

TRANSPARENCY REPORT

2015 - 2016

Mazars Hong Kong



Introduction 3

Our unique business structure 4

Leadership and governance 9

Audit quality 11

Our contribution to the wider profession 15

Objectivity and independence 17

Investing in our people 18

Appendix 1: Audited Public Interest Entities of Mazars Hong Kong 22

Appendix 2: Members of the Group Executive Board 23

Appendix 3: Members of Mazars Hong Kong governance bodies 25

Appendix 4: Mazars Group and Mazars Hong Kong statements of compliance 26

Introduction



We are pleased to introduce the 2015/2016 transparency report for Mazars in Hong Kong.

Specializing in audit, advisory, accountancy, tax and legal services, Mazars is a leading integrated and independent organization whose international dimensions are expanding every year. As of 31 August 2016, Mazars is present in 77 integrated countries around the world. From 1 January 2016 Mazars has integrated the Chinese firm ZhongShen ZhongHuan. Their pro-forma contribution to group revenue is €43M leading to total revenue of €1,365M and staff numbers of 17 000. Group revenue has increased over the year by 10% at a constant exchange rate.

Hong Kong, 30 December 2016

A handwritten signature in black ink, appearing to read 'Stephen Weatherseed'. The signature is written in a cursive, flowing style.

Stephen Weatherseed
Managing Director of Mazars in Hong Kong

Our unique business structure

Globally integrated

Mazars is a global organisation specialising in audit, accountancy, tax, legal and advisory services. As at 31 August 2016, we were able to draw on the expertise of 17 000 professionals in the 77 countries that make up our integrated partnership in Europe, Africa, the Middle East, Asia Pacific, North America, Latin America and the Caribbean. With correspondent and representative offices we are present in a further 13 countries.

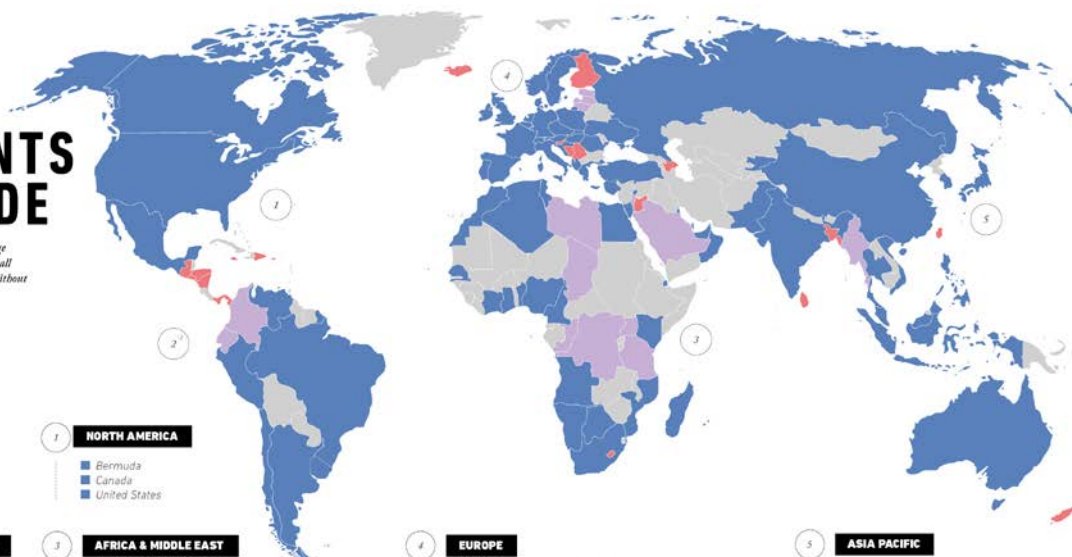
SERVING OUR CLIENTS WORLDWIDE

We are constantly expanding our geographic coverage and strengthening our international teams to serve all our clients wherever they operate across the globe, without ever compromising on our standards of excellence.

INTEGRATED COUNTRIES

NON-INTEGRATED COUNTRIES: MAZARS CORRESPONDENTS AND REPRESENTATIVE OFFICES

COUNTRIES COVERED VIA THE PRAXITY ALLIANCE



- 2 LATIN AMERICA & THE CARIBBEAN**
- Argentina
 - Brazil
 - Cayman Islands
 - Chile
 - Colombia
 - Dominican Republic
 - Dutch West Indies
 - Ecuador
 - El Salvador
 - Guatemala
 - Honduras
 - Jamaica
 - Mexico
 - Nicaragua
 - Panama
 - Peru
 - Puerto Rico
 - Uruguay
 - Venezuela

- 3 AFRICA & MIDDLE EAST**
- Algeria
 - Angola
 - Bahrain
 - Benin
 - Botswana
 - Cameroon
 - Cape Verde
 - Chad
 - Comoros
 - Congo (Democratic Republic)
 - Congo (Republic)
 - Djibouti
 - Egypt
 - Ghana
 - Israel
 - Ivory Coast
 - Jordan
 - Kenya
 - Kuwait
 - Lebanon
 - Lesotho
 - Madagascar
 - Mauritius
 - Morocco
 - Mozambique
 - Namibia
 - Nigeria
 - Oman
 - Palestine
 - Qatar
 - Saudi Arabia
 - Senegal
 - South Africa
 - Tanzania
 - Tunisia
 - Uganda
 - United Arab Emirates

- 4 EUROPE**
- Albania
 - Austria
 - Belgium
 - Bosnia & Herzegovina
 - Channel Islands
 - Croatia
 - Cyprus
 - Czech Republic
 - Denmark
 - Estonia
 - Finland
 - France
 - Germany
 - Greece
 - Hungary
 - Iceland
 - Ireland
 - Italy
 - Latvia
 - Lithuania
 - Luxembourg
 - Malta
 - Netherlands
 - Norway
 - Poland
 - Portugal
 - Romania
 - Russia
 - Serbia
 - Slovakia
 - Slovenia
 - Spain
 - Sweden
 - Switzerland
 - Turkey
 - Ukraine
 - United Kingdom

- 5 ASIA PACIFIC**
- Australia
 - Azerbaijan
 - Bangladesh
 - China
 - Hong Kong
 - India
 - Indonesia
 - Japan
 - Korea
 - (Republic)
 - Kyrgyzstan
 - Malaysia
 - Myanmar
 - New Caledonia
 - Pakistan
 - Philippines
 - Singapore
 - Sri Lanka
 - Taiwan
 - Thailand
 - Vietnam

In each country in which we have a member of our integrated partnership, a separate legal entity exists (the “member entities”). All member entities have a cooperation agreement with “Mazars Scrl”, a Limited Responsibility Cooperative Company headquartered in Belgium. The shareholders of Mazars Scrl are all partners or shareholders (collectively, “Partners”) in the member entities. In certain countries there are some Partners who are shareholders or partners in their member entity but they are not shareholders of Mazars Scrl.

