40th ANNIVERSARY 計往開來四十年 Accounting for Hong Kong since 1973

GOING GLOBAL

The Hong Kong Society of Accountants hosts the 2002 World Congress of Accountants – Hong Kong's largest professional event to date

The 2000s marked a new dawn for the Hong Kong accounting profession. In the fifth part of a series marking the organization's 40th anniversary, ***A Plus*** looks at how Hong Kong accountants stepped up onto the world stage

Chinese Premier Zhu Rongji addresses the 2002 World Congress of Accountants in Hong Kong

"Hong Kong's largest professional event came closer to disaster than anyone could have imagined at the time."

For the Hong Kong Society of Accountants, the start of the new millennium began with both apprehension and expectation.

The Asia-Pacific region was still recuperating from the financial crisis of the late 1990s, the global technology bubble was wobbling and would soon pop and, closer to home, the Society would continue its struggle to assert itself as a viable and independent organization.

One relief for the accounting profession occurred on the first day of the decade. The Y2K or millennium "bug" turned out to be harmless. However, it had brought attention to the risks of personal computers, which were well established in accounting firms by then.

"Accountants should understand and be proficient with information technology," warned Michael Chan, chairman of the Society's IT committee between 2001 and 2002 (and IT strategy steering committee between 2003 and 2004), after the danger had passed.

Some critical changes came from abroad. The terrorist attacks on the Twin Towers in the United States in 2001 had significant repercussions for accountants. "That was the start of a lot of changes and the world wasn't quite the same since," says Albert Au, chairman of BDO Hong Kong and president of the Hong Kong Institute of CPAs in 2008. "I think it has a great deal of relevance to the profession."

Au points to the United Nations (Anti-Terrorism Measures) Ordinance 2001 as an example. "When it came into force in Hong Kong, it required a lot of disclosures pertaining to money laundering," he says.

Then in 2003, the city was hit with an epidemic of severe acute respiratory syndrome. While tragic, the SARS outbreak had a positive effect on the ability of the profession to cope with crises. "It impacted us, but also brought us up to scratch in terms of looking at disaster recovery and risk management," Au points out.

The year 2000 opened with a significant change in leadership at the Society: Louis Wong, the registrar, had decided to retire. He had been working for the Society since 1976 and was appointed registrar in 1980. "I was proud to be part of the team that built up the Society," says Wong.

By the time he stepped down, Wong had helped guide the Society through two exciting decades. "Louis was a very good person to be involved with the Society as registrar," says Ken Morrison, who is now practising director at Mazars in Hong Kong and chairman of the executive board of Mazars Greater China. "He had a style about him when it came to negotiating between different interests."

Wong's replacement was Lee Kai-fat, who had retired from the civil service as deputy commissioner for labour in charge of occupational safety and health. As registrar and secretary-general of the Society, Lee headed more than 120 staff.

Lee arrived at a difficult time: two years of his three-and-a-half-year tenure would be devoted to the organization of the 2002 World Congress of Accountants. In 1997, Hong Kong had been awarded the right to host the world's biggest professional accountants' meeting.

"The toughest aspect of [my] job at that time was steering the Society towards a successful congress," Lee told *The Hong Kong Accountant* magazine – the predecessor of *A Plus* – in an interview marking his retirement in the December 2003 issue. (Lee passed away in 2013.)

Hong Kong's largest professional event came closer to disaster than anyone could have imagined at the time. "SARS had already hit Guangzhou," Lee noted. "If it had struck just a little earlier, the congress would have been doomed and the Society may have been left to pick up the pieces."

Lee looked back on the Congress as the highlight of his career. "I can pinpoint the moment – it was when Chinese Premier Zhu Rongji opened the Congress at nine o'clock on the first morning. I was suddenly aware of all that we had achieved over the previous two years. I knew all the planning had paid off."

Mainland concerns

Winnie Cheung, who was the Society's senior director at the time, also remembers Zhu's appearance at the Congress. "I remember it was made much more significant because it was the first time any Chinese Premier had come to a private sector event," she says. "The security was as tight as going through customs at airport terminals and participants had to go through security checks every time they came in or out of the conference venue."

