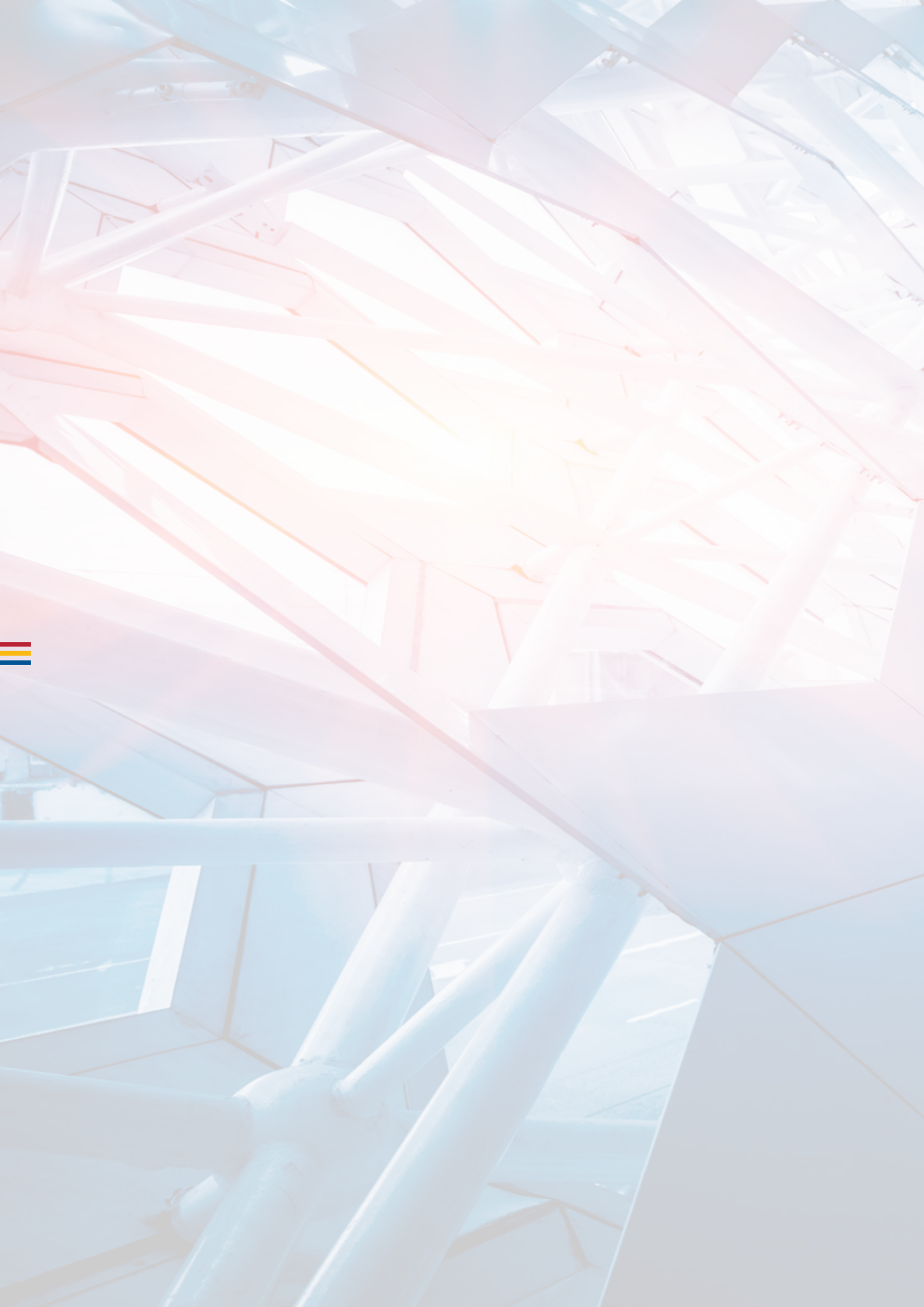




# MAZARS HONG KONG TRANSPARENCY REPORT

2019



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# MAZARS AT A GLANCE

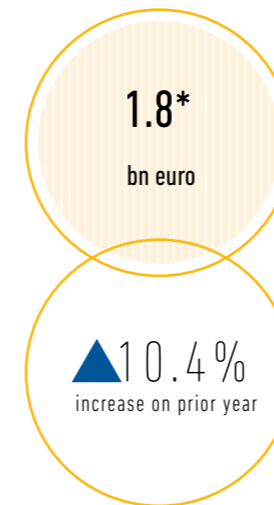
Mazars SCRL (hereafter 'Mazars Group', 'the Group') is an international, integrated and independent organisation, specialising in Audit, Advisory, Accountancy, Tax and Legal services.

Across our 318 offices worldwide, our global partnership brings together over 24,400 international experts who share the same vision, the same entrepreneurial and collaborative mindset, and the same determination to create shared value for all our stakeholders: our staff, our clients, the business community and society as a whole.

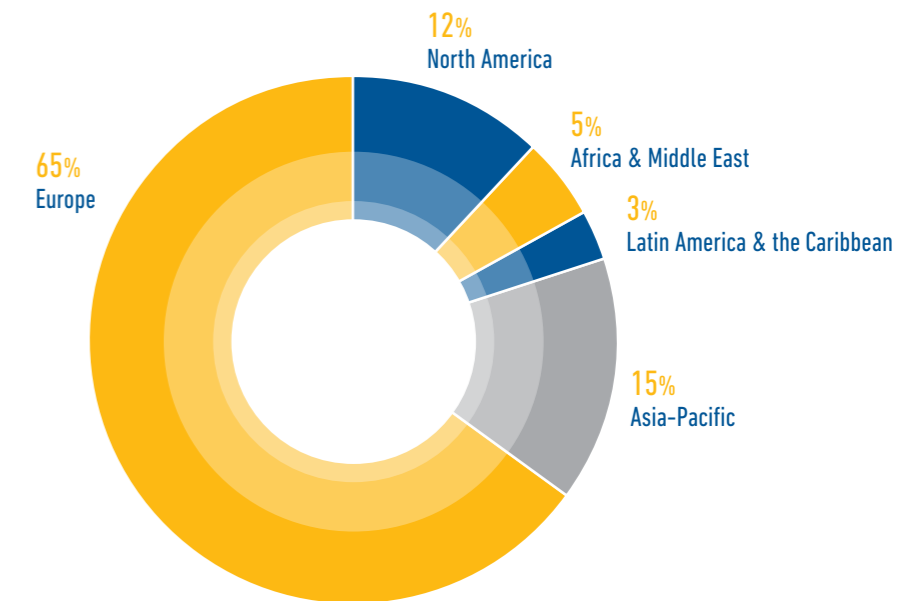
## Global coverage



## Group global turnover 2018-2019



## Turnover by region (%)



\*includes data for the ZhongShen ZhongHuan and ZhongShen Yatai practices.

