

APERCU

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HKFRS 17 – IF I AM NOT AN INSURER, WHY SHOULD I CARE?



CONTENTS

▶ HKFRS 17 – If I am not an insurer, why should I care?	1
▶ What the future of financial services looks like	4
BDO is crowned as a double-award winner at the HR Vendor of the Year	4
▶ Portia Tang is appointed to be new Head of Payroll & HR Outsourcing Services	5
▶ Chief Executive sets out initiatives in first Policy Address to attract enterprises, investments and talent that will enhance competitiveness	6
▶ Pat Kramer becomes BDO's Global CEO	8
▶ BDO released global financial results 2022	8
▶ BDO event highlights	8
▶ New appointment	10
▶ Recent BDO publications	14

Life is full of uncertainty. Insurance is for protection against it. Insurance contracts are typically regarded as specialised contracts issued only by registered insurers. Non-insurers, however, can and do issue contracts that provide insurance coverage to other parties.

To date, typically only those reporting entities specifically involved in issuing insurance contracts or contracts with explicit insurance components have concerned themselves with the accounting for insurance contracts. However, with the new accounting standard, HKFRS 17 *Insurance Contracts*, on the reporting horizon, non-insurers will need an overhaul of existing mindsets, and to be wary of inadvertently issuing insurance contracts that are subject to the new reporting requirements.

Based on our discussion with practitioners, there are three common misconceptions about HKFRS 17 that we think are worth highlighting to enhance understanding of the Standard:

1. HKFRS 17 is **only** for insurance entities.
2. HKFRS 17 is applied to **all** insurance contracts.
3. HKFRS 17 is **only** applied to insurance contracts.

Let us uncover the truth behind the myths surrounding HKFRS 17.

Myth 1: Is HKFRS 17 only for insurance entities?

The short answer is 'No'.

HKFRS 17 applies to insurance contracts, regardless of the type of entity that issues them. Therefore, the focus of the Standard is on the type of contract, not the type of entity.

Typically, an arrangement that has all of the definitional features of an insurance contract will be considered to be 'within the scope' of HKFRS 17, in which case the arrangement will be required to be accounted for in accordance with the applicable requirements in HKFRS 17.

HKFRS 17 defines an insurance contract based on whether the contract transfers **significant insurance risk** from the policyholder to the issuer. A key issue to consider when assessing whether a particular arrangement gives rise to insurance risk is whether the entity will be required to compensate the counterparty if it is **adversely affected** by an uncertain event that is **specific to the counterparty**. If the risk is not specific to the counterparty, it is more likely to be a financial risk, which is not within the scope of HKFRS 17.

The main reason for distinguishing insurance risk from financial risk is that arrangements that give rise to financial risk are typically accounted for as financial instruments under HKFRS 9 *Financial Instruments*. This is best demonstrated by way of examples:

Example 1:

If a non-insurer agrees to compensate a counterparty for any loss in the residual fair value of a yacht belonging to the counterparty as a consequence of the yacht being damaged by fire, the non-insurer is exposed to insurance risk.



Example 2:

In contrast to Example 1, if a non-insurer agrees to compensate the same counterparty for any loss in the change in the residual fair value of the same yacht, but excluding changes in fair value attributable to changes in the physical condition of the particular yacht (due to, for instance, fire), the non-insurer is exposed to financial risk.

Although the non-insurer is exposed to a risk of compensating the counterparty for the changes in the residual fair value of the yacht in both examples, the event that triggers the payment of compensation differs. In Example 1, the event is a fire that damages or destroys **the specific yacht**, while in Example 2, the event is a change in the residual fair value of **all yachts in the same class** (due to, for instance, market conditions), ignoring the impact of changes in the physical condition of any specific yacht. In the latter example, the contract may be accounted for as a derivative under HKFRS 9, depending on the terms of the contract.

Another necessary feature of an insurance risk is that an insured event must **adversely affect the policyholder**. If this principle was absent from the definition of an insurance contract, the definition would capture both arrangements we generally regard as being in the nature of both insurance contracts (such as home and car insurance policies) and gambling contracts. For example, this is different from the facts in Example 2, where the contract stipulates that the counterparty will receive payments if a yacht price index is below a certain level. In this scenario, the counterparty is not required to own a yacht and suffer a loss as a precondition of payment; therefore the contract is not considered to be an insurance contract under HKFRS 17.

It is worth noting, however, that some arrangements give rise to both financial and insurance risks; for example, life insurance contracts that guarantee a minimum rate of return to policyholders create

Definition of insurance contract under HKFRS 17:
A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance risk: Risk, other than financial risk, transferred from the holder of a contract to the issuer such as death or survival, disability, loss of property due to damage or theft, or possible change in a non-financial variable that is **specific to a party to the contract**.

Financial risk: The risk of a possible future change in one or more of the following: specified interest rate, financial instrument price, commodity price, currency exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is **not specific to a party to the contract**.

financial risk, and at the same time promise death benefits that may significantly exceed the policyholder's account balance, creating insurance risk in the form of mortality risk. HKFRS 17 does not exclude such contracts from being insurance contracts, provided that the insurance risk is **significant**.

