



PHOTOGRAPHS BY COLIN BEERE

Dear members,

When welcoming the delegates to the “China and the Global Capital Markets” conference last month, I began by citing some of the statistics showing the growth and size of Hong Kong as a world financial centre.

These included the fact that since the first IPO of a Mainland company in Hong Kong in 1993, Mainland companies have raised more than US\$140 billion in Hong Kong, indicating that our market is the preferred listing destination. The Hong Kong exchange now ranks as the eighth-largest in the world by market capitalisation and ranks fourth by funds raised in 2005. Mainland companies listed in Hong Kong comprise about 42 percent of the stock exchange’s total market capitalisation as of the end of April of this year.

One very important reason underlying this phenomenal growth is the drive to privatise state-owned enterprises to subject them to the rules of the game of international capital markets – including international financial reporting standards and good corporate governance practices. As such, the management of these companies will no longer benchmark themselves against other Mainland companies, but with their peers and competitors in the international arena.

While these large state-owned enterprises draw a lot of attention for their size, hundreds and thousands of sino-foreign joint ventures and private enterprises are eagerly waiting in line. Thus, as China continues to grow, so will Hong Kong’s capital market and the accounting profession.

So far, the large international firms have been part and parcel of this mega-trend. Now it’s time for our small and medium-size practitioners and our members in businesses to step into this flow of business.

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The wave of foreign businesses going into China has extended to medium-size or family-run businesses. They do not have the luxury of a team of seasoned in-house professionals to help them chart the course. Some of them may prefer the services of a smaller practice, which may be more personal. Many private Mainland companies are finding themselves in a similar situation.

To benefit from this mega trend, SMPs need to think about how they may remain relevant and competitive. In fact, in this fast changing environment, we all need to take stock of our strengths and weaknesses to prepare for opportunities as they come. We need to identify the competencies we need in our chosen area of work and ascertain if there is any gap, and if so, how it may be filled. Our members in business are no exception. The Institute is undertaking a comprehensive review of its CPD activities and requirements with a view to restructuring it into a competence-based framework to help better prepare our members in the pursuit of their careers.

On the other hand, we need to be creative in our response to challenges. For example, to deal with the acute shortage of experienced professional staff, can more flexibility be allowed in the form of employment and work arrangements so that we may bring back to the workforce members who may not wish to work full time? This may be a source of experienced high-calibre help. Another example may be in the way we tackle the Mainland market. It is too big a market for many of us and the restriction on Hong Kong firms offering auditing services there may stay on for some time. Perhaps we need to choose our battlefield or find allies.

Accountants are vital to sustaining the China growth trend. The importance of our role is only going to increase. Let's be prepared and innovative.

Sincere regards,

A handwritten signature in black ink, appearing to read 'Paul M.P. Chan'. The signature is stylized and fluid, with a long horizontal stroke at the end.

Paul M.P. Chan

President, Hong Kong Institute of CPAs