## MAZARS' STORY



# MAZARS HONG KONG AT A GLANCE

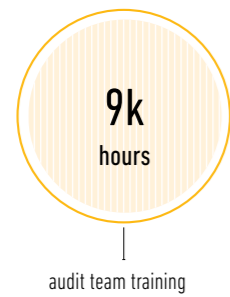
## Mazars Hong Kong operations



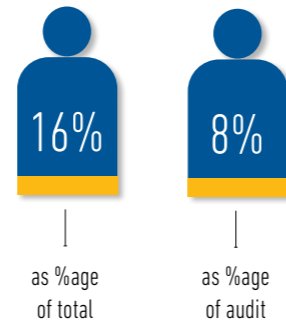
-  1 OFFICE
-  19 PARTNERS
-  282 STAFF

*As at 31 August 2019*

## Our people



### Female partners



# FOREWORD BY STEPHEN WEATHERSEED



Audit has been at the heart of Mazars since inception, and it remains a driving force for the firm both in Hong Kong and globally.

I am pleased to introduce the Mazars Hong Kong 2019 Transparency Report. With this report, we seek to demonstrate our unwavering commitment to transparency, accountability and integrity.

A leading player in audit, advisory, accountancy, tax and legal services, Mazars draws on the skills of 40,400 professionals in 91 countries and territories worldwide - 24,400 professionals within our international partnership and 16,000 via the Mazars North America Alliance. In 2018-2019, Mazars' revenue reached Euro 1.8Bn, up 10.4% from 2017-2018. Year after year, our robust growth attests to the relevance of our strategy and development model. With 43% of our revenues, audit still is at the heart of our business and will very much remain so in the future. We will continue to invest in developing our audit service, as we are convinced that with this we contribute to the public interest and to building the foundations of a fair and prosperous world.

We have enjoyed some significant wins in 2018-2019 and are reaffirming our position as Europe's number 1 auditor for Public Interest Entities, outside of the four largest firms. We continue to grow on all continents and keep gaining traction in the promising markets of Asia-Pacific and Africa, thanks to the strengthening of our Australian capabilities and to the reinforcement of our regional platforms.

Developing our coverage in North America was one of the top priorities we had set ourselves for 2020. In July 2019, we took a major step towards achieving this ambitious goal, with the creation of the Mazars North America Alliance, an agreement we signed with five leading regional audit and consulting firms in the US and Canada. This is a game-changing move for us that considerably increases our ability to serve our international clients around the world, but also for the industry as it provides a highly credible and reliable alternative in a very concentrated audit and advisory market. With the Mazars North America Alliance, we strengthen our critical scale to meet the needs of large international companies and can now rely on the expertise of an additional 16,000 professionals in the US and Canada.

In 2018-2019 we also successfully completed another major project, with the implementation of our global audit platform named Atlas. Atlas has now been deployed in 64 countries and we are well on track to reach our objective of performing all our audit engagements via Atlas by the end of 2020. The success of this large-scale change project owes a lot to the quality and dedication of our audit teams all over the world.

This new platform is part of our global transformation strategy, to respond even better to new market demands and fully embrace technology. We especially focus on incorporating data analytics into our audit offerings, to make them smarter, provide "augmented" value to our clients and fulfil the expectations of our stakeholders.

Obviously, making the most of innovation requires specific skills and expertise. This is why we keep and ever increase our focus on training our people, enabling them to meet the challenges of technological and regulatory evolutions, while making sure they are given the means to abide by the strictest ethical requirements.

We know that our success and that of our clients hinges on flawless ethics, quality, compliance and accountability. To us, it means looking ahead, always improving our services, striking the right balance between profit and consistency as well as between our audit and our advisory activities, at the same time we are actively contributing to a better, healthier, more open market, creating shared value for all our stakeholders and always keeping in mind that we serve the general interest. This is how we have grown over the last decades, and this is how we will continue to develop in the future.

We have been on an uninterrupted growth trajectory for many years, increasing our global revenues by 80% and almost doubling the number of professionals in our partnership since 2010. Throughout, we have always stayed - and will always stay - true to our values, to our commitment to technical expertise and talent development, to our ambition to remaining a credible global player, and to our dedication to building a fairer, more sustainable society.

And we will continue to do so. We are fully aware of both the exciting opportunities and potentially dangerous challenges that lie ahead, but we are confident in our model, in our people and in our strategy.

Enjoy your reading!

A handwritten signature in black ink, appearing to read "Stephen Weatherseed". The signature is fluid and cursive.

**STEPHEN WEATHERSEED**  
Managing Director  
Mazars CPA Limited

March 2020

The background of the slide is a photograph of a complex, white, geometric lattice structure, possibly a modern architectural ceiling or a large-scale industrial framework. The structure is composed of numerous interconnected beams and supports, creating a dense, web-like pattern. The lighting is dramatic, with a bright, warm glow emanating from the center, casting long, soft shadows and highlighting the metallic surfaces. The overall color palette is a mix of cool blues and whites, contrasted with the warm, golden light from the central source. On the far left and right edges of the slide, there are small, vertical decorative elements consisting of three horizontal lines in blue, yellow, and red. The text is centered within a white, semi-transparent rectangular box.