Insurance risk is considered to be significant if the issuer could be required to pay significant additional amounts beyond what it would pay if the insured event had not occurred. The assessment of significance excludes scenarios that have no commercial substance.

The insurance risk might be considered significant, despite the:

- insured event being extremely unlikely
- expected (ie probability-weighted) present value of the contingent cash flows representing a small proportion of the expected present value of the remaining cash flows from the contract
- non-insurer transferring substantially all of the significant risks to a reinsurer, and/or the
- non-insurer expecting to make no overall loss on the portfolio of contracts to which the insurance contract belongs.

Unlike HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, which might only recognise a liability when an outflow is probable, a liability might be recognised under HKFRS 17 even if the adverse event is very unlikely.

Myth 2: Is HKFRS 17 applied to all insurance contracts?

The short answer is 'No'.

HKFRS 17 permits (an accounting policy choice) or requires (mandatory scope exclusion) a number of types of contracts that may meet the definition of an insurance contract to be accounted for under another HKFRS standard. These scope exceptions typically relate to contracts that, prior to the publication of HKFRS 17, were required to be accounted for under an accounting standard other than HKFRS 4 *Insurance Contracts*.

Here are common types of transactions that are specifically **scoped out** of HKFRS 17; more exemptions are outlined in paragraphs 7-8A of HKFRS 17:



Warranty contract

HKFRS 17 has a scope exclusion for warranties provided by a manufacturer, dealer or retailer in connection with the sale of its goods or services to a customer. Such warranties might provide a customer with assurance that the related product will function as the parties intended, and might meet the definition of an insurance contract because the number of services to be performed and/or the nature of those services is uncertain.

To meet the scope exclusion, the key consideration is whether the warranties are provided in connection with the sale of the product. If the warranty contracts are entered separately from the sale of the product, or provided by parties other than the manufacturer, dealer or retailer of the product, they will not meet the scope exclusion in HKFRS 17.



Credit card contracts (or similar contracts) that provide insurance coverage

Certain components within credit card contracts may meet the definition of insurance contracts – for example, a promise by an entity to refund or make payments to the cardholder who uses the card to purchase goods or services that turn out to be faulty or are not delivered, or if the cardholder is unfortunately the victim of fraud. Such contracts are, however, not within the scope of HKFRS 17 if both of the following conditions are fulfilled:

- The entity does not reflect insurance risk associated with the individual customer in the pricing of the credit card contract with the customer.
- An insurance coverage component is not a contractual term of such a contract as defined under HKFRS 9; for example, the payments arise only as a result of legislation.

Here are examples with **irrevocable choice** to apply HKFRS 17 or other standards in certain circumstances:



Financial guarantee contracts

Financial guarantee contracts usually meet the definition of an insurance contract, as the holder has transferred an insurance risk to the issuer by requiring the issuer to reimburse the holder for a loss that it incurs when a specified debtor fails to make a payment when due.

Entities that have previously accounted for financial guarantee contracts under HKFRS 9 are allowed to continue to account for them on that basis when transitioning to HKFRS 17. The same election may be available on initial recognition of a new financial guarantee contract, on a contract-by-contract basis.



Loans that transfer significant insurance risk

Certain loans may meet the definition of an insurance contract if they transfer significant insurance risk. These loans typically combine a loan with an agreement from the entity to compensate the borrower if a specified uncertain future event adversely affects the borrower, by waiving some or all of the payments due under the contract. An example is a loan with a death waiver where the obligation to repay the loan will be waived upon the death of the borrower. An irrevocable accounting policy choice was provided under HKFRS 17 at the portfolio level (as defined by HKFRS 17*) to account for contracts for which the only insurance component in the contract is for the compensation limit to the policyholder's obligation as a whole under either HKFRS 17 or HKFRS 9.



Fixed fee service contracts

An example could be a maintenance contract where the provider agrees to fix equipment after malfunction and the fee charged for the contract is fixed rather than variable based on the work to be performed. Such contracts could meet the definition of an insurance contract because the provider has agreed to compensate the contract holder if an uncertain future event adversely affects the machines. The cost to repair the specified equipment could significantly exceed the fixed service fee received in some circumstances.

In view of the fact that the primary purpose in such contracts is the provision of service and not insurance coverage, HKFRS 17 allows entities to account for fixed fee contracts under HKFRS 15 *Revenue from Contracts with Customers* rather than HKFRS 17 if the following three conditions are all met:

- The entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer.
- The contract compensates the customer by providing services, rather than by making cash payments to the customer.
- The insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services.

An entity is allowed to make an irrevocable election on a contract-by-contract basis whether to account for these contracts under HKFRS 17 or HKFRS 15.

* Insurance contracts subject to similar risks and managed together

Myth 3: Is HKFRS 17 only applied to insurance contracts?

Similarly to myths 1 and 2, the short answer is 'No'.

Apart from insurance contracts, HKFRS 17 is also applicable to investment contracts with a discretionary participation feature, if the issuer also issues insurance contracts.

Investment contracts with a discretionary participation feature are defined in complex terms in HKFRS 17. In simple words, it is a type of contract which enables holders to participate in the performance of designated assets held by the issuer. For these contracts, the amounts paid to contract holders are contractually linked to the performance of a pool of underlying assets held by the issuer (such as equities, bonds or property) and comprise both guaranteed benefits and additional variable benefits. The issuer has some discretion over the amount and/or timing of additional benefits to contract holders.