Zhu had words of advice for accountants around the world in his keynote address that Cheung says were etched in many people's

A rebranding cocktail reception marking the Institute's new identity, held in September 2004

minds and which she heard quoted over and over again in many international conferences: "Make no false accounts," he admonished the assembled delegates, especially those of his own nation. While Zhu sought to advance the standards of accounting in China, Hong Kong had its own concerns about Mainland proficiency – worries that would last throughout the decade.

In mid-2006, recalls Mark Fong, then senior partner at Moores Rowland and an Institute vice-president, the Chinese Ministry of Finance sought to declare equivalence between China and Hong Kong accounting and auditing standards. "I basically said, 'uh-oh'," he says.

Cheung told the ministry: "This has to be based on a proper process of comparison between the two sets of standards," recalling a similar comparative study she led in the early 90s in preparation for the H-share market.

Fong, now executive director of China development at Grant Thornton, says the first thing he did when he took office as Institute president in January 2007 was to head an Institute delegation up to Beijing. "I wanted to understand what they were looking for and see if there was any way out of this."

A declaration of convergence – or equivalence – was out of the question, Fong believed. "So we came up with a term that means 'same effect.' If the Mainland standard and Hong Kong standard were applied to the same corporate entity in the same year (and by the same accountant), there would be the same effect. They accepted that principle." The parties also agreed to use the term "substantial convergence" to differentiate from "convergence."

"In China, the development of independent auditing standards is part of the desire to become part of the world community."

Hong Kong and Mainland accountants worked side-by-side on a standard-by-standard and paragraph-by-paragraph comparison study of the two regimes. "It was a very challenging project," Fong says, adding that although there were long and difficult negotiations, the arguments on both sides were carefully considered. Cheung and Fong recall taking frequent trips up and down Beijing to negotiate for removal of differences found. Cheung says the Institute had the full back-up support from the technical teams of its member firms in the year-long project. A channel was also opened with the International Accounting Standards Board, who were keen for the project's success, to seek views on grey areas. "Many worked tirelessly, giving their time and expertise freely, without which we would not have succeeded," she says.

Raphael Ding, who has been the Institute's chief executive since July 2012, was then an Institute adviser on two comparison projects: on HKFRS and China accounting standards, and Hong Kong and China auditing standards. "That took almost a year – I've no idea how many miles I flew that year," says Ding, who was actually involved in the Chinese convergence process as early as 2002 when he was appointed to serve on the panel of foreign experts advising the Ministry of Finance in the development of new auditing standards. "In China, the development of independent auditing standards is part of the desire to become part of the world community. They needed someone who had the language skills and experience to advise them in converting international auditing standards to Chinese," Ding recalls.

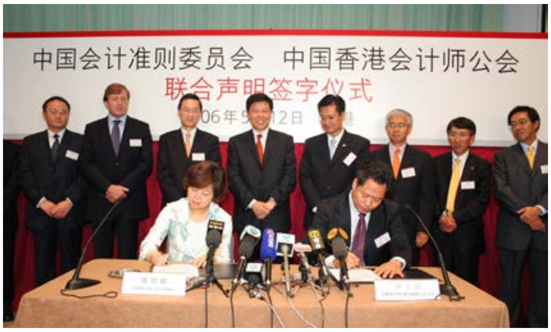
As for the comparison projects, the Mainland authorities in some cases willingly amended their standards to make them convergent with International Financial Reporting Standards. Fong stresses that it wasn't just a matter of the Mainland changing its standards to conform to Hong Kong and international requirements. In at least one case, the international standard was changed to accommodate China's wishes and needs.

This concerned related-party transactions. Under the then IFRS definition, related party transactions included those between entities that were state-owned. "Now in the Mainland, practically everything is state-owned, so practically everything involves related parties," Fong points out. "We actually fought the IFRS to have that changed. And we won."

Cheung says, "We were also able to persuade the IASB to change IFRS 1 *First Time Adoption of IFRS* in record time on an anomaly found as a result of this project that solved a long time difference between the A and H share accounts."

The result of the comparison project was a plan for a joint declaration setting out the convergence of the two sets of accounting and auditing rules, marking a step towards China's full adoption of international standards. However, a new wrinkle soon emerged.

