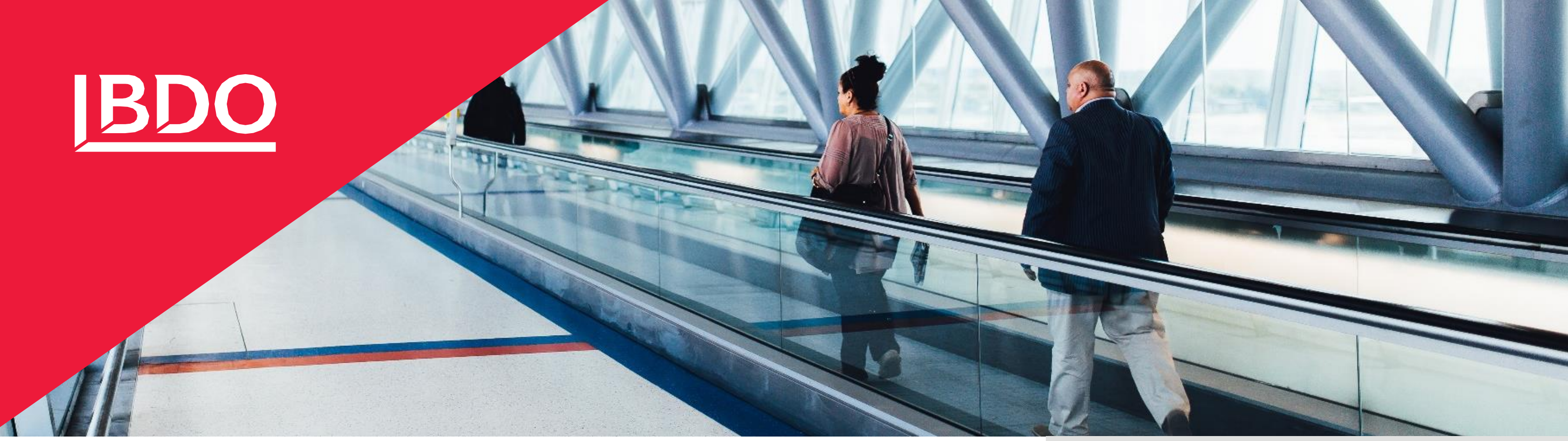

APERCU

May 2025

New appointment

We are delighted to announce the following new appointment. Congratulations to all of their hard work and contributions, and best wishes for their continuing success!

AMY LEUNG
Director and Head of Learning and Development Department

Amy Leung has been appointed as Director and Head of Learning and Development Department with effect from 1 April 2025.

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.

Qualifications and professional affiliations

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

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ANGELA TSANG
Director and Head of Quality Assurance Department

Angela Tsang has been appointed as Director and Head of Quality Assurance Department with effect from 22 April 2025.

Angela has over 20 years of extensive experience in assurance services, inspection, investigation, compliance and quality enablement. Prior to joining BDO, she served as the Director of Inspection at the Accounting and Financial Reporting Council, where she developed robust inspection policies and procedures and oversaw inspections to ensure adherence to accounting and financial reporting standards. Previously, Angela worked at an international accounting firm, leading audits for listed companies and companies seeking to list in Hong Kong. She also collaborated with the Asia Pacific leader in quality enablement to implement and monitor global audit quality initiatives across the region.

Qualifications and professional affiliations

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

Contents

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BEN YIP

Director and Head of Value Creation and Restructuring Services

Ben Yip has been appointed as Director and Head of Value Creation and Restructuring Services with effect from 3 March 2025.

Ben brings over 25 years of professional experience, commencing with his initial four years in the Assurance Advisory division and subsequently accumulating more than 20 years in Financial Advisory Services at an international accounting firm, prior to his transition to BDO Hong Kong.

Between 2015 and 2024, Ben held a partner role at the international accounting firm, where he led restructuring and insolvency services in their Xiamen and Shenzhen offices in Mainland China until 2020, after which he was relocated to the Hong Kong office to continue his leadership and advisory contributions.

Ben has developed a strong specialisation in debt and corporate restructuring, as well as insolvency services, leveraging nearly a decade of prior expertise in financial due diligence and transaction structuring. His other work experiences include forensic investigations and fund advisory.

Current public appointments
- Member of The Chinese People's Political Consultative Conference (CPPCC), Dongguan City, Guangdong Province
- Member of the District Fire Safety Committee (Sai Kung District)

Qualifications and professional affiliations
- Fellow of the Hong Kong Institute of Certified Public Accountants
- Fellow of the Association of Chartered Certified Accountants

CHRISTINA MAI

Director
Transfer Pricing

Christina Mai has been appointed as Director of Transfer Pricing with effect from 2 January 2025.

Christina has almost 20 years of extensive experience in providing transfer pricing services for multinational enterprises. Before joining BDO, she worked in transfer pricing departments of three international accounting firms located in Hong Kong, Shenzhen, Chicago, and Singapore. She possesses in-depth practical experience in Mainland China, Hong Kong, the United States, and Singapore. Throughout her career, Christina has served clients across a variety of industries, including energy, agriculture, e-commerce, pharmaceuticals, industrial equipment, automobiles, electronics and electrical appliances, real estate, communications equipment, finance and high-tech sectors.

Christina has participated in various transfer pricing engagements, including the application of advance pricing arrangement (APA), tax dispute resolution, and contemporaneous transfer pricing documentation preparation. She has provided value chain planning and related-party transaction policy review services for multinational enterprises in Hong Kong, Mainland China, Singapore and the United States.

