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BDO ANNOUNCES WINNERS OF THE INAUGURAL BDO ESG AWARDS



Representatives of BDO, Mr Zhang Qiang, Deputy Director-General Coordination Department of the Liaison Office of the Central People's Government in the HKSAR (Left 3) and Mr Joseph Chan, Under Secretary for the Financial Services and the Treasury Bureau in the Government of the Hong Kong Special Administrative Region (Left 6), preside over the inaugural BDO ESG Awards Presentation Ceremony.

BDO ESG Awards 2018 (the Awards) was successfully held at JW Marriott Hong Kong on Thursday, 25 January 2018. Organised and hosted by BDO Hong Kong, with the support of BDO International and BDO China, the first-of-its-kind awards scheme in Hong Kong recognises outstanding listed companies who have made positive impact in the areas of Environment, Social and Governance (ESG) and aim to raise awareness and provide companies with examples of best practices to fulfil the increasing expectations and requirements on ESG performance and ESG reporting standards.



The top three companies from each of the large market capitalisation, middle market capitalisation and small market capitalisation segments of Main Board, as well as companies from the Growth Enterprise Market (GEM) were selected as winners in each of the following two award categories: (1) Best in ESG Awards and (2) Best in Reporting Awards. The companies with the best combined scores in those two categories were granted the ESG Report of the Year Awards (full list on next page).

Dr William Yu, Chairman of the judging panel of the Best in ESG Awards, said, "Although participating companies had a wide range of different focuses, emphasis and choice of community

CONTENTS

▶ BDO announces winners of the inaugural BDO ESG Awards	1
▶ GEM consultation conclusions and changes to Main Board and GEM Listing Rules – more stringent listing requirements for Hong Kong IPO market	3
▶ New service line - Professional Resources Solutions	4
▶ BDO Review: Timeline for suspended listed issuers to resume trading	5
▶ BDO Hong Kong new appointment	6
▶ BDO supports the CHKLC Director Training Series for the eighth consecutive year	7
▶ Digitalisation trends in Business Process Outsourcing (BPO) – Part 2	8
▶ What Chinese companies see when buying up European media	9
▶ New developments to safeguard the integrity of Hong Kong as an international financial centre	10
▶ BDO Global REIT Report	11
▶ Recent BDO publications	12



Winners of the ESG Reports of the Year 2018 celebrate their achievements with representatives of BDO, SCMP, judging panel and other honourable guests at the Awards Presentation Ceremony.

investments, the ESG Awards provided an excellent platform for these public listed companies to learn from one another on ESG Best Practices. Regardless of the results, the award participants will be encouraged and incentivised to improve their ESG performance and enrich their ESG initiatives."

Dr Kelvin Wong, JP DBA FHKIoD, Chairman of the judging panel of the Best in Reporting Awards, said, "My heartiest congratulations to the awardees who have orchestrated such excellent ESG reports. These award-winning reports are exemplary for companies which determine to raise their ESG standards. I am hopeful that through the encouragement of BDO ESG Awards and the excellence of ESG reporting among listed issuers, it will help further raise the standard of Hong Kong as a competitive international financial centre!"

Clement Chan, Managing Director of Assurance of BDO Hong Kong, said, "ESG reporting is an

important development which makes corporate reports on a much wider scope of business aspects that is relevant to general sustainability rather than just the traditional financial aspects. With the ESG reporting responsibilities, all corporates need to be more vigilant and mindful about the social and environmental effects of their business activities which will in turn contribute to the well-being and long-term sustainability of our globe. Hong Kong as an international financial centre needs to play our part and I am very glad to see BDO Hong Kong leading this thrust."

Johnson Kong, Managing Director of Non-Assurance of BDO Hong Kong, said, "On behalf of BDO, I would like to express our deepest gratitude to the final round judges. Their expertise and generous time commitment have greatly enhanced the credibility of the Awards. Going forward, BDO will continue to support Hong Kong-listed companies in improving ESG standard to maintain Hong Kong's position as

a world leading financial centre by boosting the confidence of and attracting more global investors to the city."

Ricky Cheng, Director and Head of Risk Advisory of BDO Hong Kong, said, "Clearly, increasing disclosure in ESG is a one-way street. Investors and peers will request greater disclosure from companies in the future. The journey of good ESG disclosure has just started in Hong Kong, and there is still a long way to go for a lot of companies. What can be said is that the earlier companies embark on the ESG journey, the sooner and greater the yield and benefits for their business. We believe that with greater experience gained in ESG reporting, companies will continue to develop and release better ESG reports that reduce risk, conserve resources and attract more investors."



A media luncheon was held in the afternoon on 25 January 2018. BDO Hong Kong's Managing Director of Assurance Clement Chan (Left 2), Managing Director of Non Assurance Johnson Kong (Right 2), Director and Head of Business Development and Marketing Andrew Lam (Left 1), and Director and Head of Risk Advisory Ricky Cheng (Right 1) shared the key findings from the contesting companies with the media.