**A VIBRANT AUDIT MARKET  
THAT SERVES SOCIETY**

# A VIBRANT AUDIT MARKET THAT SERVES SOCIETY



**JIMMY YIP**  
Hong Kong Head of Audit



**DAVID HERBINET**  
Global Head of Audit

Our foreword to Mazars Hong Kong's 2019 Transparency Report called for substantial reform of the audit market globally, and for audit to continue to meet the needs of society.

The last twelve months have reinforced this perspective. Today's audit market "as is" is, we believe, unsustainable: excessive levels of concentration, combined with an imperative to reduce the number of conflicts of interest, create a systemic risk to our economies. Stakeholders call for significant improvements in the quality and reliability of audits and debates abound internationally to offer solutions to this ever more critical issue.

There is enough consensus from regulators, investors and other stakeholder groups that more firms are needed to take on the audit of large and listed companies. The time for audit reform is now.

Mazars has consistently called for regulatory intervention to enable the emergence of a vibrant audit market for listed companies and other Public Interest Entities. We have said repeatedly that any meaningful audit reform should focus on quality, build resilience in particular for the largest listed companies, and that the intended changes should have a high likelihood of success.

We stand by those statements. More than ever, robust reform of the statutory audit market for listed companies and other PIEs is essential if it is to meet the needs of investors, other stakeholders and wider society.

## Walking the walk

As a leading challenger firm, Mazars has been playing its full part in offering quality and choice in the audit market. Talking the talk is pointless if we cannot also walk the walk.

Audit is in our DNA and at the heart of our business and accounts for nearly half of our global turnover. In 2018/19 we grew by close to 8% globally and 7% in Hong Kong, which supports that our model, our values, and our development strategy are robust, reliable and relevant. Over the last 12 months, we have been trusted by significant large and complex companies to take on their audit at Hong Kong and/or global level, and have retained many of our largest accounts, which reaffirms and reinforces our position as a firm of choice.

We owe these accomplishments to the technical excellence of our people and to the quality of the service we provide. We take pride in training our teams, bringing them up to date with the latest regulatory developments and technical evolutions, while giving them the knowledge and skills they need to abide by the strictest ethics and independence requirements and deliver real value to companies and their stakeholders.

As we remain committed to transforming audit, we have also fully embraced technology, which both practitioners and users see as absolutely essential in enhancing audit quality. Pivotal to our transformation plan is the implementation of our new global audit platform, named Atlas. In 2018/2019, we have successfully deployed it in more than 60 countries, with a plan for full worldwide transition by the end of 2020.

Data analytics are also changing the way audit is delivered and helping meet the ever-growing expectations of boards, shareholders, regulators and other stakeholders. In this area, we are determined to enhance our capabilities and have set ourselves ambitious goals that include supporting our audit teams

to design smarter audit strategies incorporating data analytics and providing tools and solutions to support the delivery of this objective.

Finally, during the last year, we have expanded our capabilities to respond to expectations that the scope of audit needs to evolve, notably to keep pace with the development of non-financial reporting. To us, expanding the scope of audit is an integral part of providing a more accurate and trustworthy reflection of the real value drivers of any organisation.


As we transform to enhance continuously the way we perform and deliver audits, we seek to remain true to the values and unique characteristics that are at the heart of Mazars.

Our 2018/2019 achievements and our ability to attain the goals we have set ourselves for the years to come make us optimistic about our own future and about the future of audit as a public-interest profession. The dedication, skills, innovation capabilities and commitment to quality demonstrated by our teams all over the world are what make us strong today and will drive our growth.

We set ourselves the challenge of performing audits that deliver an augmented experience and real value to stakeholders and contributing to creating more sustainable economies. In the context of a turbulent audit market with demands for more quality, choice and resilience, Mazars is a true challenger firm.

**JIMMY YIP**  
Hong Kong Head of Audit

**DAVID HERBINET**  
Global Head of Audit



**1. INSPIRING STAKEHOLDER  
CONFIDENCE IN AUDIT  
QUALITY**



# 1.1 INVESTING IN OUR PEOPLE TO DRIVE PURPOSE, PRIDE AND QUALITY

## Our people are at the heart of our business and their values and behaviours determine how we are perceived by our clients and the wider market

We differentiate ourselves by the opportunities, development and culture we offer our team. As a consequence, we strive to ensure that we attract, retain and develop talented individuals who are driven to deliver their best for our business, our clients and each other through identifying with our values, which are to:

- act with integrity;
- respect people;
- think independently;
- be accountable;
- deliver outstanding quality; and
- shape the future.

### Talent acquisition

Our talent acquisition programme aims to recruit high potential individuals from diverse backgrounds who share our value of delivering outstanding quality whilst meeting the market's evolving needs.

Over the last year we have focused on leveraging our employer brand to attract the best individuals, as well as improving both the candidate and hiring manager experience aimed at increasing the quality, speed and ability to hire the best people.

### Building a future proofed talent pipeline

#### Graduates

Graduate recruitment is crucial to our strategy of building a talent pipeline fit for the future, a diverse network of bright, motivated individuals with a breadth of skills and the attitude and behaviours required to deliver quality.

Over the last year we have renewed our focus on

boosting our employer branding in universities, as well as enhancing our process to identify people who will thrive in the Mazars environment.

We believe a high performing team that embodies our values is a diverse team whose strength and experiences complement each other. Our recruitment programme is based on a strength-based assessment approach, which is aimed at enabling greater social mobility through assessing an individual candidate's potential. This is distinct from more traditional competency-based recruitment focused on an individual's ability to provide examples of their previous experience. This can be more challenging for young people from less privileged backgrounds who have fewer extra-curricular activities which they can draw upon.

In essence our assessment and selection approach supports social mobility through various factors, such as our online testing ability suite, which is time recorded rather than time limited, and therefore does not adversely impact any demographic group.

