

Rising to the Challenge in 2002



First I would like to thank my fellow Council members for electing me as the Society's President for 2002. I am honoured and pledge to serve the members to the best of my ability.

I would also like to extend my warm welcome to all our registered students who join the readership of *The Hong Kong Accountant* which has merged with *The Prospective Accountant* from this inaugural issue.

For the year 2002, the World Congress of Accountants in November will be the event of the Society. Not only it is a big occasion for Hong Kong, it is also historic for the Mainland. Past records indicate the largest number of delegates came from the hosting country. I hope a similar proportion from the Mainland will join us for the Congress.

Partnering with the Chinese Institute of Certified Public Accountants, we intend to work out packages and sponsorship arrangements that would encourage a large contingent of accountants as well as CEOs/CFOs from Mainland enterprises to come to Hong Kong to attend the Congress. It will be an excellent opportunity for them to enjoy our hospitality, to establish contact and interact with their counterparts from different parts of the world.

Over the next 11 months, the six subcommittees under Chairman Peter H. Y. Wong will finalise the Congress preparations. We have appointed a reputable Conference Organiser, Swire Travel, World Expo (Asia) and a PR agency to implement the decisions and catch international media coverage.

Another important challenge of the year is the restructuring of the membership and re-branding of the Society's name. The proposals were held up late last year, and it will be my priority task to complete the discussions with certain sector of the membership so that we can announce a revised package that meets the expectations of all members.

2002 will also be the year we plan to complete the outstanding standard-setting work. We should be able to achieve complete harmonisation of our auditing standards with the ISAs by the first quarter this year, but there is still a fair amount of work on harmonising the core accounting standards between now and the end of year.

The newly promulgated IFAC Code of Ethics will be used as a basis for our mapping and adaptation work, accompanied by interpretation guidelines. Our aim is to pronounce a revamped code for Hong Kong, also by the end of this year.

On self-regulation, I hope the legislative amendments on making our disciplinary hearing proceedings more open, together with other changes to improve the present system, will be passed during the year. I would also like to see the working group's review of the methodology and strategy of our practice review completed. In addition, there is work to be done on developing a set of guidelines for disciplinary penalties under a special task force. All of these are important to making our current system more efficient and user-friendly.

2002 will not be an easy year for the profession as we are inadvertently affected by an uncertain external environment and Hong Kong's own economic downturn. As professionals, the Society must be playing a much more proactive facilitator role in helping our members transform to meet the challenges of globalisation and economic restructuring happening here and overseas.

I will be working closely with my two Vice Presidents, David Sun and Edward Chow as well as with the secretariat to take on these challenges. I know the Presidency will not be easy. Regardless, I will dedicate myself to give Council the leadership it deserves with the resources available to us.

A handwritten signature in black ink, appearing to read 'Wong Tak Wai'.

Wong Tak Wai, Alvin
President

New President and Council Elected for 2002

The Society's 29th AGM was held on 14 December 2001 at the East and West Rooms of the Mandarin Oriental Hotel. At the meeting, the Council for 2001 was led by immediate past President Mr Andy S. C. Lee, who delivered a speech about the Society's developments in 2001. The most significant development in the last year, announced Mr Lee, was the Council's decision to review the membership structure and the proposed change of the Society's name to the Hong Kong Institute of Certified Professional Accountants.

The election results for the 2002 Council were also announced. Immediately after the AGM, the Council elected a new President and Vice Presidents. Mr Wong Tak Wai, Alvin was elected as the new President and Mr David Tak-kei Sun and Mr Edward K. F. Chow were elected as the Vice Presidents.

Mr Wong Tak Wai, Alvin is a Fellow Member of the Society and a Partner of PricewaterhouseCoopers. He has been a member of the HKSA Council since December 1996 and was elected Vice President of the Society in 2001.



New President Mr Wong Tak Wai, Alvin

Mr Wong has actively participated in many areas of the Society's activities. The HKSA committees and working groups he has served or is serving on as chairman or member include the following: Auditing Standards Committee, Ethics Committee, Organising Committee of the 2002 World Congress of Accountants, Professional Standards Monitoring Committee, Registration and Practising Committee, Expert Panel on Legal Matters (formerly the "Legal Committee"), and the Standard-setting Strategy Review Task Force.