BDO ESG Awards 2018 Winners (in alphabetical order)

BEST IN ESG AWARDS	BEST IN REPORTING AWARDS	ESG REPORT OF THE YEAR AWARDS
<p>Main Board - Large Market Capitalisation</p> <ul style="list-style-type: none"> • Cathay Pacific Airways Limited • Lenovo Group Limited • United Company RUSAL Plc 	<p>Main Board - Large Market Capitalisation</p> <ul style="list-style-type: none"> • AAC Technologies Holdings Inc • Cathay Pacific Airways Limited • Lenovo Group Limited 	<p>Main Board - Large Market Capitalisation</p> <p>Lenovo Group Limited</p>
<p>Main Board - Middle Market Capitalisation</p> <ul style="list-style-type: none"> • Melco International Development Limited • Xtep International Holdings Limited • Yuexiu Property Company Limited 	<p>Main Board - Middle Market Capitalisation</p> <ul style="list-style-type: none"> • Melco International Development Limited • Yuexiu Property Company Limited • Yuexiu Real Estate Investment Trust 	<p>Main Board - Middle Market Capitalisation</p> <p>Melco International Development Limited</p>
<p>Main Board - Small Market Capitalisation</p> <ul style="list-style-type: none"> • Hung Fook Tong Group Holdings Limited • Panda Green Energy Group Limited • Yip's Chemical Holdings Limited 	<p>Main Board - Small Market Capitalisation</p> <ul style="list-style-type: none"> • Fairwood Holdings Limited • Panda Green Energy Group Limited • Yip's Chemical Holdings Limited 	<p>Main Board - Small Market Capitalisation</p> <p>Panda Green Energy Group Limited</p>
<p>Growth Enterprise Market</p> <ul style="list-style-type: none"> • Altus Holdings Limited • Northern New Energy Holdings Limited • Xinyi Automobile Glass Hong Kong Enterprises Limited 	<p>Growth Enterprise Market</p> <ul style="list-style-type: none"> • Altus Holdings Limited • Luk Hing Entertainment Group Holdings Limited • Northern New Energy Holdings Limited 	<p>Growth Enterprise Market</p> <p>Northern New Energy Holdings Limited</p>

For details, please visit: <http://www.bdoesgawards.com>

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GEM CONSULTATION CONCLUSIONS AND CHANGES TO MAIN BOARD AND GEM LISTING RULES – MORE STRINGENT LISTING REQUIREMENTS OF HONG KONG IPO MARKET

In December 2017, The Stock Exchange of Hong Kong Limited (the Exchange) published its conclusions on the Consultation Paper on the Review of the Growth Enterprise Market (GEM) and changes to the Listing Rules. Amendments to the GEM and Main Board

Listing Rules have been introduced to reflect the new role of GEM as a market for small and mid-sized companies, and also to reflect a clear distinction between issuers listed on GEM and the Main Board. The revised GEM Listing Rules and Main Board Listing Rules have become effective on 15 February 2018.

Name change

To reflect a clear distinction between issuers listed on GEM and the Main Board, and to reflect the new role of GEM as a market for small and mid-sized companies, the previous names 'Growth Enterprise Market' and 「創業板」 have been changed to 'GEM'.

Tougher listing requirements

The key changes to the Main Board Listing Rules are as follows:

	Previous regime	Revised regime
Minimum market capitalisation at the time of listing	HK\$200 million	HK\$500 million (increased by 150%)
Minimum public float value at time of listing	HK\$50 million	HK\$125 million (increased by 150%)

The key changes to the GEM Listing Rules are as follows:

	Previous regime	Revised regime
Minimum cash inflow from operating activities before changes in working capital, for two financial years under the track record period	HK\$20 million	HK\$30 million (increased by 50%)
Minimum market capitalisation at the time of listing	HK\$100 million	HK\$150 million (increased by 50%)
Minimum public float value at time of listing	HK\$30 million	HK\$45 million (increased by 50%)
Post IPO lock-up on controlling shareholders	First six months upon listing – controlling shareholders are restricted from selling shares Next six months – controlling shareholders can sell shares, but must retain control	First 12 months upon listing – controlling shareholders are restricted from selling shares Next 12 months – controlling shareholders can sell shares, but must retain control
Offering mechanism	Free to decide the offering mechanism, 100% placing is allowed	Public offering of at least 10% of the total offer size is mandatory
Transfer from GEM to Main Board (Note)	Streamlined process GEM issuers can apply for transfer to the Main Board if they meet the Main Board admission requirements, without the need to appoint a sponsor and to issue a listing document	No streamlined process GEM issuers who apply for transfer to Main Board will be required to appoint a sponsor to conduct due diligence and publish a listing document

Note: Transitional arrangements in relation to GEM Transfer Applications

Transfer Application submitted before Amendment Effective Date (ie 15 February 2018)	<ul style="list-style-type: none"> - Processed under the current streamlined process - Only one renewal of such an application permitted - Eligibility for the Main Board will be assessed in accordance with the Main Board Listing Rules in force before 15 February 2018
Transfer Application submitted within the Transitional Period (ie three-year period from 15 February 2018)	<p>For the GEM issuers that qualified as Eligible GEM Issuers (see criteria below), the eligibility for transfer to the Main Board will be assessed in accordance with the Main Board Listing Rules in force before 15 February 2018.</p> <p>Criteria for Eligible GEM Issuers:</p> <ol style="list-style-type: none"> a. Companies listed on GEM as at 16 June 2017; or b. GEM applicants who have submitted a valid listing application as at 16 June 2017 and subsequently listed on GEM pursuant to such an application, with only one renewal of such an application <p>The aforementioned Eligible GEM Issuers are entitled to the following transitional arrangements:</p> <ol style="list-style-type: none"> i. Eligible GEM Issuers that did not change their principal businesses and controlling shareholders since listing on GEM are required to: <ul style="list-style-type: none"> - prepare a GEM transfer announcement in connection with their GEM transfer; and - appoint a sponsor to conduct due diligence in respect of their activities during the most recent full financial year and up to the date of the GEM transfer announcement ii. Eligible GEM Issuers that have changed their principal businesses and/or controlling shareholders since listing on GEM are required to: <ul style="list-style-type: none"> - publish a listing document as a new listing applicant to the Main Board; and - appoint a sponsor to conduct due diligence for the whole track record period and up to the date of a listing document <p>Those Transfer Applications made within the Transitional Period by GEM issuers that are not qualified as Eligible GEM Issuers will be processed and their eligibility will be assessed under the revised Main Board Listing Rules.</p>
Transfer Applications submitted after the Transitional Period	Processed and eligibility assessed under the revised Main Board Listing Rules