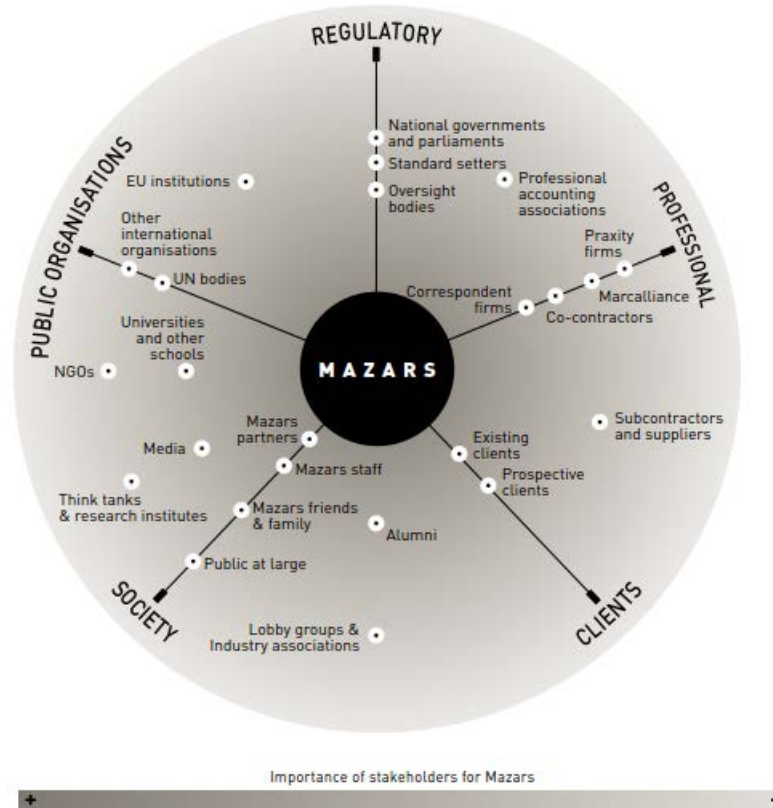
The role of Mazars Scrl is to “define the strategic objectives of the organization and to coordinate the implementation of these objectives at the member firm level”. It also has responsibility for promoting and protecting the Mazars brand throughout the world.

All Mazars Partners are required to sign a contract transferring their interests to parties approved or designated by Mazars Scrl. Mazars Scrl, member entities and Partners are therefore linked by a series of agreements entered into in order to achieve maximum consistency and standardization within the group.

The financial statements of Mazars Scrl are consolidated with the results of the member entities (the “Mazars Group”) and are prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements of the Mazars Group are jointly audited by two independent audit firms.

We are therefore unique: we are not simply a collection of national firms, but an integrated organization of professionals, sharing commitments with respect to investment in technical excellence, serving our clients and developing our teams.

Stakeholders map



The member entity in Hong Kong

Mazars Hong Kong was formed in June 2007 following the reorganization of its predecessor firm, Moores Rowland Mazars which itself had been established in the 1930's in Hong Kong. We provide services to listed companies and multi-national corporations across a wide range of industries including media, IT, real estate, manufacturing, financial and insurance services. We are PCAOB registered and accredited to issue reports on companies regulated by the Securities and Exchange Commission in the United States.

Legal structure and ownership of Mazars

Mazars Hong Kong is a firm of certified public accountants registered with the Hong Kong Institute of Certified Public Accountants. We are a limited liability company incorporated in Hong Kong and owned by our members who are also directors of the firm.

Service arrangements

Mazars Hong Kong offers the following comprehensive range of services to public interest entities, privately-held businesses and high-net-worth individuals:

- Audit and assurance
- Accounting and Outsourcing
- Corporate recovery and forensic
- Corporate secretarial services
- Corporate finance
- Governance, risk and internal control
- Litigation support
- Tax compliance and consulting services
- Transaction services

A client service team is set up to serve each of our clients' existing and future needs. The team is closely involved in the execution of the assignment and is able to respond quickly and effectively to co-ordinate the work and minimize any inefficiencies.

2.3 Governance structure

The Management Committee, being the governance body of Mazars Hong Kong, is chaired by the Managing Director, Mr. Stephen Weatherseed. Other members of the Management Committee include Mr. Edmund Chan (Practising Director, Head of Audit & Assurance), Ms. Eunice Kwok (Practising Director, Head of Finance & HR), Mr. Oliver Or (Practising Director & Head of AOS) and Mr. Michael To (Practising Director, Head of Tax).

The Management Committee is responsible for the firm's development strategy, the implementation of business decisions as well as the operational, functional and administrative organisation.

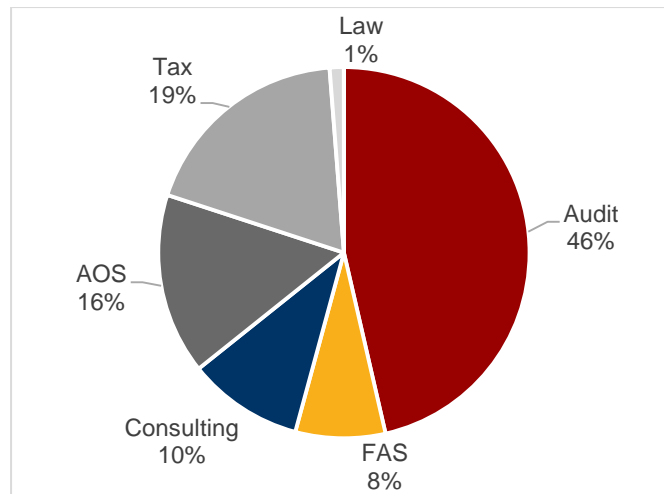
Directly reporting to the Management Committee are two standing committees: the Risk Committee and the Technical Issues Committee. The Risk Committee is responsible for answering (or approving answers to) risk issues when required by the Risk Manager and for making final recommendations to mitigate the risks identified by the firm. The Technical Issues Committee is responsible for formulating policies and procedures in dealing with technical issues raised and providing support and advice on technical matters when required by the Quality Assurance Department.

