Chinese chess [and other games]. People of all skills and range can practice online,” he says.

Chung agrees, adding that the Internet has also opened up resources to learn more about strategy. Whereas players once needed specialty books, they can now learn about how to become a better player, right on their smartphone. “Newcomers can start learning how to play chess or Go by watching online tutorials to learn the

basic moves and then download an app to start playing. They can adjust the difficulty level from beginner onwards,” he says. “My advice would be to enjoy the game, as the more you play, the more moves you will learn.”

Players, however, shouldn’t rely on technology too much, Ho cautions, adding that habits such as reviewing ones moves after a game concludes is crucial for improvement. While the Internet can make that easier, it’s a vital step that should be performed by each player themselves if they want to improve.

“Though many online chess games offer users the option to download a record at the end of a game, beginners should make it a habit to record and review their own past games so that bad moves can be identified, and better moves can be formulated for next time. This is one effective way to improve,” Ho says.



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**YOUNG MEMBER OF THE MONTH**

Ronald Tsang

# RONALD TSANG

Senior Director at an  
American Express joint venture





As Senior Director at an American Express joint venture, Ronald Tsang has been busy helping to expand the company's reach within Mainland China. He tells *A Plus* what he finds most fulfilling about working at a growing payment network in the heart of Shanghai

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

I'm the Senior Director at an American Express joint venture. My two main roles involve helping with pricing and finance systems optimization. In terms of pricing, I help determine how much we are able to charge as a payment network each time a transaction goes through our network. This requires me to have a firm understanding of the market and the position of our products among our competitors who are China UnionPay, Visa and Mastercard. As for finance systems optimization, I have to ensure that financial data is properly captured in our enterprise resource planning systems. Whenever we build a new system, we have to understand how this affects the tracking of our accounting, tax and cash flow management. For example, we have built a card settlement system with the banks we work with. There are a lot of miscellaneous fees, so I have to design a system that, from our side, is able to automatically send out daily reconciliation reports to these banks. This is also linked to our accounting and tax system, enabling us to automatically keep records of both. I work with the internal controls team to make sure all relevant controls are in place and to find the most financially viable and efficient ways of using these systems. I moved to Shanghai in January 2019 to work. We only received our license to operate as a network in China in August 2020, so we are kind of a start-up figuring our way forward. Everyone does their best and is very motivated, so in general, it's a very dynamic environment, which I really like.

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

What's most challenging is knowing how to make decisions balancing the quantifiable and non-quantifiable aspects. Some decisions are backed by numbers, such as the number of customers to be brought in and transaction volumes, but others are more intangible, involving factors such as brand value and relationships. During discussions and negotiations with our partners, many of whom are tech giants in China, sometimes you need a bit of faith that an investment of a certain amount of money would result in a certain outcome. The most rewarding aspects about the role is the people and the industry. It's rewarding to work within a team of people who are highly engaged, motivated and curious to seek and share knowledge. I also enjoy working in the payments sector. I started working at American Express in 2013 and have worked in cities including Hong Kong, Shanghai and New York. With platforms such as WeChat Pay and AliPay – which can also be used with American Express – the payments industry in China moves at a very fast pace. It's been a great learning experience and it's very exciting to build something from scratch.

**Where do you see yourself in the next five to 10 years in your career? Which field do you plan on specializing in, and why?**

I enjoy working in the payments industry and would like to work here for a two or three more years. I've been in this sector since 2013, so it would be a waste if I left and couldn't put my industry knowledge to use. At the same time, I enjoy the flexibility that comes with being a CPA, as the qualification also allows me to work anywhere. In my case, I went from being a traditional management accountant to taking on a more business advisory role. If you had told me five years ago that I would be working in Shanghai, I wouldn't have believed you! Shanghai is a truly diverse city. In addition to the expats you see from a lot of different countries, you meet a lot of people from different provinces in China too, such as Hunan, Jiangxi and Fujian. It's a truly multicultural place. I love the mix – that's what I enjoy the most. I also love the local delicacies such as *xiao long bao*, but I always miss the food back in Hong Kong.