#### Experienced hires

We aim to hire talented people and provide them the support they need to develop in their roles. We look for people who bring something special to the Firm and who have distinctive qualities. We want driven individuals who think creatively about their work and embrace challenges and can resolve complex problems.

Over the last year we transformed our experienced hire talent acquisition programme, improving the quality of the talent we are attracting. We have achieved this by focusing on our own in-house experts, dedicated to individual areas of the business, who understand the skillset and values required within our experienced hire recruits. Our approach has resulted in a relationship driven process benefiting both candidates and hiring managers.

### Talent and performance development

Our people are the most important asset we have as a firm, therefore it is important that team members are given the time and resources to develop themselves and maximise their potential.

### Delivering technical excellence in audit

#### 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 ethics and independence requirements, accounting standards, auditing standards and other relevant local regulations, and tax updates that discuss recent developments in Hong Kong and Mainland China tax laws.

Other in-house training is held on an as-needed basis. For example, a one-day session specifically dedicated to IFRS 16 (and the local equivalent, HKFRS 16) was arranged for all audit partners and managers to drill down further on the topic and to prepare them for the first-year impact. Insurance training is provided to those who have a focus on insurance clients as a result of revised requirements affecting the insurance sector. We also adopted the new requirements of IES 8, including the use of the new assessment form for audit partners' training and development plans and records.

#### Soft skills training

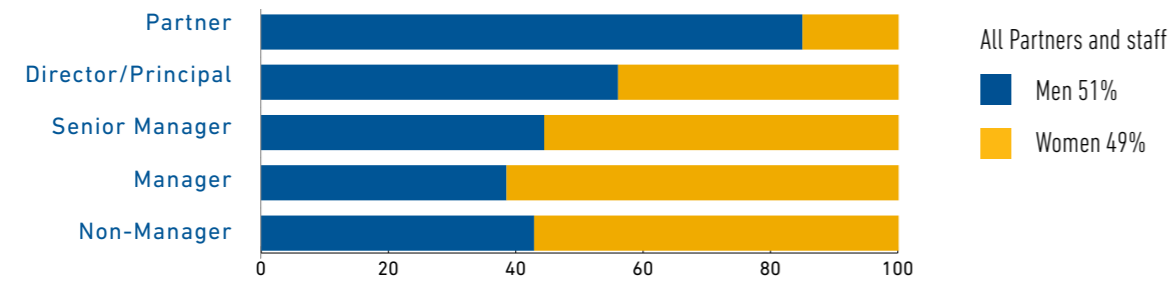
In Mazars Hong Kong, we recognize that soft skills are essential to the audit profession. Project management skills training is held every year to help our seniors to prepare for their development in the profession, including exploring ways to plan, execute and conclude an audit assignment effectively and efficiently, and to deal with surprises and unexpected events confidently. The multi-day session is led by a knowledgeable external trainer who has an auditing background as well as extensive experience in leadership development.

#### Other training

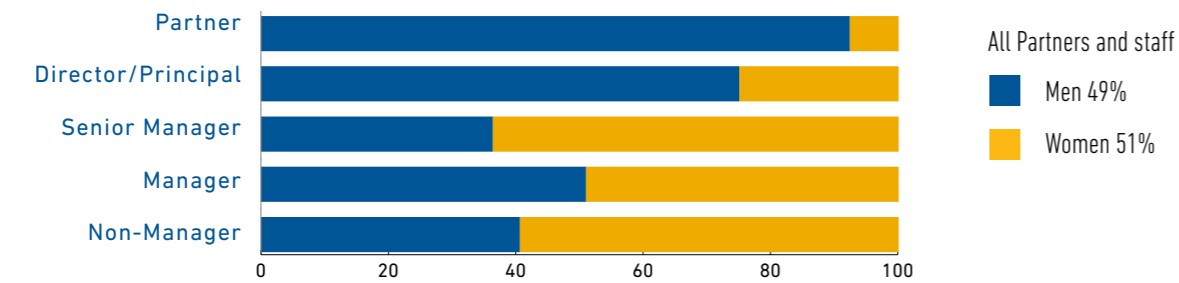
We encourage staff to keep themselves updated through attending external training if the topics of interest are not covered by our internal resources. We reimburse staff the cost of attending these training courses.

## 1.1 INVESTING IN OUR PEOPLE TO DRIVE PURPOSE, PRIDE AND QUALITY (CONTINUED)

### Breakdown of Mazars Hong Kong by gender



### Breakdown of Mazars Hong Kong audit staff by gender



### Mazars For Good

Mazars recognises its commitment as a responsible corporate citizen, and to make sustainable business decisions, through our Mazars For Good strategy. Sitting within this agenda are the areas of Community, Environment, Diversity and Inclusion, Wellbeing, and Social Mobility.

**Community** – Investment in the communities that we live and work within through donation of both funds and time, with an emphasis on raising awareness for the charities that we partner with;

**Environment** – Implementation of a progressive environmental program, with a particular focus on a reduction in single use plastic within our offices;

**Diversity and Inclusion** – Create an inclusive culture with diverse teams that reflect our clients and society;

**Wellbeing** – Help our team members stay well and take control of their wellbeing; and

**Social Mobility** – Ensure that everyone has the opportunity to fulfill their potential regardless of social background.

Supporting our communities and managing the impact on our environment are at the heart of our values and fundamental to who we are as a firm.

## 1.2 DELIVERING AUDIT QUALITY

Delivering audit quality is key to us as a global organisation, as it underpins our core values. We are dedicated to improving the audit work we undertake and communications with those charged with governance.

We invest time in understanding and participating in the evolution of quality within the profession, developing our methodology, reviewing quality recommendations and themes of regulatory inspections, and improving the skills and knowledge of our professional staff. We are continually raising our expectations of what audit quality is as we believe this is something that is constantly evolving.