Effective date for the changes to Main Board and GEM Listing Rules

All new listing applications submitted before 15 February 2018 (the Amendment Effective Date) are processed in accordance with the

GEM or Main Board Listing Rules in force before 15 February 2018. Applications received on or after the Amendment Effective Date are processed in accordance with the amended GEM or Main Board Listing Rules.

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NEW SERVICE LINE - PROFESSIONAL RESOURCES SOLUTIONS

BDO is pleased to announce our recent launch of 'Professional Resources Solutions' as a new individual advisory service line.

As our clients grow and expand, human resources and recruitment issues is no longer a straightforward and easy task. With BDO's Professional Resources Solutions, we adopt a consultative approach to help our clients review, design, develop, and implement innovative human resources and sourcing strategies that can streamline their recruitment processes significantly.

BDO offers personalised solutions and strategies to help our clients tackle *short-to-*

medium term professional resourcing needs that are required to satisfy project requirements, staff augmentation & backfills as a result of emerging opportunities and other ad hoc tasks to meet their companies' strategies and goals.

For more information, please visit our new Professional Resources Solutions website at: <https://hk-www.bdo.global/services/business-services-outsourcing/professional-resources-solutions-recruitment>

If you would like to obtain a hard copy of our service flyer, or have a discussion with our resourcing specialists, please contact us via email at prs@bdo.com.hk or +852 2218 8288.



BDO REVIEW: TIMELINE FOR SUSPENDED LISTED ISSUERS TO RESUME TRADING

Following the proposed reform on delisting procedures, BDO reviewed the duration of the suspension of various listed issuers in Hong Kong. The review focussed on listed issuers in Hong Kong that were suspended for more than 24 months between 2012 and 2016 from publicly available information and identified a total of 21 such companies. Of the 21 suspended companies, 11 took more than four years (one even took up to seven years) to resume trading of their securities (see Table 1).

The BDO review was conducted following a proposal by The Hong Kong Exchanges and Clearing Limited (HKEX) in their 'Delisting and other rule amendments' consultation paper issued in September 2017 that the period of suspension for listed issuers should not exceed 24 months. The paper has also proposed to remove the PN17 process.

Based on the BDO review, the total market capitalisation (market cap) of the 21 companies as of the date of suspension, resumption date and as of 15 January 2018 was HK\$18.8 billion, HK\$24.3 billion and HK\$112.8 billion respectively. In addition, 13 companies had an increase in market cap upon resumption of trading. 12 of these companies still had a higher market cap as at 15 January 2018 compared to their market cap prior to suspension.

The key reasons for the suspension of the 21 companies were analysed as follows:

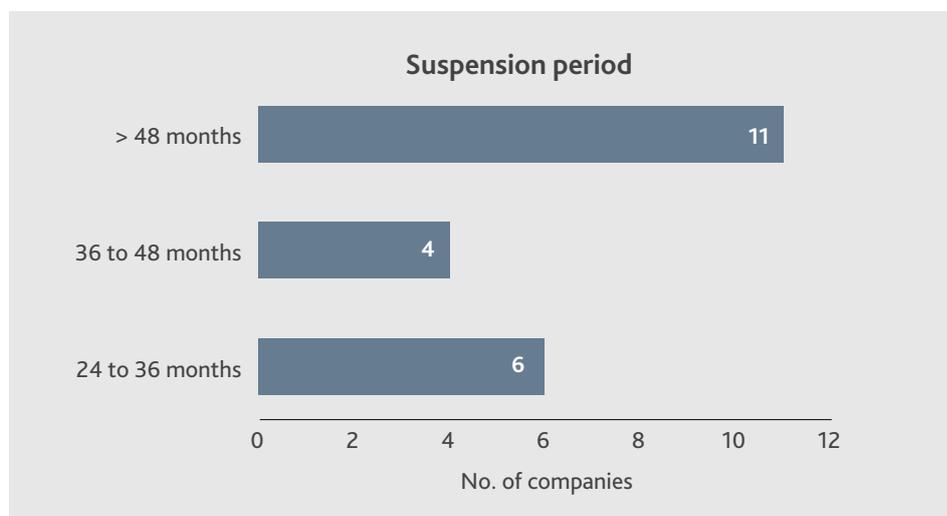
- 1 They were in severe financial difficulties or had ceased to maintain sufficient operations or assets ie PN 17 companies. It was noted that provisional liquidators or liquidators were appointed over six of the companies; and/or
- 2 They failed to announce their financial results or were under regulatory investigation for irregularities.

For the said six companies with provisional liquidators appointed, the steps and time taken for the companies to be restructured successfully are shown in Table 2.

On average, the provisional liquidators of the companies took some 56 months, ie four years and eight months, to restructure the companies and resume trading of their securities.