Towards the end of 2007, after the joint declaration, the Ministry of Finance contacted



The China Accounting Standards Committee and the Institute sign to converge standards in 2006

THE PURSUIT OF A NEW IDENTITY

The year 2004 is perhaps the most significant since the Hong Kong Society of Accountants' foundation. The previous year saw the Society's 30th anniversary – and its last in its original form. Lee Kai-fat had retired as secretary-general at the end of 2003, paving the way for Winnie Cheung's accession as its first chief executive.

With its own examination system, recognition from international accounting bodies and a World Congress of Accountants under its belt, the Society needed a new, modern identity that would symbolize its world-class status.

A Hong Kong certified public accountant, a designation in line with that of the Mainland as well as the United States and other major markets, would be created. "Given our global ambitions, we needed to rebrand," says Mark Fong, a Council member at the time and later president of the Institute.

It wasn't a simple task of finding a logo and changing the letterhead. There was a legislative barrier: the Professional Accountants Ordinance would have to be amended. "The problem was I had very little time to create the law," Cheung recalls.

Cheung and the Society went to work on the amendments in April 2003. "It was a huge exercise," she recalls. "The bill needs to cover not only rebranding and renaming of the Society and its members' designations, but also new governance and regulatory structures for the Institute to meet the post-Enron call for regulatory reform happening around the world and pressure from our own government," Cheung says.

In addition, the Society had to work with the Legislative Council for a timeslot to read, debate and vote on the completed private member's bill. Added pressures came from legislative elections due in September 2004. Any bill still in the chamber when LegCo dissolved in July would automatically die and have to be redone from scratch in the next session. Cheung recalls, "We completed the whole process and got the bill passed in the nick of time. You cannot imagine how happy one can be."

Fresh start, fresh outlook

In September 2004, the Hong Kong Institute of CPAs was born, but would continue the traditions of its predecessor organization created 31 years earlier. "We are getting much more than a new look," then-president Roger Best told the *South China Morning Post*. "We are embarking on an exciting new direction that will benefit every member, our students and Hong Kong."

On the same day the Institute was reborn, regulatory reforms took effect that opened its governance structure by introducing a majority of lay members into its Investigation and Disciplinary Committees and also added four lay members onto the Council.

The idea was to provide further assurance to the public of transparency and independence.

"Apart from lay members on the Council, we brought in lay members on the Disciplinary Committee and the Investigation Committee," says Cheung.

"[Then president] David Sun came to me in December 2002 for a suggestion to increase the independence of our regulatory process, and I said we could do this by creating two panels: a panel of accountants and a panel of non-accountants, and for each case, we will form the committee by drawing two accountants and two non-accountants from each panel and a chair who was an accountant."

The government had other ideas, however. "The final outcome of the negotiation with the government came to have two non-accountants, two accountants and a non-accountant chair, making the committees majority lay," Cheung recalls. "That was a little upsetting but the government insisted on it so that's how it was."

Cheung says lay members fulfill a vital role in the profession's self-regulatory regime. "The independent checks and balances they provide were necessary to regain trust and confidence of the general public in the accounting profession's governance post-Enron and other accounting scandals that rocked the world."

the Institute again. As Fong recalls, "they said now that the Mainland and Hong Kong standards are convergent, there's no reason why regulatory authorities in both jurisdictions cannot accept accounts audited by the other jurisdiction. I said 'uh-oh' again.

"There was a lot of sensitivity and a lot of negotiation," says Fong. A compromise was reached under which a joint declaration signed in December 2007 stated that both sides would "explore" ways to recognize the other's audited accounts. (This would later lead to the endorsement of 12 selected Mainland CPA firms to audit H-share companies listed in Hong Kong, but not until after three years of study, negotiation and market consultation by both sides, in December 2010.)

Hidden costs

Although Hong Kong escaped the brunt of the Asian financial crisis of the late 1990s, there were indirect consequences. Peregrine Investments, hailed as the territory's first homegrown investment bank, had ignominiously collapsed in early 1998 with US$4.5 billion in debts after unwise investments in Indonesia.

An expensive inquiry into the Peregrine failure – which finally issued a report in March 2001 – pointed the finger at mismanagement and poor corporate governance, among other factors, yet no one faced criminal charges. The dismantling of the Peregrine group by PricewaterhouseCoopers was one of the largest and most complex liquidations in Hong Kong history.

"While Hong Kong may have the best corporate standards in Greater China, it actually contains few companies that practise world-class corporate governance," Jamie Allen, then, as now, secretary-general of the Asian Corporate Governance Association, told the *Far Eastern Economic Review* in July 2001.