Qualifications and professional affiliations
- Master of Financial Management of University of Alberta

ERIC PAT

Director and Head of Deal Advisory

Eric Pat has been appointed as Director and Head of Deal Advisory with effect from 1 April 2025.

Eric has extensive experience in providing valuation, due diligence, M&A and other special advisories services, serving both privately-held and listed companies in Mainland China and Hong Kong.

He leads a team that specialises in the valuation of businesses, financial instruments and intangible assets for the purposes of financial reporting, transaction support, and litigation support.

Qualifications and professional affiliations
- CFA Charterholder
- Hong Kong Certified Public Accountant
- Chartered Professional Accountant of Canada
- Certified Management Accountant of Canada
- Chartered Surveyor & Registered Valuer of Royal Institution of Chartered Surveyors (RICS)

IRIS LI

Director
Assurance

Iris Li has been appointed as Director of Assurance with effect from 1 October 2024.

Iris has 15 years of experience in accounting firms and has accumulated extensive experience in IPO capital market professional services, audit of annual reports of listed companies and large State Owned Enterprises, audit of mergers and acquisitions of listed companies, and audit of overseas projects.

Qualifications and professional affiliations
- Hong Kong Certified Public Accountant
- Member of the CPA Australia
- Chinese Certified Public Accountant (Practising)

SILENT LI

Director
Tax

Silent Li has been appointed as Director of Tax with effect from 1 October 2024.

Silent has more than 25 years' solid experience in a variety of tax and business advisory projects for her Hong Kong, Mainland China and international clients. Before joining BDO, Silent has worked in two of the international accounting firms and a State Owned Enterprise. Silent has involved in various projects including global compliance exercise, tax review and planning, due diligence review, corporate restructuring, offshore structuring and review, non-taxable capital claims, Hong Kong tax residency applications, Hong Kong stamp duty exemption applications, share-based payment tax planning assignments and tax health check and risk assessment, etc. She has assisted her clients in business modelling and investment plans for their investment projects in Hong Kong, Macau and overseas jurisdictions. In recent years, Silent has been involved in Hong Kong e-tax filing, advisory works on foreign sourced income exemption regime and BEPS Pillar 2 exercises.

Silent has been serving as an honourable speaker in the Guest Lecturer on EMBA course (Chinese) of City University of Hong Kong. She has been appointed as a facilitator of the Advanced Hong Kong Tax Courses of the Professional Diploma in Hong Kong Tax organised by Hong Kong Institute of Certified Public Accountants. She has also acted as a technical reviewer in assisting Wolters Kluwer to review the Hong Kong Master Tax Guide.

Qualifications and professional affiliations
- Hong Kong Certified Public Accountant
- Fellow of the Association of Chartered Certified Accountants
- Council member of Taxation Institute of Hong Kong

TONY CHING

Director and Head of
Technical Department

Tony Ching has been appointed as Director and Head of Technical Department with effect from 1 April 2025.

Tony is responsible for leading and managing the Firm's technical department that assists the Firm's assurance practice in delivering high-quality audit and assurance services to clients while maintaining adherence to professional standards.

Tony has over 15 years experience in assurance practice. His portfolio of clientele covers a broad spectrum of business sectors including manufacturing, trading, agriculture, natural resources, education, entertainment, consumer markets and network infrastructure. He has extensive experience in auditing business enterprises listed in Hong Kong. He was also involved in other assignments including initial public offerings and capital market transactions.

Tony was appointed as a member of the Qualification and Examinations Board (QEB) of the Hong Kong Institute of Certified Public Accountants (HKICPA) from 2018 to 2023. The QEB has the responsibility to conduct and control the examinations of the HKICPA.

Tony has also been appointed as a member of the HKICPA's Auditing and Assurance Standards Committee (AASC) since 2021. The AASC has the power and responsibility, as delegated by the HKICPA's Council, to set professional auditing and assurance standards for the audit and assurance profession in Hong Kong.

Qualifications and professional affiliations
- Fellow of the Association of Chartered Certified Accountants

PATRICK KWONG

Principal
Assurance

Patrick Kwong has been appointed as Principal of Assurance with effect from 20 January 2025.

Patrick has extensive experiences in Mainland China and has been stationed in Shanghai more than 10 years. He is involved in engagements of different sectors, including manufacturing, leasing, airline, automobile dealership, paediatric milk formula business, pharmaceutical, real estate & mining. Besides, he is also involved in various transaction support assignments, such as initial public offerings, bond offerings and spin-off, etc.

Qualifications and professional affiliations
- Hong Kong Certified Public Accountant
- Member of Association of Chartered Certified Accountants
- Member of Chinese Institute of Certified Public Accountants

Kenneth Yeo was appointed as the member of HKSAR Standing Committee on Company Law Reform

Consultant **Kenneth Yeo** has been appointed as a new member of the Standing Committee on Company Law Reform (SCCLR) by the Financial Secretary for a term of two years, effective from 1 February 2025 to 31 January 2027.

The SCCLR advises the Financial Secretary on amendments to the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, as well as amendments to the Securities and Futures Ordinance on matters relating to corporate governance and shareholders' protection, as and when necessary.

Hong Kong capital market updates

Listing Rules amendments to further expand the paperless listing regime

The Stock Exchange of Hong Kong Limited (HKEx) has published a conclusion on its consultation on proposals to further expand the paperless listing regime. These proposals aim to modernise the market infrastructure and enhance operational and regulatory efficiency.

Under the amended Listing Rules, listed issuers must ensure that their constitutional documents: (a) enable them to hold hybrid general meetings; and (b) allow shareholders to vote via electronic means (E-voting) at their general meetings, to the extent permitted by the laws and regulations applicable to them. Listed issuers will have until their next annual general meeting following 1 July 2025 to make necessary amendments to their constitutional documents in order to comply with the new requirements.