**What has been the biggest challenge you have faced in your career so far and how did you overcome it?**

It would have to be going from being a sole contributor to managing a team. A sole contributor mainly focuses on completing tasks and making sure they are done in a logical and timely manner. But when you start managing, you have to understand your team's career aspirations, strengths and make sure they are able to function together as a team in order to meet the company's goals. So as a leader, you have to understand how to fulfil the company's goals and meet people's needs as well. That's the most challenging part.

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

I loved the management accounting module. This one helped me in my career the most. It logically explains how to look at a company's revenue, expenses, and how we can make key decisions in terms of cost-based accounting. The QP was all new to me – I only took an introduction to accounting course as part of my undergraduate degree as a biochemistry student – so I really enjoyed the formal training. It helped me to look at things in a more structured way.

# SPOTLIGHT ON WEEKEND BRUNCHES

Institute members recommend must-try weekend brunches in the city

## Douleshot by Cupping Room

“Douleshot by Cupping Room is a stylish café and bar on the first floor facing Lyndhurst Terrace and Hollywood Road in Central. Their double-smashed cheeseburger is a good start to the weekend, and the juicy Katsusando pork cutlet sandwich is another must-try. If you prefer a coffee or liquor-fuelled meal, you can go for their “Liquid Brunch” option – because it’s never too late for a coffee, and never too early for a drink,” says Lam.

- Kenneth Lam, Associate Director, Advisory at Grant Thornton



Douleshot by Cupping Room

## LG Taproom

“LG Taproom in Kennedy Town is a great place to enjoy a chill weekend and a nice brunch in the city. They have a good selection of craft beers, hand drip coffee and stone grilled steak. Customers have the option of sitting outside in its small terrace area, or inside facing some of the biggest masonry wall trees in Hong Kong,” says Ho.

- Fiesta Ho, Finance Manager of a U.S. technology company



LG Taproom

## Kyoku

“For those who love Japanese food, I suggest Kyoku. This spacious restaurant, located in Causeway Bay, serves a great selection of sushi, sashimi and teppanyaki, which I really like. Their sushi sets come with salads, steamed egg, soup and Japanese noodles such as udon or soba,” says Chun.

- Desmond Chun, Senior Associate, Transaction Services at PwC



Kyoku

# EYES & EARS

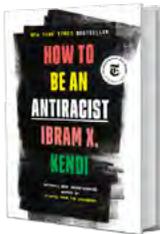
Institute members on what music they are currently listening to and what books are worth reading



- Thomas Wong, Partner at CW CPA

“I started listening to a lot of rock music during my secondary school days, and these days I’m still enjoying listening to Pink Floyd. Songs such as *High Hopes* and *Coming Back to Life* keep my spirits up and remind me to shrug off last year’s blues and welcome 2021 with high hopes.” says Wong.

## What I’m reading



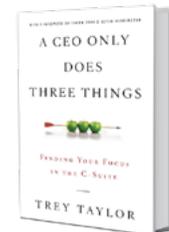
2020 was a year that challenged everyone, and one issue that came to the forefront was inclusion and diversity. Social movements that culminated from years of aggression prompted my colleagues and I to educate ourselves and learn how we can be a positive influence as antiracists. *How to be an Antiracist* by Ibram X. Kendi brings you into his world and provides you the lens to see the world more clearly, to self-reflect, and in doing so, gives you the power to become an ally and someone who can make the world more inclusive.

- Lawrence Leung, Director, Corporate Internal Audit at adidas AG



As there seems to be a growing trend of distance running, like marathon or ultramarathon running, I recommend *The Running Revolution: How to Run Faster, Farther, and Injury-Free-for Life* by Dr. Nicholas Romanov with Kurt Brungardt. It is difficult to up the right speed and at the same time, people easily get injured during training or a race. This book introduces the “pose method” of running, which highlights a number of ways to improve your running form. It enables me to efficiently utilize my body to finish marathons and avoid injury.