These contracts sometimes have the legal form of an insurance contract, and sometimes transfer a small amount of insurance risk. However, they usually do not transfer significant insurance risk, and so do not meet the definition of an insurance contract.

Although investment contracts with discretionary participation features do not meet the definition of insurance contracts, they are sometimes linked to the same underlying pool of assets as participating insurance contracts, and sometimes even share in the performance of insurance contracts. Applying HKFRS 17 to both insurance contracts and investment contracts with discretionary participation features could simplify the accounting for insurers.

Speak to our professionals

Non-insurers should not assume that HKFRS 17 does not apply to them; rather they should review contracts to identify whether any contain insurance risk and fall within the scope of HKFRS 17.

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WHAT THE FUTURE OF FINANCIAL SERVICES LOOKS LIKE

AI-powered, data-driven, and risk-managed

The use of data in today's world is soaring at an unprecedented rate. It has become the foundation for any business looking to gain an advantage through technology. As predictive analytics, artificial intelligence (AI) and machine learning become more commonplace, their usage will continue to shift from a niche technology into a commodity business application.



On the same track, more and more organisations across the globe are capitalising on data and AI in the financial services industry and are finding new ways to streamline operations to make more informed decisions.

While the evolution of AI has led to many positive advances, it has also presented missed opportunities as well as unforeseen risks that include security and compliance issues, addressed by the industry leaders of BDO in Hong Kong in this report.

To view the report in details, please visit and download at <https://www.bdo.com.hk/en-gb/insights/publications/what-the-future-of-financial-services-looks-like-ai-powered-data-driven-and-risk-managed>

BDO IS CROWNED AS A DOUBLE-AWARD WINNER AT THE HR VENDOR OF THE YEAR

BDO is pleased to announce that we are crowned as a double-award winner at the HR Vendor of the Year (VOTY) Awards 2022, taking home with the **Gold award for Best Recruitment Firm – Banking and Financial Services** and the **Bronze award for Best HR Outsourcing Provider**.

This is the fourth time our firm joined the VOTY Awards organised by Human Resources Online. It is once again our great honour to receive recognitions from the HR industry on our innovation, as well as the quality and sustainable services that we provide to clients.

A heartfelt thanks to our Professional Resources Solutions, Payroll and HR Outsourcing and Client Services teams for their great efforts in entering into this competition, and our clients for the continuous and unveiling support and trust!



PORTIA TANG IS APPOINTED TO BE NEW HEAD OF PAYROLL & HR OUTSOURCING SERVICES

BDO is pleased to announce that **Portia Tang** is appointed as the new Head of Payroll & HR Outsourcing Services with effect from 1 October 2022, in addition to her role as the Head of Professional Resources Solutions and Client Services.

With the new role, Portia will lead three service teams including Payroll & HR Outsourcing Services, Professional Resources Solutions and Client Services to strengthen our leading position in the professional HR outsourcing and advisory sector in Hong Kong by creating business synergies amongst the three teams.

It is a pleasure to take this opportunity to invite Portia to share thoughts on her new career journey at BDO as well as the ongoing plans and goals for the teams.



1. What has your career journey been like at BDO?

As a professionally trained Chartered Accountant, I first joined BDO in Hong Kong as an auditor, and rejoined a few years later to help establish the Specialist Advisory Services division. In 2013, I joined BDO for the third time to establish the Client Services division (CSD).

With the retirement of Joseph Hong, our former Director and Head of Payroll & HR Outsourcing Services (PHD), and currently our consultant, I was recently entrusted to take over PHD, effective on 1 October 2022.

2. What inspired you to pursue transforming your career as a professional focusing on HR solutions?

As the Director of CSD, I made great efforts in business development and crystallised client opportunities, including many significant clients from a diversified range of industries. I have been actively involved in handling Business Services and Outsourcing client inquiries, many of which are related to PHD's services. The more I get involved, the more I see the promising opportunities behind the rising trend in business outsourcing, especially in the HR arena. In fact, a number of significant PHD client engagements that were won in my capacity as Client Services Director in the first few years are still our major clients as of today. Since then, opportunities in payroll & HR outsourcing seem to have flown in naturally.

With that, I started to look further out and pay more attention to the emerging HR trends and imminent client requirements. And then, I noticed that short-to-medium term and project-based professional resources were the new pain points for many businesses back in 2015/16. It was the time that businesses were flourishing and expanding locally. It was also the time that many financial services clients were facing more stringent statutory and industrial compliance requirements. Many improvement projects were started although without sufficient knowledgeable and experienced internal resources.

Having done my research and feasibility studies, I am affirmed of the opportunity I sensed in the first place and started to introduce and embrace the concepts of gig economy and talent sharing. I also established another new division, Professional Resources Solutions (PRS) in 2018, of which our outstanding achievements to date have made me proud. Even in the past few years when economies were greatly impacted by the unprecedented disruptions of COVID, PRS has managed to overturn the pandemic from crisis to growth, achieving an increasing double-digit percentage growth year-on-year.

3. What will be your expectations in your new role as the Head of Payroll & HR Outsourcing Services? What are your upcoming plans and goals?