For details, see the conclusion on the consultation: Link

Hong Kong incorporated companies may adopt implied consent mechanism for disseminating corporate communication by means of website

The Hong Kong Companies Ordinance (Cap. 622) has been amended under the Companies (Amendment) Ordinance 2025, which allows Hong Kong incorporated companies to adopt implied consent mechanism for disseminating corporate communication by means of website.

Under the amended Ordinance, if a company's articles of association contain a provision that allows the dissemination of corporate communication through website, and the company has sent an individual one-off notification to its shareholders and debenture-holders that contains certain information (eg, the address of the website and the person's right to request the same information in electronic or hardcopy form), the shareholders and debenture-holders will be deemed to have consented to this method of dissemination without the need to seek a separate consent from each shareholder and debenture holder individually and send separate notifications to the shareholders and debenture holders whenever a new corporate communication is published on its website.

The amended Ordinance has already taken effect on 17 April 2025.

For more details, please read External Circular No.3/2025: Link

Speak to a BDO professional

Let BDO be your trusted partner in navigating the evolving landscape of the Hong Kong capital market. Feel free to contact us if you have any questions or need further assistance.

Betsy Pon

Technical Department
betsypon@bdo.com.hk

Prospects and challenges for developing family offices in Hong Kong

Family offices have emerged as a significant component of the wealth management industry, providing comprehensive financial services to high-net-worth individuals and families. Hong Kong currently has more than 2,700 family offices, each with assets under management of at least USD10 million, with the growth of family offices significantly contributing to the city's status as the third-largest international financial centre globally.

One of Hong Kong's standout financial strengths is its ability to meet the rising requirements for diverse wealth management solutions, especially those tailored to meet the needs of high-net-worth individuals and family offices. Family offices enhance Hong Kong's suite of wealth management capabilities by offering customised investment strategies, estate planning and a range of financial services. Additionally, the Hong Kong Special Administrative Region (SAR) Government is proactively promoting the establishment of family offices through the Policy Statement on Developing Family Office Businesses, issued in March 2023. The policy aims to nurture a vibrant ecosystem that fosters a competitive environment for family offices to thrive. Key initiatives include tax concessions and market facilitation measures designed to attract family offices and high-net-worth individuals to Hong Kong. To support this growth, InvestHK, the Hong Kong SAR Government Department responsible for Foreign Direct Investment, has also established a dedicated FamilyOfficeHK team and created a network of family office service providers, further enhancing Hong Kong's status as a leading destination for wealth management.

Hong Kong's strategic geographic location and favourable regulatory environment also position the city as an ideal base for family offices managing cross-border wealth. The unique capability attracts families from Mainland China, Southeast Asia as well as other regions; further solidifying Hong Kong as a key player in the international financial market.

As family offices navigate complex cross-border regulations, they enhance the city's reputation as a hub for international finance and governance. For example, family offices are known for their interest in alternative investments, such as private equity, real estate and venture capital. This broadens the investment options available in Hong Kong, appealing to both institutional and retail investors. This type of diversification not only strengthens the financial ecosystem but also supports a more resilient economy that can better handle market fluctuations. The establishment of family offices in Hong Kong has also attracted financial professionals from around the globe, enriching the financial services landscape. Meanwhile, through investing in startups, emerging technologies and green projects, family offices help foster entrepreneurship and innovation. Additionally, their participation in philanthropic projects helps enhance Hong Kong's global image and attract the attention of socially conscious investors who prioritise ethical practices.

Banking and family offices

Banks are often the institutions that operate closest to family offices. By leveraging their respective strengths and expertise, collaborative partnerships create a comprehensive range of financial services for affluent families and high-net-worth individuals. Family offices focus primarily on preserving and growing substantial family wealth through asset allocation, risk management and long-term strategies. To achieve these goals, they often seek specialised services provided by banks, including investment banking, credit facilities and treasury management. Banks also provide a full range of financial products essential for managing complex needs, such as investment management, estate planning and access to exclusive opportunities in private equity and hedge funds. Additionally, banks customise solutions for liquidity management and foreign currency exposure, while also offering leverage and financing options that allow family offices to make significant investments without liquidating other assets.

In response to the growing demand for succession planning, in addition to conservative products such as fixed bank deposits, many traditional banks have started offering specialised products specifically designed for legacy planning. These offerings are rooted in a forward-thinking approach to wealth succession, aimed at facilitating the smooth transfer of family business assets and wealth across generations. Furthermore, banks collaborate with insurance companies and fund managers to offer insurance products, premium financing and investment portfolios. By offering these services, banks are able to play a crucial role in helping families navigate the complexities of succession planning, ensuring that their wealth is preserved and effectively transferred from one generation to the next.

Technology as an enabler

Technology is disrupting the wealth management industry, with family offices embracing fintech and artificial intelligence (AI)-driven innovations. To provide tailor-made solutions and dedicated services to family offices, professional service providers such as banks, financial institutions, certified public accountants and lawyers are increasingly aligning their services with the growing emphasis on ESG, fintech and AI.

Fintech and AI

A growing number of family offices believe that fintech solutions can help them better manage their comprehensive wealth management needs through improved data analytics and enhanced portfolio management tools. In particular, AI-powered platforms are valuable for family offices as they can process large amounts of financial data quickly, identify market trends, and generate insights that may not be immediately developed through traditional analysis methods.