Operationally integrated

We are structured internationally around:

- two main market segments, referred to as Global Business Units (“GBUs”), being Public Interest Entities (“PIE”) and Owner Managed Businesses (“OMB”); and
- by Service Lines, being Audit & Assurance, Financial Advisory, Consulting, Accounting & Outsourcing, Tax, Legal and Actuarial Services. The Tax and Legal Service Lines are also GBUs.

The turnover of the Mazars Group in 2015/16 by Service Line was as follows:



The GBUs and Service Lines are supported by Global Support Units (“GSUs”) that support the global business for the benefit of our clients, such as in relation to quality and risk management, communication and marketing, information systems, talent management, finance and general administration.

The Senior Partners of the member entities and the leaders of the GBUs are required to meet on a regular basis (at least twice a year).

This structure ensures alignment within the Mazars Group of member entities, GBUs and GSUs. Our integrated international structure permeates every aspect of our operations:

- Partners and their member entities are linked by a series of agreements intended to achieve maximum consistency and standardization within the Mazars Group;
- GBUs are represented in member entities, enabling coordination of assignments and cross border relations between countries; and
- Each assignment requiring an international team is managed and carried out by an integrated team sharing common standards and procedures.

The operational structure of Mazars Hong Kong

Mazars Hong Kong’s business is divided into five Service Lines, namely Audit & Assurance, Business Risk Services, Corporate Recovery & Forensic Services, Outsourcing and Tax. Each Service Line is responsible for setting the service line strategy; business model definition, implementation and innovation; managing results; talent management and development. The Quality Assurance Department, which is independent from the five Service Lines, is responsible for setting standards, monitoring quality and risk management and providing technical training.

The turnover of Mazars Hong Kong in 2014/15 and 2015/16 can be summarized as follows:

	2015/16	2014/15
Audit including statutory audit & compatible services and other assurance services	64%	62%
Accounting & financial support	14%	11%
Tax services	12%	18%
Other high value-added advisory services*	10%	9%
Total	100%	100%

* Other high value-added advisory services include the following: Forensic Services, Risk Management and Internal Control, and Valuation Services.

A list of the Public Interest Entities in respect of which Mazars Hong Kong has expressed an audit opinion in 2015/16 is set out in Appendix 1.

Leadership and governance

Strategic leadership

The executive management body of the Mazars Group is the Group Executive Board (“GEB”). The GEB is comprised of between 3 and 9 members and is elected every 4 years with the next elections due in December 2016.

As at 31 August 2016 there were eight members of the GEB; biographies of the members who served on the GEB are set out in Appendix 3.

The GEB is supported in its role by:

- the GBUs and GSUs,
- Global Service Lines leaders, and
- Executives in each member entity.
 - These Executives, led by a Senior or Managing Partner, have the responsibility for managing that member entity, for leading the business on a day to day basis, and for providing strategic and operational coordination.
 - The Executives are elected by the Partners of the particular member entity, with their candidacy being subject to the agreement of the GEB.

The GEB meets every 2 to 3 weeks; it also meets twice a year with the Country Executives at what are known as Country Forums.

Governance

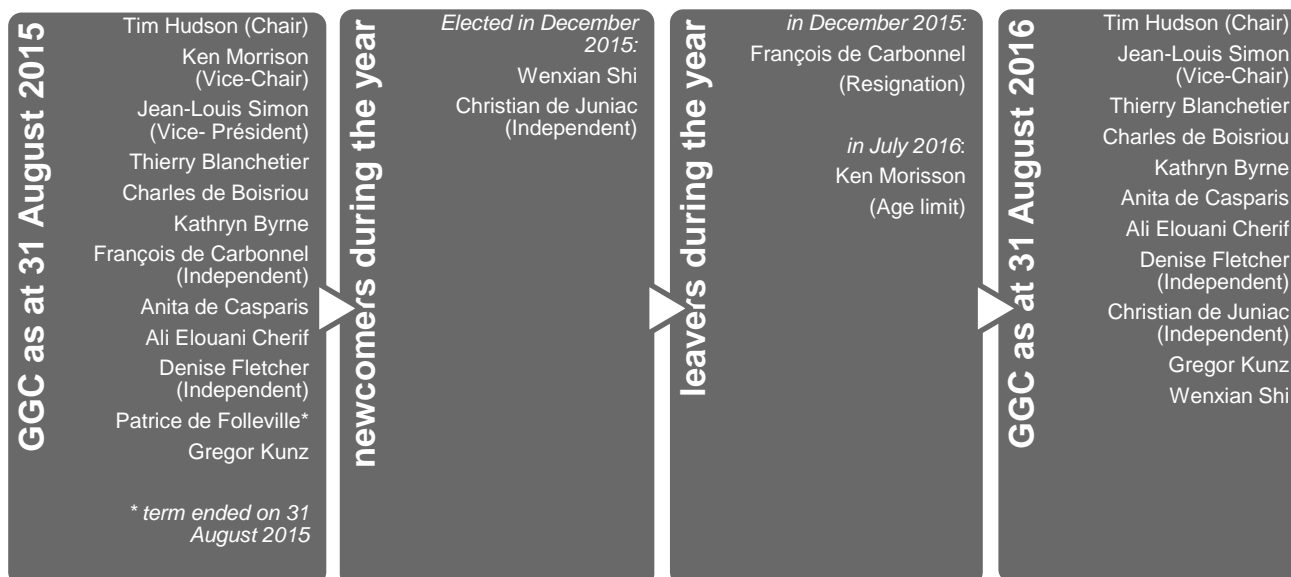
The Group Governance Council (“GGC”) is the body which supervises the actions of the GEB. It also has decision making powers and / or joint powers with the GEB on certain matters, such as approval of mergers and acquisitions and projects with a significant impact on the Mazars Group, approval of partner admissions, and decision on GEB members’ remuneration.

The GGC is required to meet at least every four months. It comprises between 8 and 16 members including two non-executive independent members and is elected every 4 years, with the next elections due in December 2016. As at 31 August 2016, there were 11 members of the GGC.

The General Assembly of Partners

The General Assembly of Partners is a meeting between all Partners of the Mazars Group and is required to be held at least once a year within six months following the end of the financial year.

The General Assembly is a pivotal point in the governance and decision making processes of Mazars Scrl and the Mazars Group. It is at this meeting that the Partners elect the GEB and the GGC (every four years) and approve major strategic and operational decisions, the admission of new Partners, and the Mazars Group’s audited financial statements.