With my new role as the Director of PHD, I feel that I am given the mission to lead PHD, PRS and CSD teams to strengthen our leading position in the professional HR outsourcing and advisory sector in Hong Kong by creating business synergies amongst them.

My primary focus will be on clients who are looking to consolidate and centralise their HR outsourcing needs under one single service provider, instead of many. I also plan to revisit our existing clients' portfolios and the scope of services they have engaged with us to explore new opportunities. In return, clients will benefit further from our enhanced synergies and the more cost-effective solutions we will offer.

Further, I look forward to our continued collaboration with the new Digital Transformation Services (DTS) team to develop new business solutions to assist our clients in their HR automation and digitalisation journeys.

4. How would you lead our HR outsourcing services team to differentiate ourselves from the others?

The global economy today is evolving at an unprecedented speed and with lots of uncertainties ahead. Managements are challenged to catch up with all the changes happening around them, not to mention envisioning a future of all possibilities for what they can become.

We are, on the other hand, very well positioned as a 'Visionary Thought Leader' and 'Advisors of The Future'. And therefore, in addition to doing business, I have devoted extra efforts in the following areas:

- prepare business leaders for the future by introducing new concepts such as the 'Future Perfect Team' model;
- leverage on the new service offerings from our PHD/DTS teams to help clients accelerate their transformation through automation and digitalisation to promote their efficiency, sustainability and business growth;
- market education and influence, ie introducing new HR trends and concepts to businesses, HR communities and leaders via publications, social media sharing and public speaking opportunities at conferences, seminars/webinars, etc; and
- nurture the future leaders by participating in mentorship and shadowing programmes of major universities; sit in the advisory peer group to advise on curriculum programme designs to keep the school courses relevant to the ongoing changes in the business world.

Finally, we stay close to new trends and respond to clients' evolving needs with a forward-looking approach. Only by doing so, we can be a real thought leader in the market.

CHIEF EXECUTIVE SETS OUT INITIATIVES IN FIRST POLICY ADDRESS TO ATTRACT ENTERPRISES, INVESTMENTS AND TALENT THAT WILL ENHANCE COMPETITIVENESS

Hong Kong's Chief Executive, John Lee, delivered his first policy address on 19 October 2022. In his policy address, 'Charting a Brighter Tomorrow for Hong Kong', Mr Lee outlined several initiatives to tackle Hong Kong's pressing economic, healthcare, land and housing issues, including the brain drain, while setting out his five-year vision for the city's development and the enhancement of Hong Kong's global competitiveness.

Within these initiatives, Mr Lee announced four new institutions will be set up with aims to 'compete for enterprise' and 'compete for talent' more proactively and aggressively. Tables 1, 2 and 3 summarise the information that business and HR leaders may find relevant.



Table 1: Initiatives to attract enterprise, investment and talent

Highlights	Action plan	Target timeframe for implementation
1. Set up a new Office for Attracting Strategic Enterprises (OASES) to attract high-potential and representative global strategic enterprises, such as life and health technology, artificial intelligence and data science, financial technology (Fintech), and advanced manufacturing and new energy technology.	Led by the Financial Secretary, the OASES will provide target enterprises with: <ul style="list-style-type: none"> tailored plans to assist them with aspects such as land, tax and financing; and one-stop services in areas such as applying for a visa and arranging education for children. 	To be announced in the coming months.
2. Establish a new Talent Service Unit (TSU) to formulate strategies for attracting talent from the Mainland and overseas and coordinating the relevant work.	Led by the Chief Secretary for Administration, the TSU will aim to attract at least 35,000 talented people a year by: <ul style="list-style-type: none"> providing one-stop support; coordinating work on talent-admission applications and support; and drawing up performance pledges to process applications more effectively. 	To be announced at a later date.
3. Set up a new Dedicated Teams for Attracting Businesses and Talent (DTABT) department in the 17 Mainland offices and overseas Economic and Trade Offices to attract businesses and talent to pursue development in Hong Kong.	The DTABT will proactively approach target enterprises and talent to encourage them to pursue their development in Hong Kong.	To be announced at a later date.
4. Reserve HK\$30 billion from the Future Fund to establish a Co-Investment Fund (CIF) for attracting enterprises to set up operations in Hong Kong and for investing in their business.	The Hong Kong Investment Corporation Limited will be established to consolidate the Hong Kong Growth Portfolio and the Greater Bay Area (GBA) Investment Fund, the Strategic Tech Fund and the newly established HK\$30 billion CIF. The Government will steer the investment in strategic industries with the aim of attracting and supporting more enterprises to develop their business in Hong Kong.	To be announced at a later date.

Table 2: Initiatives to attract talent from the Mainland and overseas

Highlights	Action plan	Target timeframe for formulating initiative
Implement the Top Talent Pass Scheme (TTPS) .	<p>Talented individuals who meet the following requirements will be able to obtain a two-year Pass to explore opportunities in Hong Kong. There is no limit on the number of people who can join the scheme. Applicants will need to show that they:</p> <ul style="list-style-type: none"> • have graduated from one of the world's top 100 universities; • have at least three years of work experience in the past five years*; and • received an annual salary of HK\$2.5 million or above in the past year. <p>*Individuals who have graduated in the past five years but have yet to fulfil the work experience requirement will also be eligible, but an annual quota of 10,000 people will apply.</p>	Government sources have stated that the scheme will launch in December 2022, and the aim is to process applications within a few weeks. The first batch of talented people is expected to arrive in Hong Kong in the first quarter of 2023.