That year, the then financial secretary, Donald Tsang, addressed the issue of corporate governance in his Budget speech. "Our aim is to establish Hong Kong as a paragon of corporate governance, ensuring that those investing in Hong Kong are afforded the best protection, and that our listed companies are managed with excellence, complying with the highest international standards including those related to risk management and disclosure of information," he announced.

However, many in the accounting profession doubted the government's ability to create a culture of corporate governance. "The problem, as I have said before, is that the authorities are not diligent, or indeed competent enough, to monitor and police companies suspected of malpractices or mismanagement," Selwyn Mar, managing partner of Charles Mar Fan & Co. and Society president in 1991, told the *Review*.

Then came Enron, the Texas oil trading company that became a byword for greed and lack of oversight after its US$17 billion collapse in December 2001. The following May, Arthur Andersen, the Big Five auditor that gave Enron a clean bill of health until its collapse, disintegrated. The ripples hit Hong Kong, when PwC absorbed Andersen's local unit, although many staff later left for Ernst & Young, now known as EY.

One result of the Enron debacle – and the WorldCom and other collapses that followed – was a raft of new regulations, led by those in the U.S. In 2002, the U.S. enacted the Sarbanes-Oxley Act, with its worldwide ramifications for disclosure that exist today. Other countries followed suit: Britain, for example, revised its Corporate Governance Code in 2003, while Australia introduced new corporate governance and audit reform laws in 2004.

Global knowledge

At the turn of the millennium, another of the Society's challenges was to reinforce its Qualification Programme. The QP had been launched in 1999 as a new way to teach accounting, but uptake was slow, and there was fear that it could meet the same fate as the local exam offered by the Society in the 70s. "As the Society continued to recognize the ACCA exam for its membership and the QP did not have reciprocal membership agreements with other institutes, it was framed as the lessor of the two when it came to choices for the candidates," Winnie Cheung remembers.

In May 2000, a landmark was reached when the Society signed its first two mutual recognition agreements with the ACCA and CPA Australia (formerly the Australian Society of Certified Practising Accountants). Up

The Society was determined that the QP had to become the pre-eminent qualification – and gain international respect.

The Institute signs a mutual recognition agreement with the U.S. International Qualifications Appraisal Board, a body that represents the American Institute of CPAs and the National Association of State Boards of Accountancy in 2011 until then, the Society had unilaterally recognized 14 accounting qualifications around the world for its membership including ACCA and CPA Australia with no reciprocal recognition arrangements with those bodies.

The deal meant that QP-graduated members of the Institute were eligible to apply for membership of the ACCA and CPA Australia. "The Society is now able to stand alongside these bodies as partners of equal standing, which is a major step forward for its members," Society president P.M. Kam said at the time.

However, after the mutual recognition agreement was signed, the number of QP candidates did not grow as expected, recalls Cheung, who was the Society's director of professional development until 2001, when she was promoted to senior director. (She would become registrar and the first chief executive in 2004.) "Students now had the choice of taking the ACCA programme, the CPAA programme, or the QP to become a Hong Kong professional accountant, and many more opted for the others as those programmes were more familiar and perceived easier, having been offered in Hong Kong for decades, while QP was brand new and perceived as a harder exam."

The Society was determined that the QP had to become the pre-eminent qualification – and gain international respect. In 2002, during the World Congress of Accountants, the Society signed reciprocal membership agreements with seven chartered accountancy institutes in England and Wales, Scotland, Ireland, Australia, New Zealand, South Africa and Zimbabwe. An agreement with the Canadian Institute of Chartered Accountants was signed subsequently.

A major strategic direction was then put in place to achieve the QP's worldwide recognition. In 2004, in a bold move, the Society was renamed the Hong Kong Institute of Certified Public Accountants (see "The pursuit of a new identity" on page 41). Capitalizing on its new identity, the Institute announced it would seek reciprocity with all the 14 accounting bodies (of which eight had signed reciprocal membership agreements with the Institute).

"However, it had to be done on a level playing field, i.e. both qualifications had to be assessed based on a set of agreed qualification benchmarks and achieve equivalence for reciprocal recognition," says Cheung. "This was necessary for us to maintain control of our qualification and consistency of its standard and quality."