### Mazars' audit manifesto

We challenge ourselves to make our audit and assurance offerings relevant, bring value to companies and their many stakeholders, and have our assignments delivered by experienced, committed and truly independent professionals. The delivery of audit and assurance services continued to be at the heart of Mazars' business in the year ended 31 August 2019, and is a key part of our plans for the future. The audit and assurance service line is our largest within our Hong Kong business, generating over 60% of our income for the year ended 31 August 2019, with 182 team members, demonstrating continual growth and investment.

### Responsibility for quality

The quality and effectiveness of our audit services is critical to all our stakeholders and is an integral part of our commitment to building trust in society. We believe in accountability and our approach to audit quality is driven by our culture, values and behaviors. We are convinced that tone at the top is of paramount importance.

The Group Executive Board (GEB) is ultimately responsible for ensuring the delivery of technical excellence across all our service lines within the global business and this responsibility includes oversight of the quality monitoring processes within the Mazars organisation, including in relation to audit quality. In this respect, at the Group level, we dedicate specific resources to the building and maintaining of high standards in quality, independence, ethics and professional competency, under the supervision of the Quality & Risk Management Board (Q&RM Board).

Through its International Quality Control Committee (IQCC), the Q&RM Board defines the quality monitoring system and the relevant procedures that are required to be implemented across all service lines and monitors their implementation. The executive of each member entity is thus responsible for the implementation of the quality monitoring systems. This quality monitoring system applies both to member and correspondent firms.

### Our Audit Quality Assurance Framework

The International Federation of Accountants (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. Mazars Group is actively involved in IFAC with a presence on a number of its boards and committees.

Mazars Group is also a member of IFAC's Forum of Firms (FoF), an association of international networks of accounting firms that perform transnational audits. As members of the FoF we commit to:

- maintain quality control standards in accordance with the International Standard on Quality Control (ISQC1) – issued by the International Auditing and Assurance Standards Board (IAASB) – 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 the International Standards on Auditing (ISAs) issued by the IAASB;

- have policies and methodologies that conform to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code) and any relevant national code of ethics; and
- agree to submit to the Secretary of the Forum an annual report, in an approved format, indicating that we meet the membership obligations set forth above.

We have been committed to this since 2007 and make an annual declaration of compliance.

In line with our commitments, our Quality Assurance Framework is presented through our "Quality Assurance Manual" and "Risk Management Manual", both of which constitute the benchmark for audit quality control for all Mazars entities. This framework covers the following:

- responsibility and leadership;
- independence and objectivity;
- acceptance and continuance of engagements;
- human resources;
- audit methodology and engagement performance;
  - planning and supervision of engagements;
  - technical consultation;
  - audit documentation;
- professional confidentiality and risk management;
- engagement quality monitoring reviews;
- quality monitoring; and
- procedures for dealing with and resolving differences of opinion; complaints, allegations and claims

The policies and procedures in our global Quality Assurance Manual are complemented by our audit methodology. Our audit software has been developed to allow a structured audit approach in accordance with the most recent auditing standards.

### A CONSISTENT APPROACH ON ALL CLIENT ENGAGEMENTS, IRRESPECTIVE OF THEIR SIZE

### AND INTERNATIONAL DIMENSION.

Both our audit methodology and software are updated, as required, to include the evolution of international and national standards and as a result of operational suggestions by users. Our compliance with the Quality Assurance Manual is monitored through internal and external inspections.

Maintaining and improving audit quality is integral to our profession, as such the Hong Kong Executive Board 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 monitoring system; and
- underline the importance of respecting legal and regulatory obligations, particularly with regards to the IFAC code, local ethical requirements and professional standards of practice when accepting and carrying out new assignments.

In Appendix 5 we provide our statement of the effectiveness as to the functioning of the Quality Monitoring System.

### Responsibility for audit quality and 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.

As required by the Quality Assurance Manual, the work of every audit partner is subject to independent review by the QAD at least once every three years. 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. Assessment results and follow up actions are discussed with the respective engagement manager and partner, if necessary.

A summary report is prepared at the end of the

## 1.2 DELIVERING AUDIT QUALITY (CONTINUED)

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 partner and managers on a timely basis.

Each audit engagement is assigned to an engagement partner. The engagement partner is responsible for the engagement quality, and for the report that is issued. To this end, engagement partners 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.

In addition to 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.

### Audit policies and methodology

The Mazars Audit Methodology (MAM) is a global methodology that Mazars entities around the world apply, supplemented by local regulatory and legal requirements. Using a common methodology allows us to apply a consistent approach and level of quality globally on all client engagements irrespective of their size and international presence.

In an increasingly globalised world, the MAM allows us to provide our multinational clients with quality audits across borders. Specific policies and procedures are in place in respect of group audits, including the use of and reliance on other auditors. These procedures include consideration of the results of quality monitoring.

The MAM is continually enhanced as we seek to apply a systematic risk based audit approach, focusing on the

things that matter and adjusting the areas of focus and effort based on the level of risk. Our methodology and associated application guidance are also designed to encourage challenge and professional scepticism in our audits.

Audit software is used to support the audit teams in applying our risk based approach, from acceptance to completion of the audit. During the year, Mazars globally has been progressing the development of a new audit software, Atlas. Rollout of Atlas commenced in the year, with the expectation that the majority of our audits in the 2019/20 period will be completed using this application. Atlas further enhances the quality of documentation produced by our team, as well as providing consistency in the application of the MAM. We will continue to invest and develop our audit software as new challenges and technology impact on the audits of the future.

Data analytics is increasingly becoming a key aspect of our standard audit procedures, particularly with respect to the mandatory requirements to address the risk of management override of controls.

Our ability to maintain quality is not only dependent on the IT tools available to our professional staff, it also relies on the appropriate support being available. The MAM details the circumstances when there is a mandatory requirement to consult within the Firm. Our technical experts locally, regionally, and globally are also available for audit and financial reporting consultations when support is required.

To aid the audit quality of specific areas of the audit, our core audit teams have access to our specialist auditors and experts, including IT, tax, actuarial and valuation specialists.

Our audit policies and procedures have been designed and implemented to ensure that we comply and that we can demonstrate compliance with ISAs.