Table 3: Initiatives to enhance six existing talent-admission schemes

Highlights	Action plan	Target timeframe for formulating initiative
1. Streamline the requirements of the existing General Employment Policy (GEP) and the Admission Scheme for Mainland Talent and Professionals (ASMTP) .	<ul style="list-style-type: none"> • The proposed initiative aims to fill vacancies in the 13 professions in the Talent List (see note) that are facing a shortage of local supply as well as vacancies for roles with an annual salary of HK\$2 million or above. • Employers will not be required to provide proof of their difficulty in recruiting locally when they apply for talent admission. 	To be announced by the Immigration Department later.
2. Suspend the annual quota under the Quality Migrant Admission Scheme (QMAS).	The annual quota for admission of quality migrants will be suspended for two years, and the approval process will be improved.	To be announced by the Immigration Department later.
3. Loosen the Immigration Arrangements for Non-local Graduates (IANG) .	<ul style="list-style-type: none"> • The limit of stay will be extended from one year to two years to make it easier for talent to stay in or come to Hong Kong for work. • In a two-year pilot, the scope of the arrangements will be expanded to cover graduates from the GBA campus of a Hong Kong university. 	To be announced by the Immigration Department later.
4. Extend the limit of stay for employment visas.	People who are admitted under the existing and newly launched talent admission schemes who secure employment may be issued with an employment visa that is valid for up to three years (currently, the first employment visa granted by the Immigration Department is valid for one to two years and can be renewed for two to three years).	To be announced by the Immigration Department later.
5. Enhance the Technology Talent Admission Scheme (TechTAS) .	The local employment requirement will be waived, extending the quota validity period to two years and expanding coverage to more emerging areas of technology.	To be announced by the Immigration Department later.
6. Refund Buyer's Stamp Duty and the new Residential Stamp Duty to incoming talent when they become a permanent resident of Hong Kong.	<ul style="list-style-type: none"> • Eligible incoming talent who become permanent residents of Hong Kong after living in Hong Kong for seven consecutive years will be able to apply for a refund of the Buyer's Stamp Duty and Residential Stamp Duty that they paid when purchasing their first residential property, as long as they still own that property. • The Ad Valorem Stamp Duty at Scale 2 rates will still be payable (the same as for ordinary permanent residents of Hong Kong). 	To be announced at a later date.

(Note: Professionals included in the Talent List of Hong Kong are: professionals in compliance in asset management, financial professionals in environmental, social and governance (ESG), waste treatment specialists, asset management professionals, marine insurance professionals, actuaries, fintech professionals, data scientists & cyber security specialists, innovation and technology experts, naval architects, marine engineers & superintendents of ships, creative industries and performing arts professionals, dispute resolution professionals & transactional lawyers)

Mr Lee said that the proposed strategies for attracting talent from the Mainland and abroad are very aggressive, stating that they will attract graduates from the world's top 100 universities with at least three years of work experience in the last five years to apply for the two-year Top Talent Pass Scheme.

The 2022 Policy Address also included strategies for grooming local talent, such as strengthening Hong Kong's education system and launching youth development schemes.

This suggests that Mr Lee believes local talent will stay in Hong Kong or be attracted to return as long as the region maintains its competitive edge.

The success of these initiatives will largely depend on the actual execution of the proposed measures by government officials across several bureaus and departments. We will continue to keep you informed as these initiatives are developed and implemented in the near future.

Speak to our payroll professionals

Feel free to get in touch to find out how we can help you by providing a tailored solution for payroll & HR outsourcing.

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PAT KRAMER BECOMES BDO'S GLOBAL CEO

BDO announced that **Pat Kramer**, former CEO of BDO in Canada and a member of BDO's Global Board, has succeeded Keith Farlinger as the Global CEO of the BDO organisation starting from 1 November 2022.

Commenting on his appointment, Pat says: "I am delighted to be taking over from Keith, who has done a fantastic job over the past few years. Keith's focus has been to unify BDO as a global organisation, based on a strong leadership strategy including initiatives to manage risk and invest in quality. In my new role, I will solidify what Keith has started, to protect and strengthen BDO while leading with our great culture and shared purpose of *People helping People*. However, those focus areas aside, today's biggest challenge is undoubtedly the pace of change. We are no longer periodically interrupted by change, we now live in a world of change."



Pat Kramer has been the CEO of BDO in Canada for the past seven years, over 30 years of industry experience advising Canadian businesses on complex business issues and held numerous leadership roles throughout his 32-year career at BDO.

He has been also the Canadian member of the BDO Global Board since his appointment as CEO. Pat has been integrally involved in strategic planning and execution and is keenly committed to our international organisation.

BDO RELEASED GLOBAL FINANCIAL RESULTS 2022

BDO announces a total combined fee income of US\$12.8 billion €11.8 billion for the year ended 30 September 2022, representing a year-on-year growth of 12.1% at constant exchange rates (+20% in US\$, +8.76% in euro). The global headcount has increased by 14.4%, with 111,307 people working out of 1,803 offices worldwide in 164 countries and territories.