(Right) The new President Mr Wong Tak Wai, Alvin (centre) and the new Vice Presidents Mr David Tak-kei Sun (left) and Mr Edward K.F. Chow

Mr David Tak-kei Sun is a Fellow Member of the Society and a Partner of Ernst & Young. Mr Sun has been a member of the HKSA Council since December 1997 and was elected Vice-President of the Society in 2001.

Mr Sun has actively participated in many areas of the Society's activities by serving on a number of the HKSA committees and working groups as chairman or member of the following: Administration and Finance Committee, Auditing Standards Committee, Corporate Governance Committee, Ethics Committee, Organising Committee of the 2002 World Congress of Accountants, Accounting Standards Advisory Panel, Expert Panel on Listing (formerly "Advisory Committee on Listing and Take-over Regulations"), Expert Panel on Securities (formerly "Advisory Committee for Securities Intermediaries"), Accountants' Report Task Force, Standard-setting Strategy Review Task Force, Task Force to Review Council Election Matters.



Mr David Tak-kei Sun, Vice President



Mr Edward K.F. Chow is a Fellow Member of the Society and the Executive Chairman of China Infrastructure Group Holdings PLC. He has been a member of the HKSA Council since December 1996. Mr Chow has actively participated in many areas of the Society’s activities by serving on a number of the HKSA committees and working groups as chairman or member of the following: Administration and Finance Committee, Corporate Governance Committee, Financial Management Committee, Mainland Affairs Committee (formerly “China Affairs Committee”), Organising Committee of the 2002 World Congress of Accountants, Professional Standards Monitoring Committee, Expert Panel on Listing (formerly “Advisory Committee on Listing and Take-over Regulations”), Accountants’ Report Task Force, Membership Needs Survey Task Force, and Standard-setting Strategy Review Task Force.



Mr Edward K.F. Chow, new Vice President

Composition of the Council 2002

Elected Members	WONG Tak Wai, Alvin (President) *David Tak-kei SUN (Vice-President) Edward K.F. CHOW (Vice-President) Roger BEST *Michael K.H. CHAN Paul M.P. CHAN *CHO LUNG Pui Lan, Stella *Mark C. FONG *Andy S.C. LEE *Kennedy Tat-yin LIU Doug OXLEY Carlson TONG	FHKSA, CPA FHKSA, CPA FHKSA, CPA FHKSA, CPA FHKSA, CPA FHKSA, CPA FHKSA, CPA FHKSA, CPA FHKSA FHKSA, CPA FHKSA AHKSA, CPA
Co-opted Members	Wilson FUNG Judy TSUI	FHKSA FHKSA
Ex-officio Members	The Honourable Financial Secretary or his representative The Director of the Accounting Services or his representative	
Registrar and Secretary-General	LEE Kai-fat	

* re-elected member

Council Election Result

Candidates for the 2002 Council Election	No. of Votes
AU Siu Cheung, Albert	706
Michael K.H. CHAN	1,217
CHAN Po Fun, Peter	396
CHO LUNG Pui Lan, Stella	1,453
Mark C. FONG	949
Wilson FUNG	745
Andy S.C. LEE	1,216
Kennedy Tat-yin LIU	1,538
PANG Tsun Loy, Michael	616
David Tak-Kei SUN	1,323
Stephen YAM Chi Ming	563

Council Announcements

The Council approved/ratified the following submissions, giving comments on:

1. The consultation paper on proposals made in Phase 1 of the Corporate Governance Review to the Standing Committee on Company Law Reform
2. The Society's 2002 Budget Proposals to the Financial Secretary, and
3. The draft Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules to the Securities and Futures Commission.

The Council approved the issuance of the proposed PN 710 "The Auditors' Statement on the Summary Financial Report" as an exposure draft for a six-week consultation period expiring on 31 January 2002.

The Council approved the following nominations/appointments:

1. Mr Clement Chan and Ms Debra Wong as the Society's representatives to participate in the International Symposium on Accounting Standards to be held in Beijing on 12-13 December 2001
2. Mr James Kong as the Society's representative to serve on the Organising Committee of the First Regional Conference on Private Building Management in Hong Kong, and
3. Mr Simon Tsang as the Society's representative on the Hong Kong Monetary Authority's Working Group on Regulatory Reporting.