The two non-executive independent members also constitute the Public Interest Committee (“PIC”).

In exercising its oversight at group level, the PIC has regard only to issues arising under the various headings in relation to Mazars in Hong Kong.

Leadership in Mazars Hong Kong

Mazars Hong Kong is led by the Hong Kong Managing Director who is elected every four years. Any Director of Mazars Hong Kong is able to be nominated for this position. After the candidates have been submitted for consideration by the GEB, the choice of Hong Kong Managing Director is then decided by a vote among the Directors of Mazars Hong Kong.

The Hong Kong Managing Director is the Chairman of the Management Committee which has responsibility for setting and implementing the strategy of Mazars Hong Kong within the framework of the global strategy of Mazars Group.

Details of the members of the Hong Kong Management Committee during the year ended 31 August 2016 are set out in Appendix 3.

The Audit & Assurance Service Line, which is of particular relevance to this Transparency Report, is led by the Head of Audit for Mazars Hong Kong.

In order to maintain audit quality, the Technical Issues Committee considers emerging issues and how they will affect the firm, approves policies in the areas of audit and assurance quality, and the Quality Assurance Department agrees the quality control program and planned actions arising from the quality control review findings and recommendations.

Risk management at Mazars Hong Kong

Risk management function is handled by the Risk Committee. The Risk Committee is responsible for answering (or approving answers to) risk issues when required by the Risk Manager and for making final recommendations to mitigate the risks identified by the firm. Meetings are held on a need basis.

In 2015/2016, there had been no instance which would require actions from the Risk Committee.

Audit quality

Delivering quality audits underpins our core values due to its importance for all our stakeholders, including clients. We are dedicated to improving the quality of our audits and invest time in understanding and participating in the evolution of quality in the profession, developing our methodology, reviewing quality recommendations and themes of regulatory inspections, and improving the skills and knowledge of our professional staff.

Responsibility for audit quality

Quality is embedded into our culture, driven throughout Mazars by the overall “tone at the top”. The GEB is ultimately responsible for ensuring the firm delivers technical excellence across all our service lines and this responsibility includes oversight of the quality control processes within the Mazars Group, including in relation to audit quality. It is supported in its role by the Quality & Risk Management Global Support Unit (“QRM GSU”) which:

- defines the quality control system and the relevant procedures that are required to be implemented. These standards are presented in our “Quality Assurance Manual” and “Risk Management Manual”, both of which constitute the benchmark for audit quality control for all member entities of the Mazars Group; and
- together with the GEB, supervises the monitoring of our quality control systems and the assessments undertaken by the International Quality Control Committee (“IQCC”). These assessments monitor member entities’ compliance with the International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board (“IAASB”), the Code of Ethics issued by the International Federation of Accountants (“IFAC”) (the “IFAC Code”) and the International Standard on Quality Control (“ISQC1”) issued by the IAASB.

The Executive of each member entity is then responsible for the implementation of the quality control systems. Further, each Executive is required to:

- promote the firm’s internal culture of quality and reinforce this culture with clear, consistent and frequent messages and initiatives;
- remind individuals at all levels of the existence of the quality control system; and
- underline the importance of respecting legal and regulatory obligations, particularly with regards to the professional code of ethics and professional standards of practice when accepting and carrying out new assignments.

This quality control system also applies to correspondent firms.

Our quality assurance framework

IFAC is the global organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. The Mazars Group is actively involved in IFAC with a presence on various of its boards and committees.

Of particular relevance to quality assurance, Mazars is a member of IFAC’s Forum of Firms (“FoF”), an association of international networks of accounting firms that undertake transnational audits. Members of the FoF are required to commit to the following:

- maintain quality control standards in accordance with International Standard on Quality Control 1 (“ISQC 1”) in addition to relevant national quality control standards;
- conduct, to the extent not prohibited by national regulation, regular globally coordinated internal quality assurance reviews;
- have policies and methodologies for the conduct of transnational audits that are based, to the extent practical, on ISAs;
- have policies and methodologies that conform to the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants (“IESBA”) (the “IESBA Code”) and any relevant national codes of ethics; and
- agree to submit to the Secretary of the Forum an annual report, in an approved format, indicating that it meets the membership obligations set forth above.

We have declared each year from 2007 that we meet these criteria.

Consistent with our annual declarations to the FoF, the policies and procedures adopted by Mazars are in compliance with the ISQC1 as well as Revised ISA 220 “Quality control for an audit of financial statements”. These procedures are documented in our Quality Assurance Manual which is published on our intranet.

The policies and procedures in our Quality Assurance Manual are complemented by audit methodology and support techniques which are shared among members of the Mazars Group and joint training initiatives. We have specific audit software which has been developed to allow a structured audit approach in accordance with the most recent auditing standards.

Our compliance with the Quality Assurance Manual is monitored through internal and external quality control reviews (see hereafter).

Responsibility for audit quality and the quality assurance framework in Hong Kong

The Quality Assurance Department (“QAD”) is ultimately responsible for quality control within Mazars Hong Kong. Led by the Head of QAD, the QAD oversees compliance with the Hong Kong profession and the Group’s quality requirements of the firm.

On an annual basis, the work of every audit director is subject to independent review by the QAD. Engagement files are selected on the basis of risk, including public interest, and reviewed using a standard checklist. Individual files are graded in terms of compliance and overall quality and a summary report and action plan is agreed with the respective engagement manager and director, if necessary.

A summary report is prepared at the end of the reviews and actions are proposed to address the findings resulting from the reviews. Actions may include immediate remedial action, changes in the firm's guidance or procedures, or additional training and support.

Findings and actions required are communicated to audit directors and staff on a timely basis.

Each audit engagement is assigned to an engagement director. The engagement director is responsible for the engagement and its performance, and for the report that is issued. To this end, engagement directors must be certified public accountants registered with the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the local regulatory body, and hold a practising certificate issued by the HKICPA.

In accordance with ISQC 1 (and the local equivalent, HKSQC 1) and relevant requirements of Mazars Group, clients that are classified as public interest entities are subject to engagement quality control review.

Other than these, Mazars Hong Kong also implements additional review procedures for clients that are listed in Hong Kong. Financial statements of all Hong Kong listed clients have to be submitted to the QAD for technical review before issue. Technical review focuses on the financial statements presentation and disclosures.