For more details, please visit: <https://global-www.bdo.global/en-gb/news/2022/bdo-announces-financial-results-2022>.



BDO EVENT HIGHLIGHTS

BDO webinars cover a wide range of business topics and hot issues to provide valuable opportunity for our participants to interact with our experienced professionals and to gain insights into today's market update and challenge.

DATA GOVERNANCE AND INTERNAL STANDARD



In today's economy, companies operate under expanding regulations internationally. Considering the various industry regulatory and risk standards, organisations increasingly must demonstrate adequate controls and safeguards over their clients' data. Principal of Risk Advisory **Pokit Lok** and BSI Hong Kong Senior Enterprise Solution Manager Ben Chiu shared how to minimise the risk of information Security/SaaS/IoT/payment card with international standard and how to turn certification process to be an opportunity to enhance company's competitiveness.



Ben Chiu (left) and Pokit Lok (right)

IMPLEMENTATION OF HK/IFRS 17 FOR GENERAL INSURERS



HK/IFRS 17 unquestionably represents the most significant change to insurance accounting and reporting requirements in recent years. By 1 January 2023 all insurers are expected to fully implement HK/IFRS 17 in their accounting and financial reporting. Director and Head of Financial Reporting Advisory **Simon Riley**, Director of Assurance **Cyrus Fong** and Principal of Financial Reporting Advisory **Winnie Chan** shared their insights on the implications of HK/IFRS 17 to general insurers, new reporting and disclosure requirements and challenges in implementing the new standard.



Simon Riley (left), Cyrus Fong (middle) and Winnie Chan (right)



Pokit Lok (left) and Paul Yeung (right)

HOW TO AVOID CYBERCRIMES IN COMMERCIAL ENVIRONMENT

DEC 14

Hong Kong records nearly sixfold rise in tech crimes in a decade. Cybersecurity becomes one of the hot issues in the city. Principal of Risk Advisory Pokit Lok and Senior Inspector of Police of Hong Kong Police Force Paul Yeung addressed the importance of understanding cybercrimes and shared the latest update of the trends and recent cases on cybercrime and tips of internal controls to prevent cybercrimes in corporation.



Over 20 participants came in-person while more than 500 people joined us online via Zoom



(From left) Dorothy Pak, Agnes Cheung and Abigail Li shared their valuable insights with audience during the panel discussion

BDO HYBRID EVENT: FOREIGN-SOURCED INCOME EXEMPTION

DEC 16

Following the enactment of the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Bill 2022 in December 2022, the refined FSIE regime now applies to covered taxpayers in respect of their covered income, being dividend, interest, equity disposal gain and intellectual property income, that are accrued and received on or after 1 January 2023.

Director and Head of Tax Agnes Cheung and Director of Tax Abigail Li shared an overview of the Bill, the administrative guidance provided by the Inland Revenue Department, practical considerations in complying with the new requirements. Dorothy Pak, Director and Head of Business Services & Outsourcing, also joined the panel discussion to share how we can help corporates assess the impact of FSIE rules. This event was conducted in hybrid format that participants could come in-person at BDO office or join online via Zoom.



Agnes Cheung



Abigail Li

TAX ASSESSMENT AND ADVISORY



EXCEPTIONS

- ▶ Economic substance requirement
- ▶ Nexus requirement
- ▶ Participation requirement



BDO TAX ADVISORY SERVICES

- ▶ Assessment of and recommendation on substance adequacy, nexus requirement and/or participation exemption
- ▶ Application for Commissioner's opinion or advance ruling
- ▶ Corporate and/or business restructuring

BDO provides a comprehensive range of one-stop tax and outsourcing services that assists corporates to assess the impact of the FSIE rules, and to provide a fully managed mechanism in fulfilling the economic substance required under the regime.

If you need any assistance, please contact:

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FSIE REGIME

BUILDING ECONOMIC SUBSTANCE VIA OUTSOURCING



REQUIRED TASKS

- ▶ Fulfil statutory compliance requirements
- ▶ Monitor and document the outsourced economic activities



BDO OUTSOURCING SERVICES

- ▶ Fully managed outsourced economic activities, including corporate services
- ▶ Staff recruitment
- ▶ Payroll and HR administrative services
- ▶ Employer tax compliance
- ▶ Accounting and financial reporting
- ▶ Banking and treasury management



BDO COORDINATED SERVICES

- ▶ Co-working space
- ▶ Legal services

NEW APPOINTMENT



CYRUS FONG
Director
Assurance Services

Cyrus Fong has been appointed as Director of Assurance Services with effect from 13 October 2022.

Over the course of career, Cyrus has served in the audit profession for more than 15 years. He has extensive experience in financial services industry audits and IPOs in Mainland China and Hong Kong. His practice focuses on providing assurance services to clients in the financial services industry, including retail banks, SFC licensed corporations, as well as investment funds.