### Monitoring audit quality

Monitoring of audit quality is integral to understanding our own audit quality and developing ways to challenge and improve it. It allows identification of areas for improvement within our policies and procedures,

combined with additional training to promote a consistent quality approach to audit work. Our audit quality policies and procedures are embedded as part of our firm's day-to-day activities.

### Engagement quality control reviews (EQCRs)

An EQCR is required to be performed on all audits of listed companies or Public Interest Entities (PIEs). Other engagements may be identified as subject to EQCR, the criteria for determining whether such other assignments require an EQCR are mainly based around the existence of specific risk situations.

### OUR AUDIT QUALITY POLICIES AND PROCEDURES ARE EMBEDDED AS PART OF OUR FIRM'S DAY-TO-DAY ACTIVITIES.

The purpose of an EQCR is to provide an objective evaluation of the significant judgements made by the engagement team and the conclusions reached in formulating the audit opinion. This review must be performed by a person with sufficient authority to be capable of imposing their professional judgement upon the engagement team. The EQCR is also subject to rotation.

## 1.3 QUALITY MONITORING

Through its International Quality Control Committee (IQCC), the Quality and Risk Management Board (Q&RM Board) defines the quality monitoring system and the relevant procedures that are required to be implemented across all service lines, as well as monitoring their implementation.

Monitoring of audit quality is integral to maintaining and improving quality in 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. The Executive of each member entity is responsible for the implementation of the quality monitoring systems. This quality monitoring system applies to both correspondent and member firms.

### Mazars Group oversight of quality monitoring

The quality monitoring assessments undertaken by the IQCC monitor member entities' compliance with the IFAC standards. The Mazars entities' audit quality monitoring reviews organised by the IQCC have several components:

- self-assessment of the entity's 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. This is performed by each Mazars entity 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 organisation, generally every three years, and they aim to form an independent view on the results of the self-assessments and the

internal monitoring while helping to spread best practices; and

- external inspections: entities are periodically subject to reviews by the audit regulators or other relevant bodies in their jurisdictions. Results of such reviews are communicated to the IQCC for their consideration.

The self-assessment includes the entity's compliance with the IFAC standards as well as reporting on the results of its internal and external audit quality monitoring reviews. This can be the basis for an action plan relating to all areas identified as requiring improvement including those identified through any Mazars international inspection.

Entities are required to communicate internally the results of their audit quality monitoring reviews to their Executive, Partners and audit managers. This communication is expected to be provided in sufficient detail to enable the necessary corrective measures to take place, both for the particular Partner in question, and the overall level of the entity.

As a minimum, the results of the audit quality monitoring reviews include:

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

Entities that are applying to join the Mazars organisation are subject to an inspection organised 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.

At Mazars we are passionate about audit quality so this positive feedback was rewarding and reflects the investment we have made in technical training and tools to support our audit teams deliver consistent quality audits.

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

Within Mazars Hong Kong, audit quality control reviews operate as required by the Mazars Group with an internal monitoring review 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 a full scope review of the practice in June 2019 which included reviews of engagements and the quality control system of the firm.

While the assessment results of the review are yet to be finalised at the time this report was being drafted, certain areas for improvement were identified which have been subsequently communicated to all auditors and/or addressed by remedial actions.

The work of these external reviewers was much appreciated.

### Our contribution to the 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: Mazars responds to consultations on a variety of topics including auditing, corporate governance, financial reporting and relevant regulation changes issued by professional bodies such as IFAC and its committees and boards, FEE, EAIG, PCAOB, IASB; actively participates in international bodies, such as the IFAC, FEE, ESMA, EFRAG, IASB; and is active in

the professional and auditing organisations in various countries.

### Our Voice in Hong Kong

The Head of Audit 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 Managing Director is a Deputy Chairman of the Professional Conduct Committee of the HKICPA, and another Practising Director is Chairman of the Qualification Programme Committee.

# 1.4 ENSURING OUR OBJECTIVITY AND INDEPENDENCE

We have devised and implemented policies to ensure all our staff and partners comply with the strictest objectivity and independence requirements, as these are the cornerstones of our profession. We are determined to play our role in increasing public trust in the opinions we provide.

## Our Code of Conduct for Objectivity and Independence

The Mazars Group has adopted a Code of Conduct for Objectivity and Independence (the CCOI) which complies with the IESBA Code. This forms an integral part of all member entities' professional training programmes and is distributed to all Partners and staff.

We also strongly promote ethical culture and values. A process has been defined to help people who face ethical dilemmas, and the consequences of breaching ethical rules and principles have been made clear to Partners and staff in all member entities.

In addition, we have recently refreshed our global Code of Conduct. We have designed it as a practical guide to help all Mazarians, regardless of age, position or country, navigate difficult choices and make the right decisions, in line with our values.

Our new code of conduct clearly states who we are, what we expect from our people and how we deal with our clients, stakeholders and communities at large. In

an intricate and fast-evolving environment, we use it as a moral compass for our daily activities, drawing the line between what is recommended or acceptable and what would put our reputation and other people's trust at risk. We handle all breaches seriously and take appropriate action to uphold this code wherever necessary.

## Responsibility for maintaining objectivity and independence

The Group Independence and Acceptance Committee 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 organisation.

## Systems to safeguard our objectivity and independence

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

SAFEGUARD	HOW THIS SAFEGUARDS OUR OBJECTIVITY AND INDEPENDENCE
Acceptance and continuance of audit engagements	Procedures exist that require an evaluation of the client's related risks, the member entity's ability to perform the engagement and any ethical risks in terms of independence and conflicts of interest.
Additional services	The provision of additional services to an audit client is subject to prior authorisation from the lead audit partner and, in some cases, the Ethics Partner.  In certain circumstances this provision is also subject to authorisation 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.