Our approach to quality control

Our systems for quality control, which are set out in our Quality Assurance Manual, comprise policies and procedures in the following areas:

- responsibility and leadership;
- independence and objectivity;
- audit policies and methodology;
- acceptance and continuance of engagements;
- human resources;
- engagement performance;
 - planning and supervision of engagements;
 - technical consultation;
 - audit documentation; and
 - engagement quality control reviews;
- confidentiality;
- quality control system supervision;
- managing group audits and
- complaints and allegations.

Each member entity has put in place the Quality Assurance Manual in its own country and edits it to include the country specifics. Our compliance with the Quality Assurance Manual is monitored through internal and external quality control reviews (see below). These systems are reviewed and updated regularly to encompass updates to auditing and accounting standards and as a result of operational suggestions of users.

The Mazars Audit Methodology (“MAM”) is a global methodology which member firms apply, supplemented by local regulatory requirements. Using a common MAM allows us to apply a consistent approach and level of quality globally on all client engagements irrespective of their size and international presence.

Monitoring of audit quality is integral to maintaining and improving quality within our profession. It allows identification of areas for improvement within our policies and procedures, combined with additional training to allow a consistent quality approach to audit work. In Appendix 4 we provide our statement of the effectiveness as to the functioning of the Quality Control System.

Engagement Quality Control Reviews

An engagement quality control review (“EQCR”) is required to be performed on all audits of listed entities.

Each member entity identifies other engagements also to be subject to EQCR. The criteria for determining whether such other assignments require an EQCR are mainly based around either the public interest profile of the client or the existence of specific risk situations. The purpose of an EQCR is to provide an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the opinion. This review must be performed by an individual with sufficient authority to be capable of imposing his professional judgment upon the engagement team, and who has not recently had any material responsibility for the engagement. The EQCR is also subject to rotation.

Audit quality control reviews

There are several components to the audit quality control reviews of member entities:

- Undertake a self-assessment relating to its audit methodology, ethics and the Quality Assurance System.
- Internal monitoring of the effectiveness of the internal procedures and of the quality of the audit files is performed by member firms on an annual basis and constitutes the basis for the completion of the self-assessment.
- Mazars international inspections: these are undertaken by experienced reviewers from other member entities within the Mazars Group, generally every three years, and they aim to take an independent view on the results of the self-assessments and internal monitoring while helping to spread best practice through the member entities of the Mazars Group.
- External reviews: Member entities are periodically subject to review by the regulator or other relevant bodies in their jurisdictions. Results of such reviews are communicated to the central Quality Control team.

The self-assessment includes the entity’s compliance with the IFAC Code, reference to the results of all internal and external audit quality control reviews, and an action plan relating to all areas identified as requiring improvement including those identified through Mazars international inspections.

Member entities are required to feedback the results of the audit quality control reviews to audit Partners and audit managers as well as the member entity’s Executive.

This communication is provided in sufficient detail to enable the necessary corrective measures to take place, both for the particular Partners in question and the member entity. As a minimum, the feedback includes:

- a description of the procedures applied and of the scope of the quality control review;
- the results and conclusions of the reviews of the member entity’s procedures and audit engagements; and
- detailed action plans, where required.

Entities that are applying to join the Mazars Group are subject to an inspection organized by the IQCC. The report setting out the results of the review is included in the admission file submitted to the GEB and the GGC for consideration before the vote at the General Assembly of Partners. The report may be accompanied by an action plan, progress against which would be monitored by the IQCC.

The approach to quality control and the quality control reviews in Hong Kong

Within Mazars Hong Kong, the audit quality control reviews operate as required by the Mazars Group, an internal monitoring review is carried out on a yearly basis. In addition to engagement file review, which is mentioned in “Responsibility for audit quality and the quality assurance framework in Hong Kong” section above, firm-wide controls in respect of the following elements are evaluated.

- Leadership responsibilities for quality within the firm
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Monitoring

Our office was visited by the HKICPA for their regular review of the practice in 2015/2016, which included reviews of engagements and the quality control system of the firm.

The results of all these reviews indicated that Mazars Hong Kong is considered to have systems in place to comply with International Standards on Auditing, the Code of Ethics for Professional Accountants and ISQC1 and their local equivalents.

Nonetheless, certain areas for improvement were identified and subsequently communicated to all auditors and/or addressed by remedial actions. The work of these external reviewers was much appreciated.

Our contribution to the wider profession

We believe that the voice of the audit profession brings value to the standard setting process. As a consequence, we are committed to the improvement of financial reporting, corporate governance and overall confidence in the capital markets on a global level. For example:

- the Mazars Group responds to consultations on a variety of topics including auditing, corporate governance, financial reporting and relevant regulation changes issued by professional bodies such as the European Commission, IFAC and its committees and boards, FEE, EAIG, PCAOB, IAASB; and
- the Mazars Group actively participates in international bodies such as the IFAC, FEE, ESMA, EFRAG and IAASB, and Member entities are active in the professional accounting and auditing organizations in their countries.

Our voice in Mazars Hong Kong

With the new Hong Kong Companies Ordinance (“New CO”) having come into effect on 3 March 2014, 2015/2016 continued to be a challenging year for the audit industry in Hong Kong. A number of new provisions affected the way Hong Kong incorporated companies prepare their annual reports.

The QAD took a proactive role to share insights on the New CO by speaking in various seminars that were organised by the HKICPA and other organisations in the accounting sector. In addition, the QAD participated in a working group of the HKICPA which mainly focuses on addressing application issues encountered by financial statement preparers and auditors. The working group is currently liaising with relevant government authorities for amendments to the New CO.

The QAD also participated in the Small and Medium Practitioners (“SMP”) Committee of the HKICPA, which serves as a channel of communication among the HKICPA and SMPs in Hong Kong. The SMP Committee also comments on newly issued standards.

Our Code of Conduct for Objectivity and Independence and our responsibility for maintaining objectivity and independence

The Mazars Group has adopted a Code of Conduct for Objectivity and Independence (the “CCOI”) which complies with the International Ethics Standards Board for Accountants (“IESBA”) Code. This forms an integral part of all member entities’ professional training programs and the IESBA Code is distributed to all Partners and staff.

The Group Ethics and Acceptance Committee, under the supervision of the QRM GSU, is responsible for considering potential issues brought to its attention, reviewing any proposed departures from the CCOI by country and verifying that all changes in international ethical standards are taken into account by the organization.