His leadership and execution of two IPO projects for Mainland Chinese banks listed on the HKEx have been successful. Based on his experience in auditing, he is well versed in the regulatory reporting and compliance requirements of the Hong Kong Monetary Authority and the SFC.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant (Practising)



ANN LAM
Principal
Assurance Services

Ann Lam has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Ann has extensive experiences in handling assignments of listed companies and private companies operating mainly in Hong Kong, Mainland China and various overseas countries over a variety of industries, including manufacturing and trading, retailing, ship-management and chartering, financial services, and laboratory testing related business.

Ann is also involved in various transaction support assignments, such as acquisition and disposal exercises for listed companies.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



CARMEN CHEUNG
Principal
Assurance Services

Carmen Cheung has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Carmen has extensive experiences in handling audit assignments of listed companies and private companies operating mainly in Hong Kong, Mainland China and various overseas countries over a wide variety of industries including manufacturing, trading, beauty, property projects, financial services with banking in particular and freight forwarding related businesses.

Besides audit engagements, she is also experienced in transaction support assignments, such as initial public offerings and mergers & acquisitions.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant
- Fellow of the Association of Chartered Certified Accountants



CARMEN HUI
Principal
Assurance Services

Carmen Hui has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Carmen has extensive experience in the audit of listed and private group of companies operating in Hong Kong, Mainland China and a number of overseas jurisdictions. The business activities of these company groups cover a wide range of industries including financial services such as banking, insurance and licensed corporations, manufacturing, trading, retail, real estate etc.

Carmen is qualified and well-versed in the execution of assurance engagements on capital market transactions such as initial public offerings, acquisition and disposal of businesses and debts issuance.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant
- Member of the Institute of Chartered Accountants in England and Wales



EDDY KWOK
Principal
Assurance Services

Eddy Kwok has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Eddy has extensive experiences in handling assignments of listed and private companies operating in Hong Kong, Mainland China, Canada, India and a number of other overseas countries over a variety of industries, including manufacturing and trading, construction, travel-related services, printing and publishing and pharmaceuticals.

He is also involved in various transaction support assignments, such as initial public offerings and other capital market transactions.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



FANNY CHUI
Principal
Assurance Services

Fanny Chui has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Fanny has extensive experiences in handling assignments of listed and private companies operating in Hong Kong, Mainland China and a number of overseas countries over a variety of industries, including financial advisory services, assets fund management, money lending, manufacturing and trading, retailing, construction and software development.

Fanny is also involved in various transaction support assignments, such as initial public offerings and other capital market transactions.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



FREEMAN CHENG
Principal
Assurance Services

Freeman Cheng has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Freeman has extensive experience in handling assignments of listed and private companies operating in Hong Kong, Mainland China and other overseas countries to provide audit services to clients with different industries, including manufacturing and trading, retailing, construction, asset management companies etc. He also leads different audit assignments such as initial public offering, very substantial acquisition/disposal and major transaction exercise that acts as reporting accountants.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



JACKY CHAN
Principal
Assurance Services

Jacky Chan has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Jacky has extensive experiences in handling assignments of listed and private companies operating in Hong Kong, Mainland China, the United States and a number of overseas countries over a variety of industries, including manufacturing and trading, construction, energy technology, cultivation and financing services. He is also involved in various transaction support assignments, such as initial public offerings.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



LEO CHEUNG
Principal
Assurance Services

Leo Cheung has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Leo has extensive experience in handling audit assignments over listed and private companies operating in Hong Kong, Mainland China, Canada and Japan over a variety of industries, including travel agents, hotel hospitality, money lending, financial service, asset investment, retailing and manufacturing, and oil and gas mining.

He has also been involved in initial public offerings and other capital transactions for listed companies.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



RAY CHAN
Principal
Assurance Services

Ray Chan has been appointed as Principal of Assurance Services with effect from 24 October 2022.

Ray has extensive experiences in audit engagements and capital market transactions of listed and private companies in Hong Kong and Mainland China for a variety of industries, including manufacturing and trading, property development and property management, pharmaceutical businesses etc. He is familiar with Hong Kong Listing Rules. He is also involved in various engagements such as initial public offerings and other major transactions.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



RICK LI
Principal
Assurance Services

Rick Li has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Rick has extensive experiences in handling assignments of listed and private companies operating in Hong Kong, Mainland China and a number of overseas countries over a variety of industries, including manufacturing and trading, properties development, leisure and hospitality and media. He has also involved in various corporate finance projects including initial public offerings, mergers and acquisitions and other capital market transactions.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant
- Member of The Institute of Chartered Accountants in England and Wales



SUSAN WONG
Principal
Assurance Services

Susan Wong has been appointed as Principal of Assurance Services with effect from 1 October 2022.

Susan has extensive experiences in handling audit assignments of listed and private companies operating mainly in Hong Kong and Mainland China over a variety of industries, including manufacturing and trading, financial leasing services, hotel management and cemetery business.

She is also involved in assignments of various transactions in capital market, such as initial public offerings and very substantial acquisitions/disposals.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



MICHELLE FUNG
Principal
Corporate Secretarial
Services

Michelle Fung has been appointed as Principal of Corporate Secretarial Services with effect from 1 October 2022.

Michelle is a qualified corporate secretarial professional and chartered governance professional with extensive work experience in leading international CPA and law firms. She has broad and solid experience in providing various aspects of corporate secretarial, governance and statutory compliance services and related advisory services to companies of diversified industries.