SAFEGUARD	HOW THIS SAFEGUARDS OUR OBJECTIVITY AND INDEPENDENCE
Non-audit services to audit clients	A complete list of non-audit services rendered to audit clients must be maintained.  For group audits, this list must be communicated in the instructions circulated by the audit co-ordination team.
Annual declaration of independence	All Partners and staff are required to provide an annual declaration of their independence. In this respect: <ul style="list-style-type: none"> <li>• Mazars Partners and their immediate family cannot hold a direct or indirect financial interest in a listed audit client;</li> <li>• Personal or family relationships between a member of the audit team and a member of either the audited entity's management or any person holding a key position in the audit client are prohibited; and</li> <li>• 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 or other credit institution audit client).</li> </ul>
Mandatory rotation	In relation to audits of PIEs, the same maximum time-on period of seven years applies to all Key Audit Partners (KAPs). However, there are different cooling-off periods depending on the role of the KAP. According to the Code of Ethics issued by the HKICPA, the cooling-off period is five years for the engagement partner, three years for the EQCR, and two years for other KAPs. Familiarity is a threat to our independence and this rotation mitigates the threat of familiarity arising from long association with a client. The Hong Kong Executive ensures appropriate allocation of Partners to audit engagements and an annual review of appointments to PIEs takes place.
Transparency of information	All Mazars staff have access to details of our audit clients that are subject to specific ethical requirements.
Training	All audit staff are required to undertake training on ethical rules and the Mazars' ethical procedures.
Consultation	Audit staff and Partners are encouraged to consult with experts on technical matters, ethics and other areas where necessary.
Limits on client fees	Limits on client fees are imposed in order to avoid financial dependence on one or several clients.
Impact of an identified threats to independence	Clear rules regarding conflicts of interest have been communicated. Where there is a potential threat to our independence, the assignment is declined or appropriate safeguards are implemented.
Performance based remuneration	Mazars Group has adopted a method of remunerating Partners which takes into account the quality of audit work (and not simply the level of fees billed, number of new clients obtained, additional engagements performed or other financial performance related metrics).

## 1.4 ENSURING OUR OBJECTIVITY AND INDEPENDENCE (CONTINUED)

We are currently implementing our Global Independence Check tool. This one-stop-shop IT tool for conflict checks will speed up the process of acceptance throughout the Mazars Group.

In Appendix 5 we provide a statement on the effectiveness of the systems to safeguard our objectivity and independence.

### Two-partner teams and rotation to strengthen both independence and services quality

Except in specific situations which are approved by the entity's Executive Committee, large engagements are placed under the responsibility at least two partners, one of whom naturally assumes leadership of the engagement. Having a team of partners strengthens independence and brings broader technical expertise to the engagement. The responsible partners assist with key stages of the engagement and remain the key contacts for all parties and professional staff, whether internal or external.

Within Mazars, rotation is applied to Public Interest Entity engagements on which key audit partners rotate, in compliance when applicable with the domestic transposition of the European Directive on Statutory Audit or of the IESBA Code of Ethics. This rotation reduces the risk of "closeness" to the audited company which may impair independence.

It enables the auditor to have greater independence of mind in dealing with client issues and in expressing opinions on financial statements. The allocation of partner responsibilities on recurring audit engagements and major special engagements is decided by the entity's Executive Committee and ensures that partners can effectively conduct and supervise engagements under their responsibility. This allocation is reviewed annually as well as when there are any changes in the partner's situation or when any difficulties have been encountered.

In the rare case of disagreements with the technical department's positions, the Executive Committee is called upon to arbitrate. The two-partner team in charge remains the final decision maker within the context of the organization's quality assurance and procedures. This point is of paramount importance in preserving

each partner's personal commitment and sense of responsibility as well as in responding effectively to each client's specificities.

### Partner compensation policy

Profits are divided amongst Partners according to the number of 'base points' they are allocated. Two criteria are used to calculate the value of the base points: the overall performance of the Mazars Group and the performance of the local entity to which they contribute. Each factor is measured equally.

Under the supervision of the GGC and based on the recommendation received from the Country Executive, base points are allocated to Partners according to the overall local performance of the country and the individual performance of each Partner. This performance is assessed through various criteria:

- delivering outstanding quality;
- alignment to the Group and Hong Kong's strategy;
- delivering sustainable profit;
- maintaining client focus;
- importance and complexity of assignments;
- diversity and respect for people;
- partnership spirit and partnership behaviours; and
- level of managerial responsibility.

These criteria are not evaluated in isolation, but significant weight is placed on technical competence and partnership spirit.

Financing business activity depends exclusively on each member entity and follows the same proportionality as the division of profits.

The GGC has established an annual, and four year cycle, bonus program for the GEB.

### Partner remuneration

The Firm's Partner Conduct Framework assists in providing clarity to each Partner as to what is expected of them and also the Hong Kong Executive Board as a body in approaching quality issues in a consistent manner.

In determining the variable bonus element of Partners' remuneration in Hong Kong we make adjustments for quality, compliance and risk management matters, such as complaints, claims or failure to comply with the Firm's policies and procedures. One of the ways we demonstrate our commitment to quality is by ensuring all Partners have objectives around quality. In this way we are able to reward Partners who meet our expectations of high quality, including evidence through quality monitoring reviews.

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

### Independence and objectivity in Mazars Hong Kong

In Mazars Hong Kong, objectivity and independence are overseen by a Practising Director of the Audit Department, 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 by the QAD.

### Whistleblowing procedures

Our values set a platform for what we believe will build long term sustainable success for the organisation. We want to work in a way that promotes our values and ensures we provide the best possible service for our clients, and best possible environment for our team.

Mazars is committed to dealing responsibly, openly and professionally with:

- concerns raised internally, that Partners or team members may have about possible malpractice within Mazars firms; and
- concerns raised by persons external to Mazars (clients and other stakeholders) on the services provided by Mazars.

These group-wide whistleblowing procedures for our staff, our clients and our stakeholders reflect our zero-tolerance policy for unethical behaviours and have been deployed since 2014 and both external and employee complaint forms are available on our Mazars websites (on the Group website: <http://www.mazars.com/Complaint-form>). All claims are directly processed through the Group's CCO except when stated otherwise by local regulation.