The Council approved the Society's sponsorship for the newsletter of the Hong Kong Polytechnic University's Accountancy Students' Society.

Public Service Appointments

Mr Lee Shiu-chuen, Andy (李兆銓) has been re-appointed as a member of the Council and Court of the Hong Kong Baptist University for three years with effect from 1 January 2002.

Mr Kam Pok-man (甘博文) has been re-appointed as a member of the Council of the Lingnan University for three years with effect from 22 October 2001.

The Hon Chung Shui-ming, GBS, JP (鍾瑞明) and **Mr Denys E Connolly, JP (鄭立利)** have been re-appointed as members of the Managing Board of the Kowloon-Canton Railway Corporation for one year with effect from 16 November and 24 December 2001, respectively.

Mr Cheung Kin-piu, Valiant (張建標) has been re-appointed as Deputy Chairman of the Council and member of the Court of the Lingnan University for three years with effect from 22 October 2001.

Mr Tong Man-chung, William (唐敏忠) has been appointed as a member of the Council of the Hong Kong Polytechnic University for two years with effect from 1 November 2001.

Dr Tyen Kan-hee, Anthony (田耕熹) has been re-appointed as a member of the Mental Health Review Tribunal for two years with effect from 1 December 2001.

Mr Wu Ting-yuk, Anthony (胡定旭) has been re-appointed as a member of the Hospital Authority for two years with effect from 1 December 2001.

Ms Wong Yu-pok, Marina (黃汝璞) has been appointed as a member of the Social Welfare Advisory Committee for two years with effect from 1 December 2001.

Statistics Update

As of 15 December 2001, the Society's statistics are as follows:

18,930	Members
2,998	Practising Certificate Holders
1,042	Firms
101	Corporate Practices

Early Closing

Please note that the Society's office and library will close early at 4:00 pm on Monday 11 February 2002 for Lunar New Year's eve.

Football Competition



Mr Joe Tsang (right) presenting the Charles Mar Fan Cup to a representative of the IRD team



The happy finalists

The final game of the HKSA Football Competition 2001 was held on 1 December 2001 at the Kowloon Tsai Park. The match was played between C Beam and IRD. Congratulations go to IRD who won with a score of 2 – 1.

Twelve member teams and 12 member practice teams took part in the competition that began on 27 October. Thirty-one exciting single league and knockout matches were held over six weekends.

Mr Joe Tsang, member of the Corporate Services Committee, presented a cup donated by Charles Mar Fan & Co, as well as souvenirs and trophies to the winners at the closing ceremony.



The exciting match

Golf Tournament

The 2001 HKSA Golf Tournament was held on 15 November at Discovery Bay Golf Club. This year, 18 members competed for the Wong Tan Cup and Deloitte Touche Tohmatsu Trophy, both of which were donated by Deloitte Touche Tohmatsu. Mr Fong Hup, on behalf of Deloitte, officiated at the closing ceremony and presented prizes to the winners. Thanks also go to Mr Anthony Marr, a Society member, for serving as the convenor of the tournament.



Mr Fong Hup from Deloitte Touche Tohmatsu (right), presenting the Wong Tan Cup to Mr Anthony Marr



Mr Yu Man To, Gerald Maximillian receiving the Deloitte Touche Tohmatsu Trophy



The cheerful participants



A happy get-together

Who Won the Golf Competition?		
Wong Tan Cup (gross stableford points)	Winner:	Mr Anthony Marr
	Runner-up:	Mrs Kakai Marr
Deloitte Touche Tohmatsu Trophy (net stableford points)	Winner:	Mr Yu Man To, Gerald Maximillian
	Runner-up:	Mr Fong Hup
Best front 9 (net stableford points)		Mr Brian Leung
Best back 9 (net stableford points)		Mr Bruce Dunlop

Inter-Professional Golf Competition

The Society’s team won the championship for the third Inter-Professional Golf Competition. The event was jointly organised by the HKSA Golf Society and the Hong Kong Medical Golfers Association on 5 December 2001 at Clearwater Bay Golf & Country Club. Twenty HKSA Golf Society members took part in the event.