Systems to safeguard our objectivity and independence

The systems implemented by Mazars Group and adopted by member entities comprise the following:

- A procedure for the acceptance and continuance of audit engagements that requires an evaluation of the client’s related risks, the entity’s ability to perform the engagement and any ethical risks in terms of independence and conflicts of interest.
- The provision of additional services to an audit client is subject to prior authorization from the lead audit Partner and, in some cases, the Head of Ethics.
- In certain circumstances, this provision is also subject to authorization by the client’s audit committee, for example when required by auditing standards or when the client has put in place procedures for the prior approval of non-audit services by the auditor.
- A complete list of non-audit services rendered to audit clients must be maintained.
- For group audits, this list must be set out in the instructions circulated by the audit coordination team.
- All Partners and staff are required to provide an annual declaration of their independence. In this respect:
 - Mazars Partners and their immediate family cannot hold a direct or indirect financial interest in a listed audit client;
 - Personal or family relationships between a member of the audit team and a member of either the audited company’s management or any person holding a key position in the audit client are prohibited; and

- Partners and staff working on an audit engagement must not have any financial or commercial relations with the audit client (or beyond normal financial relations with a banking audit client).
- In relation to audits of Public Interest Entities, the audit Partner is required to rotate after seven years (or more frequently if required by local regulations) and to not return to the audit team for at least two years. Familiarity is a threat to our independence and this rotation mitigates the threat of our long association with a client. The Executive of a member entity ensures appropriate allocation of Partners to audit engagements and that an annual review of appointments takes place.
- All Mazars staff have access to a list of our audit clients subjected to specific ethical requirements.
- All audit staff are required to undertake training on ethical rules and the Mazars Group's / the relevant member entity's ethical procedures.
- Audit staff are encouraged to consult with experts on technical matters, ethics and other areas where necessary.
- Limits on client fees have been imposed in order to avoid financial dependence on one or several clients.
- Clear rules regarding conflicts of interest have been communicated. When there is a potential threat to our independence, the assignment is refused or appropriate safeguards are implemented.

Mazars Group has adopted a method of remunerating Partners which takes into account the quality of their audit work (and not simply the level of fees billed, number of new clients obtained, additional engagements performed or other financial performance related metrics).

In Appendix 4 we provide a statement on the effectiveness of these systems.



Objectivity and independence

Responsibility within Mazars Hong Kong

In Mazars Hong Kong, objectivity and independence is overseen by a director, who is also the acceptance officer of the office.

Internal systems described in various Mazars manuals, IFAC Code of Ethics and the local equivalent have been established to identify circumstances where Mazars Hong Kong's independence could be impaired and to take appropriate safeguarding measures in these instances.

The management of Mazars Hong Kong confirms that the independence procedures and practices have been implemented and the systems are effective in maintaining independence. Furthermore, management confirms that the application of the independence procedures and practices have been subjected to internal review.

Effectiveness of the system

The operation and effectiveness of these procedures form part of internal monitoring review. Areas for improvement were identified and additional control procedures have been put in place to enhance the system.

Our contribution to the standard setting process

As stated above, Mazars takes part directly in various international professional bodies.

Our professional staff receives regular training in both actual and potential regulation developments. This helps our audit teams to anticipate these changes and better serve their clients.

Our Mazars firms are also active in the professional accounting and auditing organizations present in their countries. In Hong Kong, Mazars is represented by directors in the Small and Medium Practitioners Leadership Panel, the Practice Review Committee, the Professional Conduct Committee, the Tax Committee, the Regulatory Reform working group, the Investigation Panel and the Qualification and Examinations Board of the HKICPA.



Investing in our people

Quality through talent

In order to deliver a high quality service to our clients and to the market, our policies and procedures are designed to attract, support and retain the highest quality employees.

Based on our common values, management principles and a fulfilling work environment, our Global Talent and Performance Management Program aims to:

- recruit the most talented individuals;
- develop long-term training, on both technical and managerial issues;
- offer attractive career opportunities, particularly internationally, within our fast-growing organization; and
- offer a transparent and effective assessment system.

Long-term training

The Mazars Group considers its internal training program to be of strategic importance, since it serves as a means both to share and update technical and professional skills and knowledge, and to communicate professional conduct and ethics requirements to staff.

Each member entity keeps a record of all the training courses attended by each Partner and member of staff, in order to ensure that each individual benefits from the complete training program and that the training received is in line with the individual's role and responsibilities.

Each member entity's training program is required to include:

- a general syllabus to be followed by all staff.
 - For audit staff, for example, the objective of this program is to encourage each staff member's development and expertise in auditing standards, accounting standards, auditing techniques and engagement management principles; and
- a sector-specific syllabus, particularly for insurance, banking, the public sector and technology.

In addition, audit professionals involved in group audits learn about the following subject areas concerning the local environment where the transnational audit is conducted:

- financial information and auditing standards;
- group audit coordination of multiple locations;
- the standards relevant to companies listed on the stock market;
- corporate governance standards; and
- local and international economic and business environments.

The internal training program is enhanced with complementary external seminars which focus on client requirements or specific economic environments.

We are strongly committed to enforcing the objectivity of our teams and the ethical conduct of each individual. Recent studies have shown that traditional approaches to ethics training do not address the root causes of unethical behavior. We strive to fully understand these complex issues and implement effective strategies to ensure an ethical approach to sustainable growth.



Further, Mazars University was created in 2008 with a threefold objective:

- to position the Mazars Group as one of the key players in future markets for professional services;
- to instill a focus on the Mazars values; and
- to strengthen the Mazars Group’s commitment to social issues.

Mazars University coordinates all the Group-wide training and promotes the sharing of professional knowledge experience and best practices.

Attractive career opportunities

As a global organization, we recognize that gaining international experience is an important element in the development of our teams and leaders. Mazars employees wishing to enhance their careers with an international experience may choose from a range of strategic mobility opportunities, including various high-level projects ranging from three to five years in length, as well as permanent transfers.

In addition, short-term assignments are available through our “MOVE” program, in which high-potential Seniors and Managers can work abroad on 2 to 6 month projects.

Both our short-term and long-term programs play a key role in the flow of ideas between our member entities and support the Mazars Group’s future global growth.

A transparent and effective assessment system

All our staff have clear objectives, receive feedback and have their performance reviewed. Our Global Talent and Performance Management Program monitors our employees’ development at all levels, in all member entities. It provides us with qualitative information on the expectations and competencies of our professionals, which in turn allows us to gauge our progress towards our long-term development ambitions.

Individuals are assessed against a clear competency framework, and this assessment forms the basis for promotions and for future objective setting. Specific performance measures are set in the following areas:

- Quality and Risk;
- Client Service;
- Financial KPIs;
- People; and
- Business Development.