From July 2005, the newly rebranded Institute would no longer recognize qualifications from the ACCA, CPA Australia, the Association of International Accountants, the American Institute of CPAs, the Chartered Institute of Management Accountants and the Chartered Institute of Public Finance and Accountancy.

"We created our own qualification benchmarks based on the competency outcome of the QP and published it on our website so there was open transparency on what we were looking for in assessing other qualifications for recognition," says Cheung.

Relationship issues

Cheung says that under the Institute's recognition process with another institute, both bodies would agree on an independent expert to conduct comparisons. "With that as a basis we went to all 14 institutes to re-establish a relationship," she says. All but one was agreeable.

That exception was the ACCA. "The first reaction with regard to the ACCA was like outright war," Cheung remembers. Its then chief executive, Allen Blewitt, posted a message on the ACCA website describing the Institute's decision to end the partnership as "unprofessional and highly regrettable" adding that some ACCA members felt the move was like "stabbing an old friend in the back." "It was rather emotive, to say the least," Cheung says.

The Institute stuck to its guns. "The problem with the ACCA was we'd had a long relationship and they didn't think we should assess them," says Cheung. "From our own standpoint, we were a separate organization and we needed to be answerable to our members and our students. If we were giving somebody recognition as a Hong Kong CPA, qualified through another exam, run and controlled by another organization, it should be assessed and agreed upon, so we are taking someone on with the same quality."

The Australians were the first to thaw the ice, Cheung recalls. "CPA Australia was more matter-of-fact about it and they said they could relate to what we were doing as something they would have done in the same position. They were the first to approach us to start the process and offered for us to go to Australia and see how they conducted their programme and how they were set up as an organization."

Cheung says the two sides operated in a

The Institute opens its Beijing office in 2006

THE SOCIETY BIDS FAREWELL

It wasn't just the Hong Kong Society of Accountants' name that departed during the decade.

After 13 years of service, Eric Li (with the early years in the capacity of appointed member, and during the sovereignty handover as elected member by selection committee) retired from the Legislative Council as the profession's representative in 2004. The amendments to the Professional Accountants Ordinance that he shepherded through the chamber that year created the Hong Kong Institute of CPAs that we know today.

Li, the senior partner at Li, Tang, Chen & Co., says he didn't regret leaving LegCo. "Accounting is my life," he told an interviewer in 2008. "Politics is more of a phase in my life which I've never really taken on as a career."

Now, however, Li says that he would like to see more accountants in politics. "When I entered LegCo in 1991 there were six accountants and all were held in high regard, and when I left, I was the only accountant in LegCo," he observes. "LegCo desperately needs people with financial experience, and it's getting worse," he adds.

Li's successor was Mandy Tam, who sat in LegCo between 2004 and 2008 and was closely allied to the pan-democratic camp seeking universal suffrage.

Her tenure was controversial. The Institute had long distributed a newsletter from the accounting sector's representative. The Council had decided in 2006 that Tam's newsletter was taking an increasingly political stance and came at odds with the Institute's apolitical position, which it had long adopted as an Institute policy since the time the accounting sector was given a functional seat at LegCo. "To avoid increasing conflicts and complaints arising from her newsletters and correspondence to members that had eaten up a lot of Council time away from its agenda on professional matters, the Council decided that it would stop distributing Mandy's correspondence," says Winnie Cheung, the Institute's chief executive between 2004 and 2012. Instead, the Institute would help distribute her correspondence only to those members who had consented to receive it.

Tam sought a judicial review of that decision, which resulted in a ruling in her favour. The Institute declined to appeal. "It would have been costly and if we had won, Mandy would not have been able to pay our legal costs," says Mark Fong, Institute president in 2007 and now executive director of China development at Grant Thornton.

Tam lost the 2008 election to Paul Chan, the president of the Institute in 2006 and now Hong Kong's secretary for development.

History maker

The Institute marked another significant departure in 2006. The Society's 83-year-old cofounder, Sir Gordon Macwhinnie, decided to leave Hong Kong in 2006 after more than 50 years of residency and return to the United Kingdom with his family.

His unexpected death the following year brought many tributes. Fong credited Macwhinnie for fighting for the Institute's creation as a statutory body. "This ensured the Institute developed into a professional body and did not end up as a social club," he told the *South China Morning Post* for Macwhinnie's obituary.