New Registrations

The Council recently approved the registration of the following firm/corporate practice with effect from November 2001:

Firm	Name of Sole Practitioner
THOMAS C.C. CHOY C.P.A. CO. 蔡振中會計師	Choy Chun Chung, Thomas
Corporate Practice	Name of Directors
TLC CPA LIMITED 譚林周會計師行有限公司	Chow Chun Kwong Lam Tze Ling, Gerald Tam Chi Kwan, Michael

CPD Reminder

Members who are selected for the annual audit of their compliance with CPD (Continuing Professional Development) requirements for the year 2001 are reminded to return their “CPD Records” forms to the Society by 28 February 2002. Please call the Society’s CPD section on 2287 7228 for further information.

HKAAT News

2001 Accountancy Conference

The 2001 Accountancy Conference, organised by the Vocational Training Council's Accountancy Training Board and co-organised by the Society and the Hong Kong Association of Accounting Technicians, was held on Friday, 19 October 2001 at the Hong Kong Convention and Exhibition Centre. The Conference aimed to provide a forum and the opportunity for accounting professionals to meet and discuss ways to cope with the challenges faced by organisations in developing digital technology. Mr George Ho, the HKAAT's President, presented a talk titled "Development of Accounting Professional Qualifications to Meet the Challenges in Digital Evolution."



Mr George Ho



Mr William Chan, Chairman of the Conference Organising Committee presenting a souvenir to Mr Ho

Po Leung Kuk Charity Walk 2001

On Sunday, 21 October 2001, a group of HKAAT registered students, Board and committee members and secretariat staff formed a team to participate in the Po Leung Kuk Charity Walk 2001.

The Kuk was founded in 1878 with the primary objective of "caring for the young and protecting the underprivileged." It has been organising Charity Walks to raise funds for the strengthening of its multi-faceted services for many years.

At 9am, the Chief Secretary for the Administration, Donald Tsang, acting as honorary patron, declared the walk open at Hong Kong Stadium. A "giant puzzle" of logos for the Beijing 2008 Olympic Games and Hong Kong's visual identity was presented at the opening ceremony.



The team about to start walking

After the ceremony, the team walked from Hong Kong Stadium, to the Aberdeen reservoir and finished at the Aberdeen Country Park Visitors' Centre. It was the perfect day for a walk through the beautiful countryside. The HKAAT would like to express its gratitude to the participants for their contributions in making the walk a great success and for raising money for a worthwhile cause.

Profiles of HKAAT TOP STUDENTS in the June 2001 Examination

Paper 1 – Financial Accounting I

Ho Mei Ling

Miss Ho registered with the Association in November 2000, and this was the first time she sat the Accounting Technician Examinations. She studied the Financial Accounting I course at the Li Ka-Shing College of Professional and Continuing Education. Miss Ho is now an accounts clerk with Polykote Coatings Manufactory Co Ltd.

Paper 2 – Management and Economics

Wong Hong Yee

Miss Wong registered with the Association in July 2000, and sat the Accounting Technician Examinations for the second time. She is currently studying for the Higher Diploma in Accountancy at City University of Hong Kong.

Paper 3 – Cost Accounting

Yip Suk Han

Miss Yip registered with the Association in November 1999. She studied the Cost Accounting course at Ming Li Education Centre this year. Miss Yip was granted an exemption from Paper 1 – Financial Accounting I based on a pass with distinction in the LCCI third level Accounting Examination. She is now an accounts clerk with Sun Wah Company.

Paper 4 – Statistics and Information Technology

Wong Hoi Shan

Miss Wong registered with the Association in November 2000, and this was the first time she sat the Accounting Technician Examinations. Miss Wong was granted an exemption from Paper 1 – Financial Accounting I based on a pass with distinction in the HKAAT Book-keeping and Accounts Examination. She is now studying for the

Diploma in Professional Accounting Studies at YMCA College of Careers.

Paper 5 – Hong Kong Taxation

Chin Chun Yue

Mr Chin registered with the Association in November 1998. He was granted an exemption from Paper 8 – Auditing based on his Higher Diploma in Accounting Studies from the Caritas Francis Hsu College. Mr Chin is now an audit trainee with S K Luk & Co.