Every employee is encouraged to understand the importance of their own role and take ownership of their contribution to the overall success of the firm.

Mazars Hong Kong

Technical training

Structured core training that follows the Mazars learning path is conducted on an annual basis.

Apart from this, Mazars Hong Kong also holds a number of routine training courses, for example annual update sessions that cover changes in accounting standards, auditing standards, and other relevant local regulations; tax updates that discuss recent developments in Hong Kong and Mainland China tax laws.



Other in-house training is held on a needs basis. In addition to the full scope updates of standards which are covered in the annual update training sessions, a briefing session on Hong Kong Standards on Auditing has been conducted to inform audit partners and managers of the new reporting requirements, and to prepare them for the first-year impacts. Insurance training is provided to those who have a focus on insurance clients as a result of certain revised requirements affecting the insurance sector.

Soft skills training

In Mazars Hong Kong, we recognize that soft skills are essential to the audit profession.

Soft skills training is held every year to help our seniors to better prepare for their development in the profession. The multi-day session is conducted by a knowledgeable external trainer who has an auditing background as well as extensive experience in leadership development.

Joint training with Mainland China offices

Training is more than sitting in a conference room and listening to trainers in Mazars Hong Kong. In 2015/2016, we organized joint training with Mainland China offices for our Assistant 1 and Senior 1 colleagues.

All Assistant 1 audit staff gathered in Suzhou for a three-day training, in which ethics requirements were discussed and real-life examples of audit techniques and skills were demonstrated. Colleagues from different offices mingled very well in the welcoming dinner and karaoke night. The training was concluded with team-building activities.

Joint training of Senior 1 audit staff was held in Shenzhen. Together with Senior 1 staff from Mainland China offices, the colleagues had a great time following its curriculum. The mix of different offices provided an opportunity for experience sharing and networking, which helped build a foundation for closer cooperation among the offices in the foreseeable future.

Other training

We encourage staff to keep themselves updated through attending external training if the topics of interest could not be covered by our internal resources. Subject to approval of the Head of QAD or their respective department head, we reimburse staff the cost of attending those training courses.

The basis for partner remuneration


Partners who are shareholders in Mazars Scrl are remunerated in equal proportion according to:

- the performance of the entity member to which they contribute; and
- the overall performance of the Mazars Group.

At Group level, the Partner remuneration measure is the “operational performance” of the national member entity (excluding any extraordinary expenses such as litigation, which remain the sole responsibility of the national entity concerned).

Profits are then shared between Partners in proportion to the base points (or equal to the number of shares) they hold. Financing business activity depends exclusively on each national member entity and follows the same proportionality as the division of profits.

Several countries have also opted for a bonus system based on individual performance, the awards being withdrawn from a pot of the profits of the country concerned.



Under the supervision of the GGC and based on the recommendation received from the Country Executive, the GEB allocates the base points every four years to partners. The allocation is done according to the collective performance of their country and individual performance of each partner. This performance is assessed through various criteria: professionalism and technical contribution, importance and complexity of assignments, contribution to the general development of local entities and the Group, level of managerial responsibility, performance in financial management and partnership spirit. None of the criteria listed above is evaluated in isolation, but the greatest weight is placed on technical competence and partnership spirit.

Mazars Hong Kong local partners

Partners who are not shareholders in Mazars Scrl are allocated a fixed profit share and may be allocated a discretionary bonus based on particular performance criteria.

Appendix 1: Audited Public Interest Entities of Mazars Hong Kong

The Public Interest Entities in respect of which Mazars Hong Kong has expressed an audit opinion in 2015/16 are as follows:

Listed companies in Hong Kong


- Great China Properties Holdings Limited
- Pak Fah Yeow International Limited
- Mason Financial Holdings Limited
- Tingyi (Cayman Islands) Holdings Corp.
- Applied Development Holdings Limited
- e-Kong Group Limited
- Daisho Microline Holdings Limited
- K & P International Holdings Limited
- Rentian Technology Holdings Limited [formerly Forefront Group Limited]
- Ground International Development Limited [formerly Ground Properties Company Limited]
- Sino Haijing Holdings Limited
- Ever Harvest Group Holdings Limited
- Global-Sweeteners Holdings Limited
- Target Insurance (Holdings) Limited
- Yuxing InfoTech Investment Holdings Limited [formerly Yuxing Infotech Holdings Limited]
- China Ocean Fishing Holdings Limited
- China Digital Culture (Group) Limited
- Dafeng Port Heshun Technology Company Limited
- China Smartpay Group Holdings Limited

Listed companies in the United States

- Biostar Pharmaceuticals, Inc.
- Pacific Vegas Global Strategies Inc
- Physical Property Holdings Inc

Appendix 2: Members of the Group Executive Board

Philippe Castagnac	Philippe is a graduate of the Rouen Business School (Ecole supérieure de commerce de Rouen), a chartered accountant and a statutory auditor. He began his career with Mazars in 1978 at the age of twenty-one. In 1988, he became a Partner and has extensive experience in audit and advisory services provided to listed companies in France and the US. In 2006 he was elected to the GEB and in 2011 he was appointed Chairman and CEO of the Mazars Group.
Antonio Bover	Antonio is a lawyer and a law graduate from the University of Barcelona. He has been managing Mazars' activities in Spain since 2003. Antonio was made Partner in 1999, and he became responsible for an increasing number of roles within the Mazars Group. He is a member of the Bar Association in Barcelona and he is President of the French Chamber of Commerce and Industry in Barcelona. Antonio was appointed to the Group Executive Board in December 2009 and is Head of the Law GBU.
Hervé Hélias	Hervé is a graduate of HEC and is an auditor and chartered accountant. He began his career with Mazars in 1986 and became a Partner in 1995. Hervé is a member of the banking sector team in Paris and has extensive experience in the coordination of the audits of major international banking groups (such as serving as statutory auditor for the financial statements of BNP Paribas from 2000 to 2009). Hervé is leader of the Talent Group, a role in which he has steered a project focused on developing new Partners. He has also participated in the Mazars University project since it was first implemented in 2008. Hervé was appointed to the Group Executive Board in 2011 and is Head of the PIE GBU.
Christoph Regierer	Christoph joined the Mazars Group in 2015 when Roever Broenner Susat (RBS Legal) and the Mazars member entity in Germany merged. He is a Public Auditor in Germany, a Certified Tax Advisor and a Lawyer. His areas of expertise include corporate taxation, private equity and venture capital consulting and law.
Hilton Saven	Hilton has been with the member entity of Mazars in South Africa since 1975. He was appointed as a Partner in January 1981, working in audit and consultancy division. In 1986, Hilton was appointed to the Executive of the South African practice and became Managing Partner in 1988. In September 2007, the firm integrated with the Mazars Group. Hilton is also the non-executive Chairman of Truworths International Ltd, a large retail company listed on the Johannesburg Stock Exchange. He has also served as a member on a number of external committees for the South African Institute of Chartered Accountants. Hilton was appointed to the Group Executive Board in December 2009. He also serves on the Governing Council of Praxity.
Phil Verity	Phil has extensive experience as an auditor and he continues to be actively involved with key clients. He is based in the London office and was elected as UK Senior Partner from September 2012. He was appointed to the Group Executive Board in 2011 and he is Head of the OMB GBU.
Victor Wahba	Victor has an accounting degree from Brooklyn College of the City University of New York and is based in the New York office. He has substantial experience in mergers and acquisitions, financing strategies and business process improvements. Within the Mazars Group, Victor is responsible for apparel industry sectors. He is also a founding member of ATAC, an international network of auditors and consultants specialising in the apparel industry. He was appointed to the Group Executive Board in 2011.