The PN17 process involves a three-stage delisting procedure of six months each. Currently, a provisional liquidator of a listed company can appeal against the decision by HKEX to place the company into the next stage of delisting. That option will no longer be available as the PN17 process will be removed under HKEX's proposed changes. As such, a provisional liquidator appointed over a listed

Table 1



Source: BDO analysis of suspended listed companies between 2012 and 2016

Table 2

Milestones	Time taken	Average
Appointment of provisional liquidators	0 to 16 months	4 months
Release of restructuring plans	14 to 58 months	29 months
Release of circular	15 to 45 months	20 months
Resumption of company	2 to 4 months	3 months

Source: BDO analysis of suspended listed companies between 2012 and 2016

company that is already in suspension will have very limited opportunity to seek more time under the proposed new rules.

It is reasonable to streamline the delisting process to ensure listed companies that are suspended from trading do not remain suspended for too long. However and if HKEX's current proposal were to be implemented, all the 21 companies in our review would have been delisted as they took more than two years to resume trading. Although these companies were suspended because they either had inadequate assets and operations or had reported financial irregularities, our analysis revealed a significant increase in their total market capitalisation since their resumption of trading.

Going forward, listed companies that want to preserve their listing status and value will only have a defined period of time to resolve their issues or complete their restructuring. They (and their advisers) can no longer assume it is an open-ended timeline and will need to be very focused in meeting the target date.

As reflected in our analysis above, the six listed companies that were successfully restructured by its provisional liquidators between 2012 and 2016 all took more than two years to resume trading of their securities. Given the absence of a corporate rescue regime in Hong Kong, the appointment of provisional liquidators was a 'de facto' approach to try to restructure distressed companies. This was particularly the case for listed companies due to the value of the listing status. However, all these companies would have been delisted if the proposed delisting rules changes are implemented.

Hong Kong needs to urgently enact the statutory corporate rescue procedure or provisional supervision bill that has been in the pipeline for the past 20 years. Hong Kong will no doubt need that to be more aligned with the major jurisdictions and maintain its global financial centre position. In this respect, Singapore has been positioning itself as Asia's restructuring hub and has just introduced new restructuring laws on rescue financing.

BDO HONG KONG NEW APPOINTMENT



ANDY LAM
Director
Assurance Services

Andy Lam has been appointed as Director of Assurance.

Andy has extensive experience in handling assignments of listed companies and private companies operating mainly in Hong Kong, Mainland China and various overseas jurisdictions over a wide variety of industries including manufacturing and trading, hotel operation, ship-management and chartering, mortgage and money lending and property development.

Andy also has extensive exposures on initial public offerings, merger and acquisition exercises, as well as financial due diligence investigations for listed companies.

Andy is a Hong Kong Certified Public Accountants (Practising) and a Fellow Member of the Association of Chartered Certified Accountants.



WENDY FONG
Director
Assurance Services

Wendy Fong has been appointed as Director of Assurance.

Wendy has extensive experience in handling assignments of listed companies and private group of companies operating in Hong Kong, Mainland China and various overseas jurisdictions over a wide variety of industries including manufacturing and trading, natural resources, research and development and sale of pharmaceutical products, garment, and provision of educational services, property agency services and health and beauty services.

Wendy also has extensive exposures on initial public offerings, merger and acquisition exercises, as well as financial due diligence investigations for listed companies.

Wendy is a Hong Kong Certified Public Accountant (Practising) and a Fellow Member of the Association of Chartered Certified Accountants.



AMY LEUNG
Director
Technical and Training

Amy Leung has been appointed as Director of Technical and Training.

Amy has many years of experience in serving both publicly traded and privately held organisations, including manufacturing, trading, tourism, logistics, hotels and construction. She worked with international audit firms after university graduation and subsequently left public accounting for commercial experience before re-joining the profession with BDO.

During her time in BDO, she has been involved in designing and delivering training for different level of professional staff in Hong Kong, Shanghai and Taiwan.

Amy is a Hong Kong Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants.



HEIDI CHAN
Accounting Services
Director
Business Services &
Outsourcing

Heidi Chan has been appointed as Accounting Services Director of the firm.

Heidi has extensive experience in outsourced accounting services. Her clients include multinational corporations (MNC) in different business sectors such as property investment, financial services, general trading, technology as well as small-to-medium sized companies.

She is familiar with financial reporting requirements of MNCs and preparation of specific financial reports and packages.

Heidi is a fellow of Association of Chartered Certified Accountants and is a Hong Kong Certified Public Accountant.



PORTIA TANG
Director and Head of Professional Resources Solutions and Client Services

Portia Tang has been appointed as Director and Head of Professional Resources Solutions and Client Services.

Portia is responsible for business development and significant client relationship management of our Client Services Division. She also heads up the firm's new service line, Professional Resources Solutions.

Portia has over 18 years of experience in professional and management consultancy firms obtained in Hong Kong and Australia, specialising in audit, transaction services, project management, outsourcing and business development. She has extensive experience in servicing a wide range of clients, covering private and public listed companies (local and overseas) as well as multinational corporations in a variety of industries including but not limited to financial institutions (insurance and banks), retail, manufacturing, service and trading companies. She has a wealth of experience in advising clients on business process outsourcing, process re-engineering, business restructuring, initial public offerings as well as mergers & acquisition transactions, etc.

Portia is a fellow member of Chartered Accountant (Australia and New Zealand), Chairlady for 2017, and a Committee Member of the Chartered Accountants Australia and New Zealand (Hong Kong Group) in 2018. She is also a Hong Kong Certified Public Accountant.