Paper 6 – Hong Kong Business Law

Ma Lan Chu

Ms Ma registered with the Association in July 1999. She was granted an exemption from Paper 1 – Financial Accounting I based on a pass with credit in the LCCI third level Accounting Examination. Ms Ma is now an accountant with West River (HK) Ltd.

Paper 7 – Financial Accounting II

Yu Yee Wa

Miss Yu registered with the Association in November 2000, and sat the Accounting Technician Examinations for the first time. She studied the Higher Diploma in Accounting Studies in 2001 at the Caritas Francis Hsu College. Miss Yu is now an accounts clerk with Fullmax International Limited.

Paper 8 – Auditing

Tang Mei Chun

Miss Tang registered with the Association in July 1999. She studied the Auditing course at the Hong Kong College of Technology. Miss Yip was granted an exemption from Paper 1 – Financial Accounting I based on a pass with distinction in the LCCI third level Accounting Examination.

World Congress Early Bird Reminder

The Society is honoured to host the 16th World Congress of Accountants from 18 to 21 November 2002 at the Hong Kong Convention and Exhibition Centre. An early bird registration discount of US\$100 will be offered until 31 January 2002. Please contact the Congress Secretariat on 2287 7016 to get the First Announcement brochure. For more details on the World Congress please refer to page 20 of this journal or visit <http://www.wcoa2002.com>.

President's Engagements

Mr Andy Lee, the immediate Past President, attended the following events on behalf of the Society in November 2001:

- The Association of International Accountants' convocation ceremony on 24 November as the guest of honour and the keynote speaker
- The Hong Kong Institute of Real Estate Administration's 16th anniversary dinner on 27 November
- The Hong Kong Institute of Architects' annual ball on 30 November

ICAS Visit – Independent Review of the QP

Professor Ian Marrian, Deputy Chief Executive and Secretary, and Professor Mark Allison, Education Director of the Institute of Chartered Accountants of Scotland (ICAS), visited the Society from 14 to 20 November 2001. The ICAS Team was engaged to carry out an independent review of the Qualification Programme (QP) and membership admission requirements in order to facilitate the Society's discussion with overseas institutes of chartered accountants regarding mutual recognition of membership.

As part of this review, the two professors from ICAS met members of the International Recognition Task Force, the Accountancy Accreditation Board, the Examinations Board, the Registration and Practising Committee, the Student Training and Development Committee and the Secretariat in an effort to understand the different aspects of various committees' work and their roles in ensuring high quality assurance in the HKSA qualification process.

Through Dr Eric Li, our LegCo Representative, Professors Marrian and Allison met Mr Stephen Ip, Secretary for Financial Services, and Mr Andrew Sheng, Chairman of the Securities and Futures Commission, and were briefed on the role of the accountancy profession in Hong Kong and our liaison with the Government and regulators. The ICAS Team also visited the Hong Kong Exchanges and Clearing Limited. In addition, both professors visited universities to appreciate how they prepare their graduates for the QP and how they go about maintaining that support. Professors Marrian and Allison met local employers, workshop facilitators and students to get a comprehensive understanding of syllabus relevance and the workplace, employers' involvement with the Society, as well as employers' views on work experience and employment trends. Through document review, discussions and interviews, they sought to gauge the level of support of and understand the perceptions of universities, employers and students for the HKSA programme.



Profs Marrian (third from right) and Allison (fifth from right) pictured with the President and other office bearers

Professors Marrian and Allison have prepared a report for the Council in December.

Society's 2002/03 Budget Proposals

The Society has submitted a set of 59 proposals for the 2002/03 Budget to the Financial Secretary, Mr Antony Leung, under the title of "Hong Kong: Re-enter the Dragon."

On 18 December 2001, Mr Tim Lui, Chairman of the Society's Taxation Committee and Ms Deborah Annells, Convenor of the Society's Budget Proposals Sub-committee, met the press to elaborate on the proposals. Over 20 media organisations attended the press conference and raised many questions with regard to the proposals.

According to Mr Lui, the theme of the submission reflects the spirit and qualities of strength, resourcefulness

and confidence that have helped Hong Kong achieve its present status. He added that Hong Kong would need to call upon these qualities again if it is to rise to the challenges ahead.