The integration of fintech and AI in family offices also extends to operational efficiency. These evolving technologies help automate routine tasks, improve compliance monitoring, and provide enhanced cybersecurity protection, all crucial aspects for family offices managing substantial volumes of wealth. Advanced fintech platforms can consolidate multiple investment accounts, track performance across various asset classes, and generate comprehensive reports that provide a holistic view of the family's wealth and other focus areas, making it easier to monitor and adjust investment and family governance strategies as needed. Therefore, banks that adeptly integrate fintech solutions are better positioned to meet the complex needs of family offices, potentially fostering stronger and more productive relationships.

To enhance the competitiveness of Hong Kong's financial services industry and accelerate digitalisation, the Hong Kong SAR Government is committed to promoting fintech development. For instance, Hong Kong has hosted FinTech Week for nine years, which serves as a vital platform for family offices to explore innovative financial technology solutions that address their investment and operational challenges. The event enables family offices to connect with fintech providers specialising in portfolio management, risk assessment and compliance systems, which are essential to meet modern wealth management needs. This is particularly valuable as the increasing complexity of managing family wealth necessitates sophisticated technological solutions to maintain a competitive edge.

Looking forward, as new technologies continue to emerge, the relationship between family offices and the utilisation of fintech will likely deepen. Notably, a number of family offices are investing directly in fintech companies, both as a strategic investment and to gain early access to innovative solutions that could benefit their operations. This dual approach of adopting and investing in fintech demonstrates the growing recognition among family offices that technology will continue to play a crucial role in the future of wealth management operations.

ESG

In recent years, the relationship between family offices and ESG investing has become increasingly significant. In addition to delivering financial returns, many family offices have found that members of the younger generation of their clients are interested in investments that have a close link to making a positive environmental or social impact. This has led to an increasing focus on both financial and value-based ESG factors in their investment approach.

Family offices interest in ESG investing is further strengthened by their ability to take a more patient, long-term approach to capital allocation. Unlike traditional institutional investors that may face short-term performance pressures, family offices can focus on sustainable, long-term value creation while simultaneously pursuing environmental and social objectives that align with the families' missions and values.

Recognising the ESG trends, banks are developing tailored investment products, such as green bonds and sustainable energy funds that facilitate investment in renewable energy. Banks, consultancy firms and certified public accounting firms also provide advisory services that emphasise ESG principles to assist family offices in integrating their preferred ESG criteria into their investment decision-making process. These offerings help identify opportunities in green technology, renewable energy and sustainable infrastructure, while also ensuring compliance with global ESG standards and mitigating risks associated with regulatory changes and reputational damage. As green finance increasingly attracts the interest of family offices, as well as other investors, the Hong Kong SAR Government launched several initiatives including the Government Green Bond Programme and Green and Sustainable Finance Grant Scheme. These collective efforts and innovations from both private and public sectors create a favourable environment for family offices to pursue sustainable investment opportunities.

Challenges for family office development

Family offices face a unique set of challenges that can impact their effectiveness in managing wealth and sustaining growth over generations. The two most significant challenges are talent shortage and the evolving landscape of regulatory changes.

The challenge of hiring and retaining skilled professionals who can adeptly manage the diverse and complex needs of a family office is a critical one. Family offices are finding it increasingly difficult to compete with traditional financial institutions for top talent, especially the professionals that handle multiple responsibilities from investment management to tax planning, estate planning and risk management. Moreover, the private nature of family offices often demands a high degree of personal services and confidentiality that goes beyond conventional financial management roles. The shortage of professionals who are not only skilled in their respective areas, but also fit well with a family office's culture and values, can lead to significant operational challenges.

In response to these challenges, the Hong Kong Academy for Wealth Legacy (HKAWL), established under Financial Services Development Council, has emerged as a pioneering institute dedicated to enhancing excellence in the family office sector. In this evolving landscape, HKAWL enhances the capabilities of industry practitioners and promotes partnerships among family offices and professionals, addressing the critical need for skilled talent. In addition, the Hong Kong SAR Government has introduced immigration programmes such as the Quality Migrant Admission Scheme, which aims to attract highly skilled professionals from around the world. The scheme aims to provide family offices with access to a broader pool of talent and expertise, helping them overcome the challenges of finding the right fit for their unique needs.

Family offices are also increasingly navigating a complex regulatory environment that can vary significantly from one jurisdiction to another. Changes in tax laws, compliance requirements and international reporting standards require constant vigilance and adaptability. For example, regulations such as the Foreign Account Tax Compliance Act (FATCA) in the US or the Common Reporting Standard (CRS) impose stringent reporting requirements on international investments. Keeping abreast of these changes and ensuring compliance without disrupting investment strategies or operational efficiencies is an ongoing challenge.

Implementing proactive solutions may involve developing partnerships with professional service providers and establishing robust systems and processes to better manage talent and regulatory compliance. To ensure full compliance with the relevant regulations, family offices may outsource their compliance and regulatory tasks to external professional service providers, such as legal advisors or tax experts.

On the technology front, fintech companies have introduced platforms and tools to offer integrated solutions for compliance reporting, allowing family offices to operate more efficiently. With fintech solutions that offer early warning signals for potential risks, family offices can better position themselves to manage risks while still being able to capitalise on opportunities in the evolving financial landscape.

In conclusion, Hong Kong's family office industry is fast becoming a pivotal force in enhancing the city's reputation as a premier destination for wealth management. In the future, the investment and service needs of family offices in Hong Kong are expected to accelerate. For example, the focus on ESG, fintech and AI offers extensive opportunities for banks and other professional service providers.

With the support of government initiatives, and by leveraging Hong Kong's many unique advantages, the potential for the city's family offices ecosystem to operate and grow is positive.