CHAN LEUNG LEE
Director Specialist Advisory Services

Chan Leung Lee (aka Lee Chan) has been appointed as a director of Specialist Advisory Services.

Lee is an insolvency appointment taker and has over 18 years of experience in taking up appointment as Liquidator of corporates incorporated in Hong Kong and overseas as well as Trustee for personal bankruptcy. He also takes up appointment as Receiver for the debenture holders and Administrator for estate administration.

Lee has wide experience in corporate liquidation, personal bankruptcy, buy & sell mandates and financial due diligence assignments and matrimonial cases in Duxbury Calculations, assets tracing and company valuation. He has been the executive in charge of various schemes of arrangement, restructuring assignments and litigation support.

Lee holds a bachelor degree in Economics and a Diploma of Insolvency in Hong Kong, and is a member of the Restructuring and Insolvency Faculty of the Hong Kong Institute of Certified Public Accountants and Hong Kong Family Law Association.

BDO SUPPORTS THE CHKLC DIRECTOR TRAINING SERIES FOR THE EIGHTH CONSECUTIVE YEAR



Running from May to November, the programme comprises six sessions dealing with the important aspects to directorships for a listed company, ranging from corporate governance, risk management to the latest updates in various applicable rules and laws. The programme will also address common issues faced by directors.

BDO's Director & Head of Corporate Secretarial **Teresa Lau**, Director & Head of Risk Advisory **Ricky Cheng** and Risk Advisory Senior Manager **Venice Lai** are invited to speak on some of the important aspects of directorship for a listed company.

The schedule and topics for the forthcoming sessions are shown below:

Dates	Topics
17 May (Thur)	Companies (Amendment) Ordinance 2018
28 June (Thur)	The latest Anti-Money Laundering and Counter-Terrorist Financing regulations
4 July (Wed)	Recent SFC Enforcement Initiatives and Director's Duties and Liabilities
20 September (Thur)	Keep Your Data Secure and Achieve Compliance While Going through Digital Transformation
25 October (Thur)	Review of Corporate Governance Practical Issues: Now and Beyond
29 November (Thur)	Annual Regulatory Update 2018

If you are interested in attending the programme, please enroll with CHKLC directly. For more information, visit their website at www.chkcl.org.

DIGITALISATION TRENDS IN BUSINESS PROCESS OUTSOURCING (BPO) – PART 2

Information technology is present in every aspect of our daily lives, including shopping, banking, travelling, and much more. In a business environment, the use of information technology is critical to the management of business activities.

Technology has been proven to enable convenience, speed, and accuracy, and it enhances communications. Technology has opened up a whole new world to us, and it has made outsourcing a more feasible and workable option for businesses.

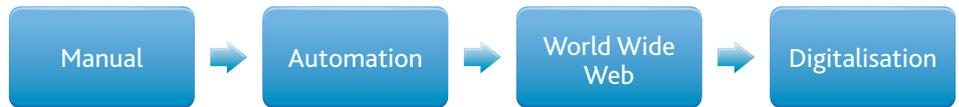
In the previous issue, we discussed *how transformation leads to outsourcing, the key benefits of outsourcing, and how it facilitates the transformation of a professional's role.*

In this issue, we are pleased to share our first-hand observations on the evolution of outsourcing and how BDO has responded to changes over the last three and a half decades.

Evolution of outsourcing

Having been in the market since 1981, BDO has observed the evolution of outsourcing. We have had first-hand experience of changes in technology and how these affect companies' business operating models, including people's attitude towards outsourcing.

We have seen this evolution taken place in four stages.