Cheung said in tribute that Macwhinnie promoted the training of young accountants, ensuring the Hong Kong profession's continued strength.

Former KPMG chairman Marvin Cheung, the Society's president in 1990 and now chairman of the Hong Kong Airport Authority, said he regarded Macwhinnie as a mentor. Macwhinnie, he added, had "the highest integrity and moral standards."

After service in World War II that included a brief deployment at Stanley prison, Macwhinnie had come to work full-time in Hong Kong for Peat Marwick Mitchell & Co. in 1950. He became senior partner in 1968 and retired in 1978.

Thomas Clydesdale, the Society president in 1982 and a LegCo member who had retired as senior partner of Lowe Bingham & Matthews in 1989, also died in 2007 at the age of 73. Felix F.K. Chow, who was president of the Society in 1992, died in 2001, while Lee Kai-fat, the Society's registrar and secretary-general, died in 2013.

spirit of mutual trust. "I went to Melbourne with our director of education and spent two days at the CPA Australia headquarters, where we covered a lot of ground. Then we agreed on an independent expert reviewer from the Institute of Chartered Accountants of Scotland who undertook the review, filed a report, and we signed a mutual recognition agreement."

Reciprocal recognition assessments with the eight chartered bodies (England and Wales, Ireland, Scotland, Australia, New Zealand, Canada, South Africa and Zimbabwe) were similarly conducted through joint reviews, says Cheung. "The ACCA eventually yielded to the review and the parties signed the agreement for recognition arrangements in August 2006."

The QP – then one of the most up-to-date courses for the profession – soon garnered international plaudits. "Our own QP has been recognized to be on the same footing as, if not better than, the equivalent professional exams of all the major chartered bodies around the world," says Philip Tsai, a partner with Deloitte Touche Tohmatsu who became a Council member in 2004 and would become Institute president in 2011.

"By the end of 2011, we had put in place recognition arrangements and agreements with all the 13 accounting bodies (except the Chartered Institute of Public Finance and Accountancy) under our mutual recognition agreement process we had set out to do in 2004. The last signed was with the United States in 2011 in Nashville, Tennessee, making Hong Kong Institute of CPAs the first and only body in Asia to have reached such an agreement with the profession in all states of the U.S.," says Cheung.

The QP was introduced to the Mainland in 2005 as part of a concerted push to intensify cooperation with Mainland institutions. "Prior to that, the Mainland and Hong Kong governments had signed a mutual examination paper exemptions agreement in 2004 under CEPA which granted our QP graduates two out of five papers exemptions from the Chinese Institute of CPAs qualifying exams. The exempted papers were increased to three out of five under CEPA V in July 2008 and extended to all Institute members and students when they completed their exams. And when the CICPA restructured its examinations to

Eric Li retired from the Legislative Council in 2004 after 13 years of service

increase the papers from five to seven, the Institute was granted four out of seven paper exemptions following another agreement signed in November 2010," Cheung recalls, adding that CEPA was the big break for the Institute to open up talks with the Mainland on mutual recognition and market access for Hong Kong accountants in China, which has continued since its creation in 2004.

In 2009, the QP marked its 10th anniversary by graduating a record 1,656 students, a 35 percent increase from the previous year. Many would go on to work in the Mainland. "These graduates are important for Hong Kong and the Mainland because good accountants are a prerequisite for China's economic growth and Hong Kong's role as a financial centre," Paul F. Winkelmann, a partner at PwC and the Institute president in 2009, said at the time.

Stronger in numbers

Once mutual recognition agreements were signed with all the major accounting bodies, the Institute was instrumental in founding the Global Accounting Alliance in November 2005, a group of nine leading professional institutes from Australia, Canada, England and Wales, Ireland, New Zealand, Scotland, South Africa and the U.S. as well as Hong Kong.