Talk to BDO professionals

Feel free to get in touch with our BDO Family Office team for providing more information about setting up family office in Hong Kong.

Frank Lam

Family Office
franklam@bdo.com.hk

Jenny Cheung

Family Office
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The article was first published in Banking Today, the official journal of the Hong Kong Institute of Bankers

Long-awaited update to Hong Kong valuation standards: navigating through the emerging needs in the real estate landscape

Background

The Hong Kong Valuation Standards (the Standards) represent an integrated set of valuation guidelines established by the Hong Kong Institute of Surveyors (HKIS), the only surveying professional body incorporated by ordinance in Hong Kong. It is compulsory for HKIS members to comply with the Standards, which have long been recognised and relied upon by valuers, the Lands Tribunal, the courts and the Hong Kong Stock Exchange as an authoritative reference source on best practices in the valuation profession. The HKIS Valuation Standards 2024 (the Standards 2024) are an update on the 2020 edition. The Standards 2024 are linked to the latest updates to the International Valuation Standards, which came into effect on 31 January 2025, and address the specific needs of the valuation practice and local real estate market in Hong Kong.

The key updates in the Standards 2024 include (1) a new 'Data and Input' valuation standard, and (2) a new 'Environmental, Social and Governance' (ESG) valuation guidance note. The first of these illustrates how data should be selected and used to inform a valuation. The second provides a list of ESG factors to consider when including a company's sustainability and ethical practices in its valuation. Among other changes, the Standards 2024 also incorporate 'specialist' and extend the content of 'valuation review' under Terms of Engagement; enhance the content of 'comparable transaction method', 'terminal value' and 'valuation model' under Valuation Approaches and Methods; enrich the scope of 'valuation reports' in Reporting; and refine the meaning of 'development profit' under Development Property[1].

Data and Input

As we all know, 'data' are facts and statistics that have been collected but have not yet been processed. By making reasonable assumptions and adjustments, this data can be transformed into 'inputs' for ascertaining the value of all types of assets and liabilities. The valuer is responsible for selecting and assessing the right data based on factual information, reasoning, analysis and professional judgement.

The Standards 2024 emphasise the 'fitness for use' of data for inputs depending on the asset or liability being valued, the scope of the work, the valuation method, the valuation model and the data's intended use. The relevant and observable data should be accurate, complete, timely and transparent in order for it to be fully utilised as inputs in the valuation.

This idea aligns with the basic textbook principle of 'comparing apples with apples' in valuation: that is, that one should always compare two things that are similar and therefore the 'data' selected should be as relevant as possible. Otherwise, we are not comparing 'apples with apples'.

Sometimes, the adopted data might not be sufficient to meet the valuation modelling requirement. In these situations, the valuer must identify and assess the source of data, make assumptions, and make appropriate adjustments to develop inputs and identify any limitations or bias.

Besides being relevant, there must also be a 'sufficient' number of inputs for the valuer to arrive at an informed view. But how many is 'sufficient'? The general rule in valuation is that it is enough to have about three 'relevant and reliable' comparables, not as many as possible.

The data and inputs must also be explained, justified and documented so that others can understand why the specific data were defined as relevant and why the selected inputs were considered to be reasonable.

These above-mentioned considerations also fit with the Accounting and Financial Reporting Council's (AFRC's) indication of areas that require special consideration in terms of property valuation in the Audit Focus for 2024 year-end Audit Inspection Reports[2].

Environmental, Social and Governance

Qualitative ESG factors and specific ESG metrics that may impact valuation and pose risks or opportunities are included in a guidance note in the Standards 2024.

Although the Hong Kong Stock Exchange has introduced new climate-related disclosure requirements for listed companies, which began coming into effect in phases from the beginning of this year, the enforcement of ESG compliance in Hong Kong is moving more slowly than it is in European markets, because there is no legislation on this that applies to property.

Indeed, in many developed countries, ESG factors are becoming more significant in property valuation due to stricter regulatory requirements, increasing demand and expectations among stakeholders, effective risk-management needs, and growing public concern, as well as in standardisation and guidelines.

[1] *HKIS Valuation Standards 2024, published by The Hong Kong Institute of Surveyors, November 2024, pp. 5-6*
[2] *Accounting and Financial Reporting Council, Audit Focus for 2024 year-end audits, https://www.afrc.org.hk/en-hk/Documents/Publications/periodic-reports/2024_Audit_Focus_for_2024_year-end_audits.pdf*

Although applying the ESG standards in the Standards 2024 is not mandatory for valuers, organisations like the International Valuation Standards Council and the Royal Institution of Chartered Surveyors (RICS) have already updated their guidelines to include ESG considerations. Further, as early as in 2022, RICS established a Leaders' Forum to embed ESG requirements into valuations and the valuation process. One of the significant outputs of the forum in 2024 is the publication of an ESG and valuation data list, which can be used to assess ESG performance[3]. In addition, the United Nations' Principles for Responsible Investment provide guidelines for integrating ESG factors at the fund and company portfolio level, which serve as a framework for investors who are considering ESG factors.

Nevertheless, the Standards 2024 recommend that a valuer should analyse and make appropriate adjustments for any significant differences in material characteristics between the comparable transactions and the subject asset, with ESG factors being one of those characteristics. Furthermore, significant ESG factors associated with the value of an asset should be considered separately as part of the data and input selection process in a valuation.