Qualifications and professional affiliations

- Member of The Hong Kong Chartered Governance Institute, HK
- Member of The Chartered Governance Institute, UK



CHRISTY LAM
Principal
Professional Resources
Solutions

Christy Lam has been appointed as Principal of Professional Resources Solutions with effect from 1 October 2022.

Christy has a wealth of experience in the talent acquisition discipline and is highly skilled in sourcing and headhunting commercially experienced professionals across different industries.

She is a qualified accountant who graduated from the University of Sydney with a Bachelor of Commerce degree. She started her career at an international accounting firm as a Tax Consultant and she then transformed herself to become a professional recruitment advisor where she spent over 7 years working in the recruitment industry.

Currently, Christy oversees the Professional Resources Solutions division where she acts as a consultative matchmaker to identify the most suitable talents to satisfy client's requirements. She has established an excellent reputation for providing quality advice and services to both clients and candidates.

Qualifications and professional affiliations

- Member of CPA Australia



DOROTHY LIU
Principal
Quality Assurance
Department

Dorothy Liu has been appointed as Principal of Quality Assurance Department with effect from 1 October 2022.

Dorothy has extensive experience in the audit of both listed and private companies over a wide variety of industries including trading, manufacturing, publication and recycling industry in Hong Kong and Mainland China. She also has been involved in transaction support assignments including initial public offerings and financial due diligence.

Dorothy was seconded in Guangzhou and Shenzhen to provide professional services for clients located in Guangdong Province.

Dorothy is principally involved in evaluating the quality of the professional work carried out by assurance division, implementing and monitoring the quality control of listed engagements in compliance with the Firm's policy and requirements.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant
- Fellow of the Association of Chartered Certified Accountants



CHERRY KWAN
Principal
Specialist Advisory Services

Cherry Kwan has been appointed as Principal of Specialist Advisory Services with effect from 1 October 2022.

Cherry's transaction services experience includes providing buy-side and sell-side due diligence, working capital review, agreed-upon procedures, and other transaction advisory services to private equity firms, corporate clients and strategic buyers for domestic and cross-border merger and acquisitions, disposals and fund raisings exercises.

Cherry's industry experience includes healthcare, real estate, securities & asset management, technology & media, telecommunications, FMCG, education, IoT solutions, trading, manufacturing, iron and coal mining sectors.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



CHERRY WONG
Principal
Specialist Advisory Services

Cherry Wong has been appointed as Principal of Specialist Advisory Services with effect from 1 October 2022.

She has over 15 years of experience in providing transaction advisory services to listed and private clients in Mainland China, Hong Kong and a number of overseas countries. She specialises in due diligence, financial review and mergers & acquisitions.

Cherry has been involved in many acquisitions of multinational companies over a variety of industries, including education, energy exploration, insurance, land and property investment, manufacturing, natural gas, pharmaceutical and transportation. She also led teams on insolvency appointments and litigation support in Hong Kong.



ANNY LI
Principal
Tax Services

Anny Li has been appointed as Principal of Tax Services with effect from 1 October 2022.

Anny has extensive experience in provision of Hong Kong profits tax compliance services and advisory services to local and multinational companies in various industries, including financial institutions, asset management, insurance, manufacturing, trading and retail.

Anny is experienced in advising tax issues in Hong Kong such as inter-company charges arrangement, investment and operation structure, fund structure and formation, carried interest exemption and cross border transactions. She also has extensive experience in tax due diligence, tax planning for group reorganisation and corporate restructuring.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant



MICHELLE CHENG
Principal
Transfer Pricing Services

Michelle Cheng has been appointed as Principal of Transfer Pricing Services with effect from 1 October 2022.

Michelle started her career in PRC tax and business advisory including transfer pricing for more than 10 years. In recent years she has chosen to specialise in transfer pricing services and she is familiar with Hong Kong and PRC transfer pricing fields. Michelle's transfer pricing experiences include provision of health check, restructuring of business model and planning exercises, IPO review, preparation of transfer pricing documentation and country-by-country report for private and listed MNCs.

Michelle's client portfolio in transfer pricing includes private companies, multinational groups and listed groups engage in trading & manufacturing, ship management, e-commerce, logistics, business services, etc.

Qualifications and professional affiliations

- Hong Kong Certified Public Accountant
- Master of Arts (Honours) in Business Studies and Accounting, University of Edinburgh

RECENT BDO PUBLICATIONS

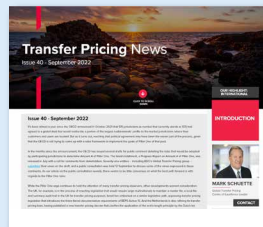
TAX PUBLICATIONS

Corporate Tax News



Issue 64 – November 2022

Transfer Pricing News



Issue 40 – Sept 2022

Indirect Tax News



Issue 3/2022



Issue 4/2022

Hong Kong Tax November 2022 - Bill on taxation of specified foreign-sourced income



RISK ADVISORY PUBLICATIONS

Financial Services Sector Updates Issue 3/2022



HKFRS/IFRS UPDATE

HKFRS/IFRS Update 2022/03 Amendments to HKFRS/IFRS16 – Lease liability in a sale and leaseback



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