"We needed to make sure the member bodies were very similar in terms of approach and vision and we cooperated on many worldwide issues of the day that faced our profession on the global platform as well as in our home countries," says Cheung. "These nine became the GAA and we gradually expanded it to include Japan and Germany," says Cheung. The year 2005 also saw the completion of the convergence of Hong Kong's accounting and auditing standards with International Accounting Standards (now IFRS) and International Standards on Auditing, at the same time as Europe and Australia. "Each standard caused a lot of

In the 2000s, one very strong line of business was internal controls, corporate governance and risk management.

debate as to its suitability to be adapted for Hong Kong," recalls Eric Li, senior partner at Li, Tang, Chen & Co., Society president in 2004 and the profession's LegCo representative for 13 years. "It was really for the large multinational corporations – for small- and medium-sized enterprises it was often a big nuisance." So, a set of standards for application to SMEs was also developed and launched at the same time.

In December 2005, the Institute announced the issuance of its code of ethics. Edward Chow, who was president at the time, said that the code represented "the final step in the Institute's full convergence to international standards on auditing, accounting and ethics."

The following year saw the purchase and occupation of the Institute's present 50,000 square feet headquarters and training and conference centre in Wu Chung House, Wanchai.

Another landmark event in 2006 sprang from the ever-closer ties between the Institute and key decision-making Mainland bodies such as the Ministry of Finance and the China Securities Regulatory Commission. "We opened our office in Beijing so as to provide services to our members working in the Mainland," says Tsai. "This was the first of its kind of any professional body from Hong Kong."

The 2000s were marked by transitions as a new generation took the helm (see "The Society bids farewell" on page 44). It was also a decade of remarkable opportunities for CPAs in Hong Kong. Specializations broadened even more, notes Paul Chan, the president of the Institute in 2006, who was the accountancy functional constituency member of the Legislative Council from 2008 to 2012 and is now Hong Kong's secretary for development.

"In the 2000s, one very strong line of business was internal controls, corporate governance and risk management," Chan says. "If you were in that field, whether you were in professional practice or a public accountant in business, there were tremendous opportunities."

While corporate governance asserted itself in the 1990s, other related ideas such as sustainability and corporate social responsibility emerged in the 2000s.

The Institute's management team at the construction site of Wu Chung House, Wanchai, its present headquarters

Tsai, meanwhile, remembers the 2000s for the broadening of career paths from the traditional launching pads. "Take our firm as an example," he says. "In the good old days we took on only audit or tax juniors, but we've been taking on new graduates in other service lines such as financial advisory, restructuring, consulting, enterprise risk services and other advisory services. That was unheard of until the past decade or so."

While corporate governance asserted itself in the 1990s, other related ideas such as sustainability and corporate social responsibility emerged in the 2000s. Peter Wong, Society president in 1984 and 1985, who had long had an interest in the environment, says his involvement with the International Federation of Accountants and working on the World Congress of Accountants in 2002 introduced him to many like-minded colleagues around the world.

That, he said, led to his interest in sustainability, a topic that blossomed in the 2000s. "At that stage I was very interested in the environment, which is one of the three aspects of sustainability – environmental, social and corporate governance. I had become involved with the Global Reporting Initiative in 2003." The GRI is an Amsterdam-based body which has come up with one of the most widely used sets of standards for sustainability reporting, in which the Institute has taken keen interest.

As the decade drew to a close, the global financial crisis turned into the great recession, although Hong Kong was not hit as badly as many other financial centres. Hong Kong accountants took it in their stride, as financial setbacks were not new phenomena.

"We've suffered quite a few economic meltdowns," Winnie Cheung reminds us. "In 1997 we had the Asian economic crisis, in 2002 we had the Enron fiasco and then in 2008 we had the global financial tsunami. All these have increased the challenges for the profession and the financial markets."

Hong Kong, and China in general, were distracted when the global financial crisis began to unfold. "We were too busy celebrating the Summer Olympics in Beijing and our attention was pretty much focused on China," Albert Au recalls. "It wasn't until after the Olympics that people said, wait a minute, Wall Street is collapsing."

Hong Kong powered along, helped in part by the resilience of the Mainland economy and its gradual transformation from an exports-led economy driven historically by Hong Kong industrialists to a consumption-led, services-oriented economy driven by Mainland capital.

In the face of the global recession, Hong Kong's accounting profession stood firm. "The financial crisis was not giving rise to lapses in professional duty," Winkelmann observes. "There wasn't a spike in complaints against the profession." However, there were repercussions. "Quite a few of our members became unemployed and quite a few members were struggling with their businesses," he notes.

The crisis would extend into the following decade but the Institute would continue to face up to the challenge.