Wenxian Shi

Wenxian joined ZhongShen ZhongHuan (formerly known as Union Power Certified Public Accountant) in 1986 after he graduated with a Master's Degree. Since the reform and restructuring of the Chinese audit and accounting industry in 1998, he has served as Chief Partner, General Manager and Chief Accountant at Union Power.

Today, as the Chief Partner at ZhongShen ZhongHuan, not only does he hold a senior Certificated Public Accountant (hereafter CPA) license, he also is a licensed CPA for Securities businesses. With nearly 30 years of experience, Mr. Shi has actively contributed to the financial audit of more than 100 listed companies and large state-owned enterprises. Moreover, his expertise in auditing and accounting allowed him to conduct in-depth research on the Chinese CPA industry, where he excels notably in company restructuring, mergers & acquisitions and in financial services.

Appendix 3: Members of Mazars Hong Kong governance bodies

Stephen Weatherseed	<p>Stephen joined Mazars in January 2011. He is currently the Managing Director of Mazars Hong Kong office, a Practising Director and a member of the Mazars Asia Pacific Regional Committee.</p> <p>His role within the firm includes international audit clients, both as contact and / or engagement partner, and special projects in relation to corporate finance and litigation support. He also focuses on practice development for the firm with a view to increasing Mazars' brand awareness within Hong Kong.</p> <p>Stephen has spent over 35 years in professional financial services, with more than 20 years based in Hong Kong and Asia, and the remainder in UK and Europe. His experience includes practice management; developing new service lines; establishing and appointing representative firms in new countries; advising clients on corporate finance, audit, risk management and cross border transactions, and also on China/Asian investment/trading strategies.</p>
Eunice Kwok	<p>Since Eunice joined to Mazars Hong Kong in 1998, she has been responsible for audit and other assurance engagements of a wide range of clients including Hong Kong and US listed companies. Eunice is experienced in auditing companies of all sizes in various industries including manufacturing, retailing, property investment and development, shipping, trading and telecommunications. In addition to being in charge of high-risk large assurance assignments, Eunice's responsibilities extend to cover administration and financial reporting of the firm.</p>
Edmund Chan	<p>Edmund has over 20 years experience in auditing and business advisory and is currently Head of Audit in Mazars Hong Kong.</p> <p>Edmund also actively participates in the liaison and co-ordination of students' activities of local universities maintaining a closer tie between next generation accountants and the firm.</p>
Oliver Or	<p>Oliver joined Mazars Hong Kong in 1988. He has over 25 years experience in both auditing and outsourcing services and is currently in charge of the outsourcing services in Mazars Hong Kong.</p>
Michael To	<p>Michael joined Mazars Hong Kong in 2008. He has more than 20 years of experience working in international accounting firms and commercial organisations, of which over 15 years has been spent in China related areas. He is currently Head of Tax in Mazars Hong Kong.</p> <p>Michael has extensive experience advising clients on tax and operation issues related to their investments in China, in particular the structure for direct investment in China, mergers and acquisitions, corporate reorganisation, structure for the purposes of minimisation of tax exposures, planning for individuals to minimise their personal tax exposures etc. He is usually involved in negotiation with PRC officials during the process of assisting his clients in setting up their establishments in China and optimising their tax position.</p> <p>Michael is experienced in serving international clients engaged in a variety of business including insurance, procurement of products, trading, construction, manufacturing, restaurants, media, sport shoes designers, electronic measurement devices, information technology and professionals such as architects, quantity surveyors etc.</p>



Appendix 4: Mazars Group and Mazars Hong Kong statements of compliance

Statement on the effectiveness on the Quality Control System

Mazars Group's and Mazars Hong Kong's Quality Control System is designed to provide reasonable assurance that the firm, its partners and staff comply with professional standards and regulatory and legal requirements, work is performed to a consistently high standard, and that reports issued by the firm are appropriate.

The management of Mazars Group and Mazars Hong Kong are content that the system is effective in the maintenance and improvement of audit quality. They considered the results of the relevant regulatory inspections in reaching this opinion.

Statement on the effectiveness of our systems to safeguard our objectivity and independence

The operation and effectiveness of Mazars Group's and Mazars Hong Kong's systems to safeguard our objectivity and independence form part of the review of the Quality Control System.


Based on the evidence identified in this review, the management of Mazars confirms, with a reasonable level of assurance, that the independence procedures and practices have been implemented and the system is effective in maintaining independence. Furthermore, management confirms that the practices have been subjected to internal review.

Statement of compliance with the professional training obligations

Mazars Hong Kong complies with Continuing Professional Development policies of the HKICPA, ICAEW, ICAS and ACCA which are, in turn, compliant with IES 7.

Partners and all audit personnel are required to provide an annual declaration that they have complied with the relevant requirements.

Registered auditors are required to complete at least 120 hours or equivalent learning units of relevant professional development activity in each rolling three-year period, of which 60 hours or equivalent units should be verifiable. They also have to complete at least 20 hours or equivalent learning units of relevant professional development activity each year.



Mazars is present on 5 continents

CONTACT

Stephen Weatherseed
Managing Director
Mazars CPA Limited
42/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Tel: +852 2909 5555
Fax: +852 2810 0032



More information available at
www.mazars.com
www.mazars.hk