- Luke Ma, Partner at the Big Four



Last year jolted many business leaders, including CPAs, into reassessing their leadership methods. In his book, *A CEO Only Does Three Things: Finding Your Focus in the C-suite*, executive coach Trey Taylor says great leaders need solely to focus on culture, people and numbers. Knowing what the data means to a business comes naturally to accountants. But those wanting to see how ethics, beliefs, and rituals are what give standout companies a competitive edge will find this a pertinent read.

- Recommended by A Plus editors

## A whole new level of jargon

Hong Kong's humorist on why you should always explain complex topics in the simplest way possible



**Nury Vittachi**

is a bestselling author, columnist, lecturer and TV host. He wrote three storybooks for the Institute, *May Moon and the Secrets of the CPAs*, *May Moon Rescues the World Economy* and *May Moon's Book of Choices*

A group of householders in Shandong province in eastern China got fed up of random motorists parking their cars in front of their residential estate.

So they secured the entrance with a chain made out of 66 separate padlocks linked together. Each householder kept one key to one lock. This meant that no outsider could undo the chain, but any householder could.

The scheme was hailed as a physical example of the digital development known as “blockchain.” But I think the incident’s real value lies in the way it provided a clear visual illustration for decentralized control, something hard to explain to people.

A month ago, this columnist spent time talking to digital currency enthusiasts. Their jargon level was so high that their statements – at least to me – no longer qualified as English. Typical sentence: “We were busy making Merkle Trees when Mount Gox disappeared and caused the Degens to race for faucets.”

Notice how much that sentence sounds like children’s fantasy? The cryptocurrency world, anyway, was largely developed by nerdy, otaku American and Japanese males, which pretty much explains everything.

In their world, the bad guys are the “Degens,” which one popular bitcoin online dictionary defines thus: “Degen: Shorthand for ‘Degenerate.’ Degen trading or Degen mode is when a trader does trading without due diligence and research, aping into signals and FOMO into pumps.”

“Aping into signals?” “FOMO into pumps?” Explanations simply wrap enigmas in other enigmas.

One term I initially identified with was “Cold Wallet” which I assumed referred to purses like my own – empty and unloved – but actually turned out to refer to data storage devices kept offline.

Mount Gox was long for Mt. Gox, one of the first bitcoin exchange websites where you could switch between bitcoin and real money. A digital security problem caused it to implode in 2014, taking a fortune with it. These days, the destruction of Mount Gox is spoken of in hushed,

mournful terms, like Mainland Chinese people saying “Remember Nanjing” and Americans saying “Remember the Alamo” and my wife saying: “Remember the time you left the top off the Grand Marnier.”

And a “Merkle Tree”? According to CoinGecko, a cryptocurrency data aggregator, “It is a tree where every leaf node is labelled with cryptographic hash of a data block, and every non-leaf node is labelled with the hash of the labels of its child nodes.” Er, right, thanks. Perfectly clear...

Despite the total impenetrability of the jargon, I did find three cryptocurrency terms that were so useful that I think we should steal them for use in normal financial discussions.

1) When any discussion becomes too complex or esoteric, you simply type “ELI5.” This stands for “Explain Like I’m Five” and causes participants to re-explain the topic in extremely simple terms.

So if someone is talking about a “bond-linked instrument offering a 4 percent annualized yield,” you simply say “ELI5” and they have to explain it like this: “Daddy took your \$100 birthday money and gave you an IOU for \$104 you can cash in on your next birthday, sweetie.”

2) The second useful term is “faucet,” which refers to a place you can go to regularly for dependable rewards. Example: “You’ll never get any investment cash out of X but her rich Uncle Ken is a total faucet.”

3) The final one is the term “When Lambo,” which is a time reference. Derived from the name of the pricey Lamborghini sports car brand, it defines the moment when you become rich.

“When will my investment mature?”

“Looking at current trends, this project has a When Lambo of 18 to 24 months.”

But going back to that gated estate of homes in Shandong province, I’m sure most bitcoin enthusiasts would laugh at them for using mechanical devices like padlocks instead of some sort of digital security system.

Well, electronic systems are all very well – until you have a power cut or some other technical problem.

Remember Mount Gox. **A**

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