In practical terms, valuers can adopt ESG indicators to assess ESG performance. Factors that can directly affect a property's market value include, among others:

- energy efficiency, including energy consumption and carbon emissions;
- sustainable design, with the use of renewable materials and effective heating, ventilation and air-conditioning systems;
- green certifications like Leadership in Energy and Environmental Design (LEED), Building Environmental Assessment Method (BEAM) or the WELL Building Standard; and
- proximity to public transport and outdoor spaces, etc.

Properties that have higher ESG credentials often have superior branding, which can fetch higher rent and have lower vacancy rates, increasing their market value. For example, the commercial building Two International Finance Centre (jointly developed by Sun Hung Kai Properties, Henderson Land Development Company Limited and The Hong Kong and China Gas Company) which received Platinum certification under LEED in 2023[4], can currently demand an asking unit rent of HK$100 to HK$190 per square foot (gross), depending on the size of the unit and the view from the unit[5], and has a high occupancy rate of about 95%[6].

On the contrary, factors such as environmental hazards, social conflict, poor governance, regulatory compliance and reputational risk can become risk drivers that decrease property value.

Specific ESG metrics can also be considered. This could include:
Physical risk metrics:

1. Location risk scores: Assesses potential exposure to natural disasters, such as hurricanes, flooding, wildfires, rising sea levels, depending on geographical location.
2. Extreme weather event modelling: Uses a stochastic model to estimate damage and loss potential resulting from extreme weather events, such as extreme hot and cold temperatures, heavy rain, drought, hurricanes, typhoons.
3. Heat stress modelling: Uses a simple count of the number of days of extreme heat per region or uses a stochastic model, such as the GEOS-5 Atmosphere-Ocean General Circulation Model, to simulate climate variability across a given time period.
4. Value-at-risk climate risk scores: Uses a climate risk exposure measure to assess potential physical risk-associated loss for an asset by adjusting specific values in forward-looking climate change modelling.

Corporate and investment requirements relating to sustainability and ESG influence investment approaches because they may affect prospects for rental and capital growth, and susceptibility to obsolescence. If ESG factors are incorporated into the valuation analysis, potential risks can be identified, resulting in more accurate valuations. For any property, ESG can present a new risk but it can also be a value driver. Valuers should consider ESG aspects with a view to optimising property performance and minimising potential risks to derive more accurate valuations.

The tangible benefits of improving a property's ESG score include enhancing asset value, reducing financing costs, reducing operating costs, reducing risk and increasing rental value. Yet, the incentives to apply ESG factors in valuations in Hong Kong are still not strong enough, due to the lack of accessible and shareable ESG data for evaluation and the lack of legislative requirements.

[3] *ESG data list for real estate valuations, published by the Royal Institution of Chartered Surveyors (RICS), February 2024,* https://www.rics.org/news-insights/wbef/the-future-of-real-estate-valuations-the-impact-of-esg
[4] *SHKP's four flagship commercial buildings awarded LEED Platinum certification,* https://www.shkp.com/en-US/media/press-releases/20230227
[5] *Office leasing by JLL,* https://property.jll.com.hk/en/office-lease/hong-kong/central/two-international-finance-centre-hkg-p-000jpa
[6] *S&P Global Ratings: IFC Development Ltd.,* https://www.alacrastore.com/s-and-p-credit-research/IFC-Development-Ltd-3140968

To improve this, the surveying industry needs to promote ESG initiatives and further explain the rationale behind ESG factors by providing education and training to valuers and financial clients alike. Furthermore, we should start building a shareable database for measuring ESG performance. When ESG factors are truly embedded into a valuation, 'brown discounts' on property that is neither green nor sustainable will become a genuine concern for stakeholders, and the benefits created by ESG will become observable.

For more information about the updated HKIS Valuation Standards 2024, please click here.

Talk to BDO professionals

BDO's valuation team is ready to support you on any valuation-related matter. If you require our support, please contact the authors below.

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BDO supports the CHKLC Director Training Series for the 15th consecutive year

Running from April 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 on various applicable rules and laws. The programme will also address common issues faced by directors. BDO's Director & Head of Risk Advisory Ricky Cheng, Director of Risk Advisory Vivian Chow, Principal of Risk Advisory Herman Tsui and Principal of Technical department Betsy Pon are invited to speak on some of the important aspects of directorship for a listed company.

The first session - Navigating directors' duties and governance best practices in Hong Kong and the second session – Introduction to corporate governance were successfully held on 29 April 2025 and 27 May 2025 respectively. If you are interested in joining the programme, please enrol with CHKLC directly. For more information, please visit their website at www.chklc.org.

The schedule and topics for the forthcoming sessions are:

Date	Topic
24 Jun 2025 (Tue)	Introduction to the continuing obligations of listed issuers
16 September 2025 (Tue)	Understanding ESG and integrating it into corporate strategy
14 October 2025 (Tue)	Internal controls and risk management
4 November 2025 (Tue)	Annual regulatory overview 2025

How to avoid greenwashings in sustainable finance

Sustainable finance offers businesses the opportunity to secure funding for environmentally friendly projects while enabling investors to participate in initiatives that prioritise ecological sustainability. This approach supports the sustainable growth of both companies and the environment. Increasingly, investors, consumers, and regulators are demanding accountability and transparency in corporate operations, leading to a proliferation of initiatives aimed at promoting sustainability.

Despite variations across different industries and company sizes, a common question by companies frequently arises in discussions about sustainable finance: 'How should I set my target?'
For renewable energy projects or energy efficiency initiatives - such as replacing factory machinery with low-energy consumption models—the Green Loan Principles (GLP) require that borrowers demonstrate clear environmental benefits from all designated green projects. Furthermore, if feasible, these benefits should be assessed and quantified by the borrower. However, there are no specific guidelines dictating the magnitude of green impacts necessary to classify a project as 'green'. This ambiguity can lead to challenges in ensuring genuine sustainability practices.