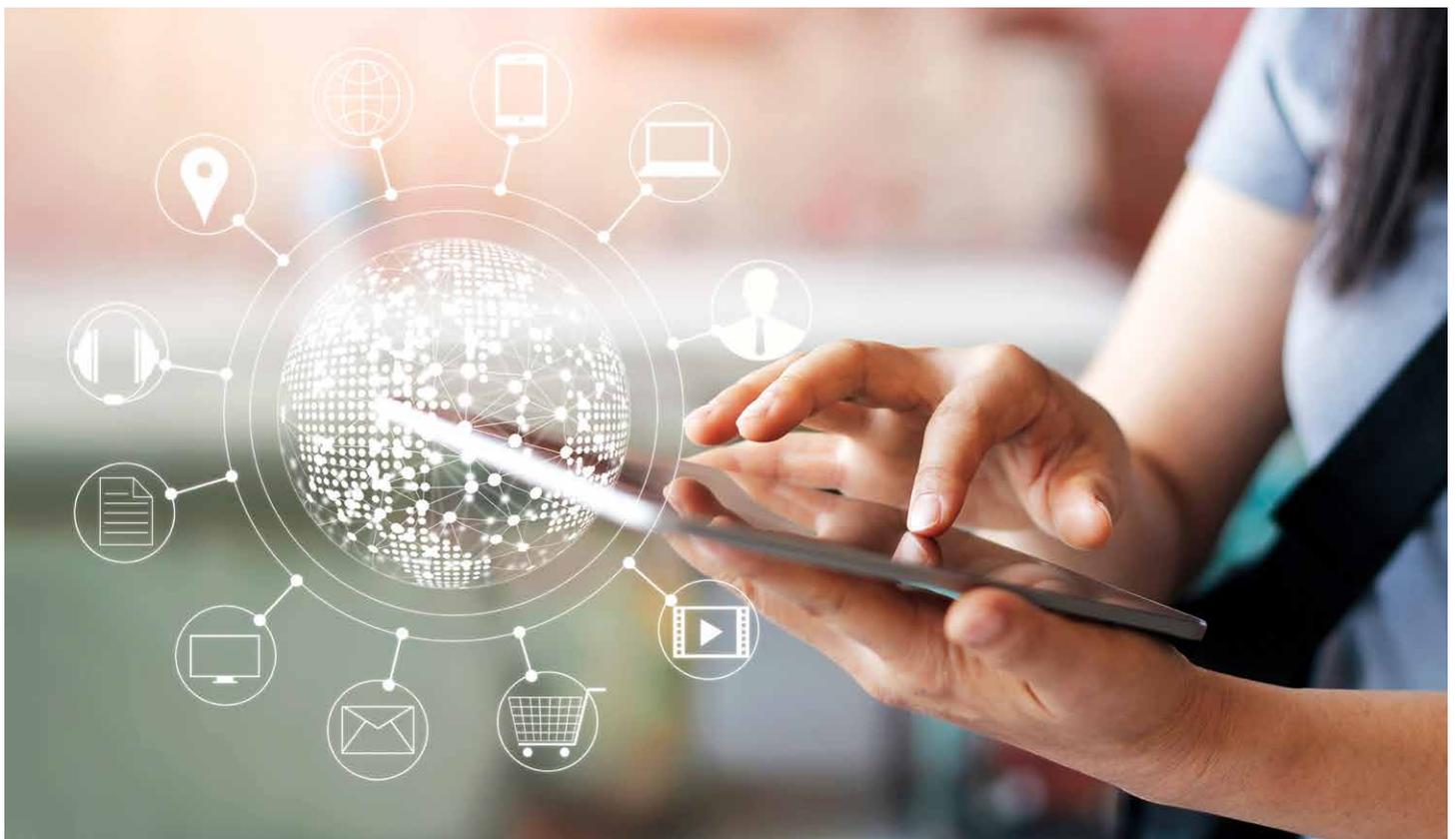


1. **Manual** – Everything was done by hand, using paper, books, and records.
2. **Automation** – We began to use Word, Excel, accounting software, and even enterprise resource planning (ERP) systems.
3. **World Wide Web (Internet Age)** – We moved beyond the physical boundaries of running a business; things could be done remotely and outsourcing started to become more feasible.
4. **Digitalisation Age** – Internet has become a new infrastructure for communications and collaboration that compels us to link all available resources together to make them useful, in particular to key stakeholders and decision makers. In the digital age, outsourcing has been empowered further. It is now an important consideration, and even falls part of a company's growth and change strategies. There is an increasing trend for companies to partner with outsourcing service providers and grow together. Outsourcing is no longer the privilege of large companies; it is now a widely accepted practice among companies of all sizes.

How has BDO responded to the evolution of BPO?

BDO Hong Kong has more than 35 years of experience in providing strategic BPO services. We started as a local firm and we are now the fifth largest accounting firm in Hong Kong, and an important player in the BDO international network in Asia Pacific. Our mission is to provide exceptional services to our clients in order to meet their needs.

In addition to BPO services, we assist our clients to manage multi-country projects. BDO Global Outsourcing adopts an award-winning 'Central Coordination and Local Service Delivery' model. This means that BPO services are performed by our local member firms but managed and controlled centrally by one of our project management teams in the different regions. BDO Hong Kong is the project management hub for the Asia Pacific region. We provide project coordination and project management services to our clients in the region to ensure that the deliverables from each local BDO firm are provided to a high level of quality and on time.



Our project management services come with a global project management tool, the BDO Client Portal, which is accessible by our clients and each of the BDO teams. It provides transparency about the status of tasks and processes that are being handled by local BDO offices. Our project management service not only provides transparency but also helps our clients' management teams to monitor operational and compliance risks on multi-country outsourcing projects. For more information about our project management services, please visit <https://www.bdo.com.hk/en-gb/services/business-services-outsourcing/project-management-service>.

In order to keep up with advances in technology, we are collaborating with various global IT leaders in the market, such as Microsoft, Xero, and LinkedIn, as our strategic partners. This creates a synergy between (1) strong teams of IT professionals, (2) BDO as a professional service provider, and (3) our external clients.

At BDO, the use of digital tools is no longer limited to the elevation of internal efficiency or ensuring quality deliverables: it has now been

extended to our clients. Through various client-facing platforms, our clients can now easily upload, exchange, and access the information they require, retrieve built-in reports, activate certain alert functions, and manage compliance risks, making the user experience a far more pleasant one. In summary, our clients can enjoy the use of technologically advanced solutions by engaging our professional services. One of our most recent in-house developments is an online employee self-service (ESS) platform – Valise. The platform provides e-HR related services for our clients to use. You can find further information about Valise at <https://www.bdo.com.hk/en-gb/services/business-services-outsourcing/valise>.

BDO is a firm with strong vision. We are passionate about what we do. Our growth and success over the last three decades rested on a loyal and stable team of quality talents who are dedicated to provide exceptional client services, our well-built infrastructures, as well as the firm's courage to develop technologically advanced solutions and platforms for our clients.

BDO Hong Kong's outsourcing team was the **Gold Award Winner** of the **Best Payroll Outsourcing Partner** of the Vendors of the Year Awards in 2017 in its first year of joining this competition.

It is also worth mentioning that the BDO Global Payroll Outsourcing Team has won the **International Payroll Service Provider Award** every year since we first entered this competition in 2015. BDO Hong Kong plays a significant role in regional and global BPO projects, including the provision of project management services for the Asia Pacific Region.