The Society's 2002/03 Budget Proposals contains a "menu" of tax-related measures that seek to take account of the community's immediate circumstances and longer term needs. "We appreciate that the deficit will be much larger than the original forecast," said Mr Lui, "but the Society still believes that in the long-run tax concessions and incentives may be necessary to continue to attract investment in an increasingly competitive world." Hong Kong needs for example to be in the best position to respond quickly to the opportunities arising

from China's accession to the WTO.

"We also consider that the Government should undertake a critical review of its own costs and keep these under close control," Mr Lui said. "While our Budget Proposals focus primarily on incentives for business, including trade with the Mainland, tourism and other sectors, and concessions for those badly affected by the downturn, we also suggest that further thought could be given to certain options for additional revenue-raising. In particular more detailed consideration could be given to the practical implications of a land and sea departure tax," added Mr Lui.

Specifics of the submission include measures for the improvement of the business environment generally and incentives for sectors where Hong Kong can excel. They also include proposals to enhance Hong Kong's position as the natural trading partner of the Mainland and measures to relieve hardship and certain more technical proposals in relation to personal taxation and improving the taxation framework.

Outlining the Society's proposals, Ms Annells said that for some immediate relief they had put forward a proposal to mitigate the impact of the first provisional profits and property tax assessments. This was necessary in order to improve the cash flow of new businesses as well as proposals to introduce "group relief" into Hong Kong, and to allow deductions by companies for money borrowed at arms' length from overseas associates.

"We need to provide increased incentives to attract regional businesses here as a base for entry into the Mainland markets as they start to open up further now that China is a WTO member. We also need to build on Hong Kong's strengths in areas of financial and professional services, logistics, including our port, transportation and communications infrastructure, and tourism," said Ms Annells. The Society further suggested that concessions be extended to sectors such as the film and fashion design industries.

The Society's proposals seek to promote the use of innovative and creative design and to encourage the retention of certain types of manufacturing in Hong Kong with a view to retaining employment opportunities here. One quite specific measure proposed is a concession for expenditure on consultancy/feasibility work in relation to bids for projects concerned with the 2008 Beijing Olympics.

In support of the tourism sector, the Society's submission suggests that more should be done to protect Hong Kong's physical and cultural heritage and to bring about improvements in the environment. Ms Annells said it was also vital to the tourism industry and Hong

Kong's economic development that more progress was made in improving language skills amongst Hong Kong's young people, otherwise we would quickly be left behind by the Mainland where rapid improvements are clearly being made.

Another issue touched on in the submission is the need to turn Hong Kong into a more knowledge-based economy. The Society proposes profits tax incentives, subject to qualifying criteria, for investment in information technology (IT) companies or projects in Hong Kong. Other proposals include full or partial salaries tax exemptions for up to five years to attract professionals with specific high-level skills from overseas to work in relevant industries (e.g. IT, film and fashion design) in Hong Kong. This may well be where there is a demand and a shortage of supply and skill transfer can be facilitated.

In addition, the Society proposes substantial increases in the deductions for self-education expenses to encourage more people to undertake recognised undergraduate, postgraduate or professional training courses in fields such as IT, logistics, design/creation, film production, hospitality, environmental enhancement and languages.

The submission acknowledges that Hong Kong must also accept its responsibilities as a mature and caring community. The expanding gulf between the rich and the poor is a growing concern that is exacerbated by the problem of increasing figures in unemployment. While this is a complex issue for which there may be no simple solution, the submission proposes various concessions to minimise the hardship faced by the unemployed. These include raising the ceiling on non-taxable severance payments, as well as giving concessions to encourage employers to recruit staff from retraining courses.

The Society's submission aims to give support to Hong Kong's resurgence to a position of strength and prosperity. A wide range of proposals has been put forward even though the effect of many of them might appear to result in further reductions in revenue at a time of anticipated deficits.

The Society, however, believes that creating a positive environment for business and social development will attract more investment to Hong Kong, create more employment and is more likely to bring about an early return of the "feel good factor," all of which will ultimately lead to increased revenues.

The full report of the Society's Budget Proposals can be viewed on the Society's web site at www.hksa.org.hk.