In contrast, sustainability-linked loans necessitate the establishment of clear Key Performance Indicators (KPIs). The success of meeting these targets directly influences the incentives available to borrowers, such as lower interest rates on the proceeds. While the environmental benefits are one key driver for companies to initiate sustainable finance, over time, organisations often realise that actual reductions in energy consumption can significantly lower operational costs. Moreover, renewable energy projects may serve as a valuable catalyst for new business opportunities, leveraging climate-related advantages.

When considering KPIs, companies may deliberate between setting targets for a 2% or 3% reduction. On one hand, they may fear failing to achieve the targets they establish; on the other, they may worry that their targets are not ambitious enough within their industry.

While it is possible identify their peers and gather data from peer portfolios to establish benchmarks, there are instances that go beyond theoretical frameworks. For example, some companies set targets with no intention of working towards them. While this may seem illogical, it does occur; companies may prioritise presenting themselves as 'green' to the public rather than genuinely pursuing sustainable practices. They often disregard the administrative fees associated with the verification process.

This behaviour exemplifies a form of greenwashing that can be particularly deceptive. In response, many banks and financial institutions have implemented additional contractual terms to mitigate these occurrences. For instance, if a borrower achieves less than 30% of their target without strong and valid reasons, they may be considered in violation of the contract, resulting in penalties or the withdrawal of the entire sustainable finance arrangement.

While some funds genuinely aim to support sustainable initiatives, they may inadvertently direct resources inappropriately. For instance, a fund may claim to focus on sustainable agriculture while investing in agribusinesses that contribute to deforestation or other environmental harm. Additionally, even initiatives that are fundamentally sustainable can have unintended consequences. For example, improving lithium battery performance may seem beneficial due to longer lifespans, yet the disposal and recycling processes can be energy intensive.

Similarly, financial instruments aimed at social impact have emerged to address specific societal challenges. In recent years, social loans and bonds have gained significant attention. Many contractors involved in transitional housing projects are seeking to apply for social loans. According to the Hong Kong Council of Social Services, transitional housing serves as a short- to medium-term solution to alleviate living needs. Its primary aim is to provide affordable housing for tenants who face long waiting periods for public rental housing or those with urgent living needs. Additionally, it seeks to foster tenants' abilities and encourage their contributions to the community through participation in social services during their tenancy.

These characteristics highlight the social benefits of transitional housing, and the number of occupants can be effectively presented in the 'Use of Proceeds' section of the Social Loan Principles (SLP). The SLP encourages borrowers to define social benefits in quantifiable terms. However, the challenge arises when evaluating educational premises and their social contributions. For instance, some contractors wonder whether they can secure proceeds for projects related to elderly housing services. While they appropriately target the aging population in accordance with the SLP, further discussions reveal that their rental fees significantly exceed the market average, and the services offered are comparable to those of a five-star hotel. Although this model undoubtedly generates social benefits, one must question whether it adequately addresses the needs of the population and provides a corresponding solution.

The topic of climate transition loans has also gained prominence, particularly in 2024. The handbook published by the International Capital Market Association (ICMA) in 2023 aligns with global objectives, such as those outlined in the Paris Agreement on Climate Change. However, the framework for facilitating these loans still largely references the Green Bond Principles (GBP) and Sustainability Bond Guidelines (SBG). Organisations must set greenhouse gas emission reduction targets to participate. Many of the climate transition loan cases are similar to those involving green loans and bonds, primarily focusing on energy consumption reductions or renewable energy generation. Generally, these initiatives relate more to the business strategies companies adopt in response to climate change rather than being confined to specific projects. A noteworthy aspect of the ICMA handbook is its emphasis on "transparency," which stands in contrast to the earlier guidelines. Greater transparency reduces the likelihood of greenwashing, or at least imposes a significant barrier against such practices.

To avoid greenwashing, several strategies can be pursued at the individual and organisational levels. First, as mentioned, increasing transparency and accountability is essential. Companies should be prepared to provide clear, verifiable data on their sustainability practices and impacts. This is why verifiers for sustainability-linked loans typically request annual reports from clients, in accordance with Sustainability-Linked Loan Principles (SLLP).

Second, educating investors and consumers about sustainability and greenwashing is vital. By raising awareness of the signs of greenwashing, stakeholders can make more informed decisions and support genuinely sustainable companies. Initiatives such as ESG ratings and independent audits can help identify and promote truly sustainable practices. Third, collaboration among all stakeholders is crucial. Investors, companies, and regulators must work together to establish clear guidelines for sustainability claims. This cooperative approach can help create an environment where authentic sustainability efforts are recognised and rewarded, while misleading practices face significant penalties.

Talk to our professionals

Please contact our Risk Advisory team if you would like to know more about sustainable finance.

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The article is republished from Momentum, The Chamber of Hong Kong Listed Companies magazine

BDO event highlights

HKICPA technology & innovation webinar - evaluation platform and audit analytics solution

2024 Dec 10

On 10 December 2024, Director & Head of Deal Advisory **Eric Pat** and Principal of Deal Advisory **David Chan** were invited by HKICPA to introduce our online evaluation platform – BDO Discover, which can help small and medium practices simplify the process of assessing the value of business and/or financials, as well as evaluating assets and liabilities for financial reporting purposes.

The webinar was attended by 150 HKICPA members and we received enthusiastic feedback and inquiries about our platform.