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WHAT CHINESE COMPANIES SEE WHEN BUYING UP EUROPEAN MEDIA

Recent statistics revealed that the total M&A spend of Chinese companies surpassed their US counterparts for the first time in 2016, reaching a combined \$219.3 billion. A considerable part of that was spent on European targets. As reported by Financial Times, Chinese investors outspent their European counterparts by a factor of four in 2016. Chinese investment in the EU rose 76% to €35.1 billion, while European investment in China fell for the second year in a row to €7.7 billion.

Reports from the global marketing consultancy group R3, show that while USA is the most popular target for Chinese acquisitions, takeovers of European targets seem to have become, if not commonplace, more frequent.

In recent months, well-known Chinese marketing services agency group BlueFocus announced a merger with American data and analytics company Cogint. The move is thought to further boost growth of the Chinese communications conglomerate, which acquired UK-based social media agency We Are Social a few years ago. It has also acquired Vision 7 (Canada) and Fuseproject (USA).

Many other non-media Chinese companies and conglomerates have also been venturing outside their traditional business verticals and into the media space, with digital media, ad tech, digital agencies and data analytics companies among the most popular targets.

For more information, please visit: <https://global-www.bdo.global/en-gb/blogs/tech-media-watch-blog/february-2018/what-chinese-companies-see-when-buying-up-european-media> to view the full insight.

DIGITAL BRANDS
INNOVATION INTERNATIONAL EXPANSION
EUROPEAN TARGETS
CHINESE BUYING EUROPEAN MEDIA
DIVERSITY TECHNOLOGY
GLOBAL ADVERTISING
COMMUNICATIONS
USA
INDUSTRIAL EXPERTISE

NEW DEVELOPMENTS TO SAFEGUARD THE INTEGRITY OF HONG KONG AS AN INTERNATIONAL FINANCIAL CENTRE

The Financial Action Task Force (FATF) is promoting a regulatory regime in anti-money laundering and counter-terrorist financing (AML/CTF). To strengthen the regime, Hong Kong has recently amended the Companies Ordinance (Cap. 622) and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615).

New requirements on keeping a Significant Controllers Register for companies incorporated in Hong Kong

The Companies (Amendment) Ordinance 2018 (the Amendment Ordinance) came into effect on 1 March 2018. Under the Amendment Ordinance, all companies incorporated in Hong Kong must keep a Significant Controllers Register (SCR).

The Companies Ordinance (Cap. 622) has been amended to enhance the transparency of beneficial ownership for companies incorporated in Hong Kong. Under the Companies Ordinance, companies must make available the SCR for inspection by law enforcement officers upon demand.

The Amendment Ordinance requires a company to keep a SCR, in either English or Chinese, which contains the required particulars of its significant controllers (including the registrable person and/or the registrable legal entity). The SCR should be kept at the company's registered office or a prescribed place in Hong Kong.

The new requirement to keep a SCR applies to all companies incorporated under the Companies Ordinance in Hong Kong, including companies limited by shares, companies limited by guarantee and unlimited companies.

However, the requirement does not apply to companies that have their shares listed on the Hong Kong Stock Exchange.

Companies must take reasonable steps to identify their significant controllers. This includes reviewing the company's register of members, articles of association, shareholder agreements and other agreements. It also includes issuing notices to any person that the company knows or has reasonable cause to believe (a) to be a significant controller; or (b) know the identity of another person who is a significant controller. The person the notice is addressed to must confirm or provide (as appropriate) the requested particulars of the significant controller.

A person has significant control over a company if they meet one or more of the following five conditions:

1. The person holds, directly or indirectly, more than 25% of the issued shares in the company or, if the company does not have a share capital, they have a right to share in more than 25% of the company's capital or profits
2. The person holds, directly or indirectly, more than 25% of the voting rights in the company
3. The person holds, directly or indirectly, the right to appoint or remove a majority of the company's board of directors
4. The person has the right to exercise, or actually exercises, significant influence or control over the company
5. The person has the right to exercise, or actually exercises, significant influence or control over the activities of a trust or firm that is not a legal person, but whose

trustees or members meet any of the first four conditions (in their capacity as such) in relation to the company.

When the company receives the confirmation of the particulars from the registrable person, those particulars should be entered in the SCR **within seven days**. Each of the required particulars relating to a registrable legal entity should be entered in the company's SCR **within seven days** of the particular coming to the company's notice.

The SCR must contain the required particulars of the significant controllers and the contact details of the company's designated representative.

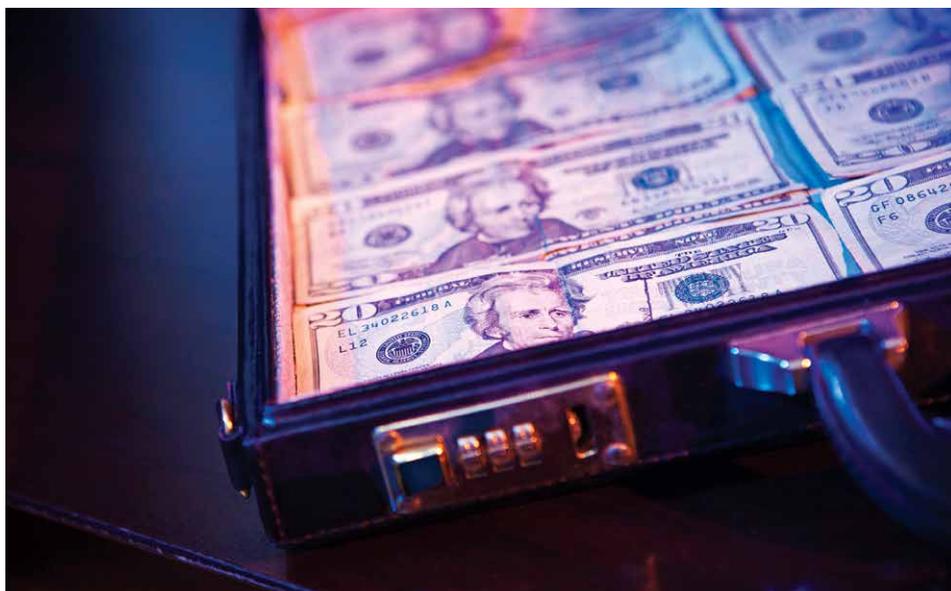
The required particulars are:

- For registrable persons – name, address, HKID/passport number, date of becoming a registrable person, and nature of control over the company.
- For registrable legal entities – name, address, legal form, registration number, place of incorporation, date of becoming a registrable legal entity, and nature of control over the company.
- For designated representatives – name and contact details.

The SCR can never be blank. If a company does not have a registrable person or a registrable legal entity, that fact should be stated in the SCR.

The SCR must be kept up to date. It must note the details and dates of any registrable change that results in a person ceasing to be a significant controller or any of the significant controller's particulars in the SCR being incorrect or incomplete. These changes must be entered in the SCR **within seven days** after they have all been confirmed (for a registrable person) or of that change of particular coming to the company's notice (for a registrable legal entity).

The company has to designate a representative who will serve as a contact point for providing information about the SCR and related assistance to law enforcement officers. The designated representative must be one of the following: (a) a shareholder, a director or an employee of the company who is a natural person resident in Hong Kong; or (b) an accounting professional, a legal professional or a person licensed to carry on a business as a trust or company service provider. The particulars of the designated representative should also be entered in the SCR.



If a company is convicted of failing to comply with the requirement of keeping an SCR, the company, and each of its responsible persons, will be liable to pay a fine of up to HK\$25,000 and a daily fine of HK\$700.

If a person (or legal entity) fails to respond to a notice sent by a company within one month of the date of the notice, they have committed an offence. If convicted, the person (or legal entity) is liable to pay a fine of HK\$25,000.

If a person is accused and convicted of giving false information in response to a notice sent by a company, the person is liable to pay a fine of HK\$300,000 and to imprisonment for two years. Or, if they receive a summary conviction, they are liable to pay a fine of HK\$100,000 and to imprisonment for six months.

New licensing regime for trust or company service providers in Hong Kong

The new Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) came into force on 1 March 2018. Under the AMLO, all trust and company service providers (TCSPs) must apply for licences from the Registrar of Companies and satisfy a 'fit and proper' test before they can provide trust or company services as a business in Hong Kong.

All TCSP licensees must comply with the statutory customer due diligence and record-keeping requirements set out in Schedule 2 of the AMLO. To ensure that licensees are complying fully with the statutory requirements, officers of Companies Registry will conduct on-site inspections, investigate any incidents of non-compliance and initiate disciplinary action where appropriate.

A TCSP licence is usually valid for three years. TCSP licensees must obtain approval from the Registrar before any person becomes the licensee's ultimate owner or a partner or a director. In addition, if there are any changes to any of the particulars previously provided in connection with an application for a licence or a renewal of a licence, TCSP licensees should notify the Registrar within one month of the date the change took place.

There is a transitional arrangement through which a person is deemed to have been granted a licence if immediately before 1 March 2018 the person was carrying on a trust or company service business in Hong Kong and held a valid business registration certificate for that purpose. This is known as a 'deemed licence'.

The deemed licensee must apply for a licence during the transitional period of 120 days from 1 March 2018. When the transitional period ends, the deemed licence will cease to have effect. If the deemed licensee applies for a licence to carry on a trust or company service business during the transitional period, the deemed licence will cease to have effect when the application is granted, rejected or withdrawn.

Any person who carries on a trust or company service business in Hong Kong without a licence will be committing an offence. If convicted, they will be liable to pay a fine of HK\$100,000 and to imprisonment for six months.

To facilitate the implementation of the new licensing regime, the Companies Registry has set up a new office in Kowloon Bay: the Registry for Trust and Company Service Providers. This office is responsible for the administration of the licensing regime and the regulation of TCSPs.

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BDO GLOBAL REIT REPORT

BDO survey of 35 companies from across the world with a combined market capitalisation of US\$130 billion found that the majority felt the real estate cycle in their market was at or past its peak. However, the REIT leaders interviewed were on the whole very confident about their ability to weather any oncoming headwinds for the real estate sector. Lowly geared and not overexposed to development, the sector looks much better placed to endure a downturn than before the onset of the last financial crisis.

In terms of the specific issues occupying the minds of REIT senior management, the impact of interest rate rises was cited as the foremost short term issue. But again, while most felt that rates were set to rise soon, they also thought

that REITs could stomach a rise of 100 basis points or more before this would start to have a significant effect on their business. In the longer term, it is the impact of millennials' aspirations within the workplace that they feel will have the biggest impact on their business models. Conversations with some of those very millennials reveal that above all they want a workplace that helps to foster egalitarianism and gives them the ability to learn.

If you would like to obtain a copy of BDO Global REIT Report, please visit: <https://www.bdo.global/en-gb/insights/global-industries/real-estate-construction/bdo-global-reit-report>



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