BDO spoke at AHKA webinar on corporate governance code

2025 Jan 17

Director of Risk Advisory **Vivian Chow** and Principal of Risk Advisory **Herman Tsui** were invited by The Association of Hong Kong Accountants (AHKA) to speak at a webinar on “Navigating the updates to the Corporate Governance Code: implications for Hong Kong listed companies” on 17 January 2025. Vivian and Herman provided a concise overview of the finalised updates and their implications for issuers. Participants gained insights into the new requirements and best practices for compliance, ensuring they are well-prepared for the upcoming changes.

BDO spoke at SCAA seminar on corporate governance code

2025 Feb 25

Director of Risk Advisory **Vivian Chow** and Principal of Risk Advisory **Herman Tsui** were invited by The Society of Chinese Accountants & Auditors (SCAA) to speak on "Navigating the updates to the Corporate Governance Code" on 25 February 2025. Vivian and Herman provided an overview of the finalised updates and shared their insights on the key amendments to the Corporate Governance Code. Participants gained useful knowledge and can be well-prepared for the upcoming changes.

BDO spoke for "Web3 + ESG" seminar

2025 Feb 27

Director & Head of Risk Advisory **Ricky Cheng** and Manager of Risk Advisory **Alpha Chia** were invited to speak at the "Web3 + ESG" seminar on 27 February 2025. They discussed the correlation of carbon credit solutions and ESG principles, providing valuable insights for attendees on how to integrate these concepts into their business strategies.

BDO webinar: Mainland China and Hong Kong tax update and strategic outlook for Chinese multinational enterprises

2025 MAR 19

BDO webinar: Mainland China and Hong Kong tax update and strategic outlook for Chinese multinational enterprises was successfully convened on 19 March 2025, bringing together our China and Hong Kong tax teams to feature insights on Mainland China and Hong Kong tax updates. Over 500 attendees joined the webinar.

Gordon Gao, Tax Partner & National Head of Tax, BDO China, delivered an opening remarks to kick off the webinar. Rebecca Chen, Director of International Tax, BDO China, and Emily Li, Principal of Transfer Pricing, BDO China, addressed the recent tax policy updates in Mainland China, trend on tax audit and tax certainty in Mainland China.

Carol Lam, Director & Head of Tax, BDO Hong Kong, kicked start the part of exploring Hong Kong Tax by featuring the recent trend of Hong Kong tax development. Silent Li, Director of Tax, BDO Hong Kong, provided the latest tax compliance requirements for Hong Kong large multinational enterprises and latest development in Hong Kong offshore tax exemption applications and related solutions. Christina Mai, Director of Transfer Pricing, BDO Hong Kong, also shared her insights on transfer pricing considerations in Hong Kong for enterprises that will be 'going global'.

BDO seminar: GL20 cyber resilience assessment framework: staying with the enhanced cybersecurity requirements

2025 Mar 4

Principal of Risk Advisory Pokit Lok held a seminar on 4 March 2025 and shared a comprehensive understanding of the GL20 cyber resilience assessment framework, focusing on its practical application for authorised insurers in Hong Kong. The seminar also covered key components, address common concerns, and include interactive elements to ensure engagement and learning.

BDO spoke at HKCGI hybrid seminars on corporate culture and new Corporate Governance Code changes

2025 Mar Apr 2023

On 20 March 2025, Vivian Chow, Director of Risk Advisory was invited by HKCGI to speak at the hybrid seminar on corporate culture. Vivian shared her insights on the importance of aligning corporate culture with governance practices. There was a panel discussion that followed, where Vivian and other industry experts shared their experiences in culture transformation and effective leadership strategies.

Vivian and Principal of Risk Advisory Herman Tsui also spoke for another hybrid seminar hosted by HKCGI on the new Corporate Governance Code (The Code) changes on 23 April 2025. They shared insights into the significant amendments to The Code, effective 1 July 2025. Following their presentations, a panel discussion featured Vivian, Herman and other industry experts provided further insights on how to effectively adapt to these changes.

Recent BDO publications

Tax publications

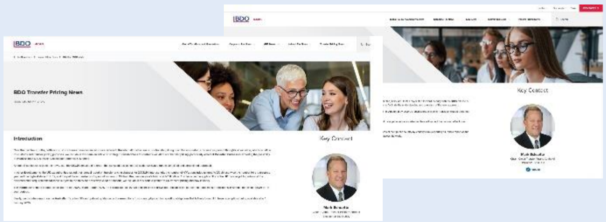
2025/26 Hong Kong Budget Highlights

Hong Kong Tax

The Hong Kong government released the bill to implement the Global Anti-Base Erosion (GLOBE) Rules

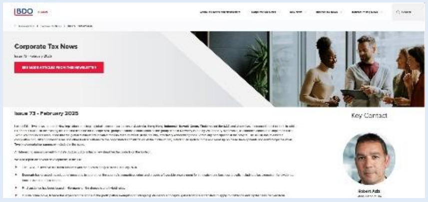
Transfer Pricing News

Issue 49 - December 2024 & Issue 50 - March 2025



Corporate Tax News

Issue 73 – February 2025



Risk advisory publications

ESG updates:

Issue 1/2025

Green and sustainable finance updates:

Issue 1/2025

Financial services sector updates:

Issue 1/2025

Technology updates:

Issue 1/2025

HKFRS/IFRS Update

HKFRS Update 2025/01

31 December 2024 Year-end HKFRS/IFRS Accounting Standards Update

HKFRS Update 2025/02

Amendments to HKFRS/IFRS 9 and HKFRS/IFRS 7 – Contracts Referencing Nature-Dependent Electricity

HKFRS Update 2025/03

Accounting in times of uncertainty – The effects of volatile 2025 tariffs

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