Additionally in Hong Kong, our staff are encouraged to provide comments and feedback - on an anonymous basis if desired - direct to the Managing Director, utilising an on-line application.


### Confidentiality and information security

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the Firm to legal proceedings and may also adversely impact our reputation.

The Group's Chief Information Security Officer is responsible for providing oversight, policy and strategic direction on information risk and cyber security matters. He directly reports to the Chief Compliance Officer and to the GEB.

In Hong Kong staff and Partners have undertaken specific training on information security to enhance their understanding and help ensure that our policies are embedded within how our teams approach their work.

The Regional CIO also has oversight of the Hong Kong systems and monitors attacks or breaches liaising with the internal Hong Kong IT team. Day to day systems management has also been outsourced and is managed locally and regionally.



## **2. STRUCTURE, LEADERSHIP AND GOVERNANCE**



## 2.1 OUR UNIQUE BUSINESS STRUCTURE

### Mazars Hong Kong



 1 OFFICE

 19 PARTNERS

 282 STAFF

*As at 31 August 2019*

Within Mazars Hong Kong, for the year ended 31 August 2019 our business was structured through our service lines, which were responsible for managing results, developing strategies for growth and supporting our staff. As at 31 August 2019, there were five service lines, namely Audit & Assurance, Accounting & Outsourcing, Business Risk Services, Tax Compliance & Consulting, and Financial Advisory Services. Details of our service lines are available on our website. Each service line is responsible for:

- quality, standards and risk management;
- setting the service line strategy;
- talent management and development;
- technical training;
- business model definition and implementation; and
- innovation.

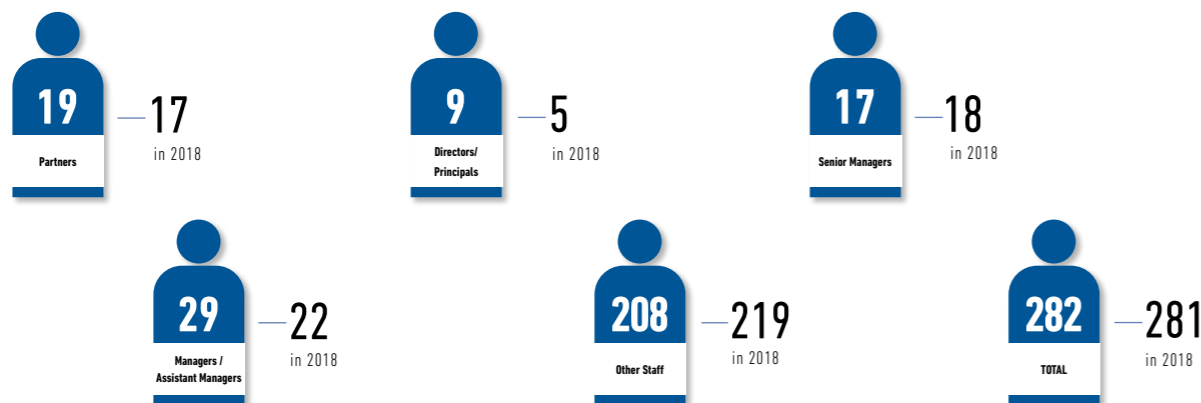
The Quality Assurance Department, which is independent from the five Service Lines, is responsible for setting standards, monitoring quality and risk management and providing technical training.

### Ownership

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.

### The operational structure of Mazars Hong Kong

At 31 August 2019, our business operated with 282 professionals. Our staff held the following roles:



## 2.1 OUR UNIQUE BUSINESS STRUCTURE (CONTINUED)

### A global, integrated partnership

Since 1995, Mazars SCRL has been organised as a global integrated partnership. All our 1,015 partners and 24,400 professionals in 91 countries and territories in Europe, Africa & the Middle East, Asia-Pacific, North America and Latin America & the Caribbean share the same values and work ethic and the common goal of providing the highest quality client service. Our correspondent firms enable us to operate in a further 14 countries.

### THE ROLE OF THE GROUP IS TO DEFINE THE STRATEGIC OBJECTIVES OF THE ORGANISATION AND TO COORDINATE THE IMPLEMENTATION OF THESE OBJECTIVES.

All members of our integrated partnership are member entities of Mazars SCRL, a Limited Responsibility Cooperative Company incorporated in Brussels, Belgium, through a cooperation agreement setting out the terms of the relationship.

The role of the Mazars Group is to “define the strategic objectives of the organisation and to coordinate the implementation of these objectives at the member firm level”, combined with the responsibility for promoting and protecting the Mazars brand globally. Mazars’ integrated international partnership was established with the principal objective of seeking to ensure consistent quality in our service to our clients.

The integrated partnership allows us to provide a quality service to our clients through the quality and diversity of our talent, the robustness of our values, our determination to embrace the digital revolution, and our commitment to creating shared value across territories, while remaining aware of the challenges that both our organisation and our stakeholders face. Discerning, knowledge-intensive, agile, sustainable: these are the attributes of the modern firm that we strive to be, in order to serve our clients better.

### WE ARE NOT SIMPLY A COLLECTION OF NATIONAL FIRMS, BUT AN INTEGRATED ORGANISATION OF PROFESSIONALS.

Each territory of our unique integrated partnership has one or more separate legal entities that is a member entity of the Mazars Group. All shareholders of the Mazars Group are partners or shareholders (collectively ‘Partners’) in the member entities. As part of being a shareholder of Mazars SCRL, each partner acknowledges the Charter of Association, which governs the operation and governance of the Mazars Group. In certain territories there are partners or shareholders of their local member entity who are not shareholders of the Mazars Group. A full list of member entities is included in Appendix 1.

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

We are unique; we are not simply a collection of national firms, but an integrated organisation of professionals, sharing commitments and resources at a global level with respect to investment in technical excellence, serving our clients and developing our teams.

New member firms are admitted into the integrated partnership upon criteria of quality of service and human resources, reputation and shared values. All new admissions must be approved by the General Assembly of Partners.

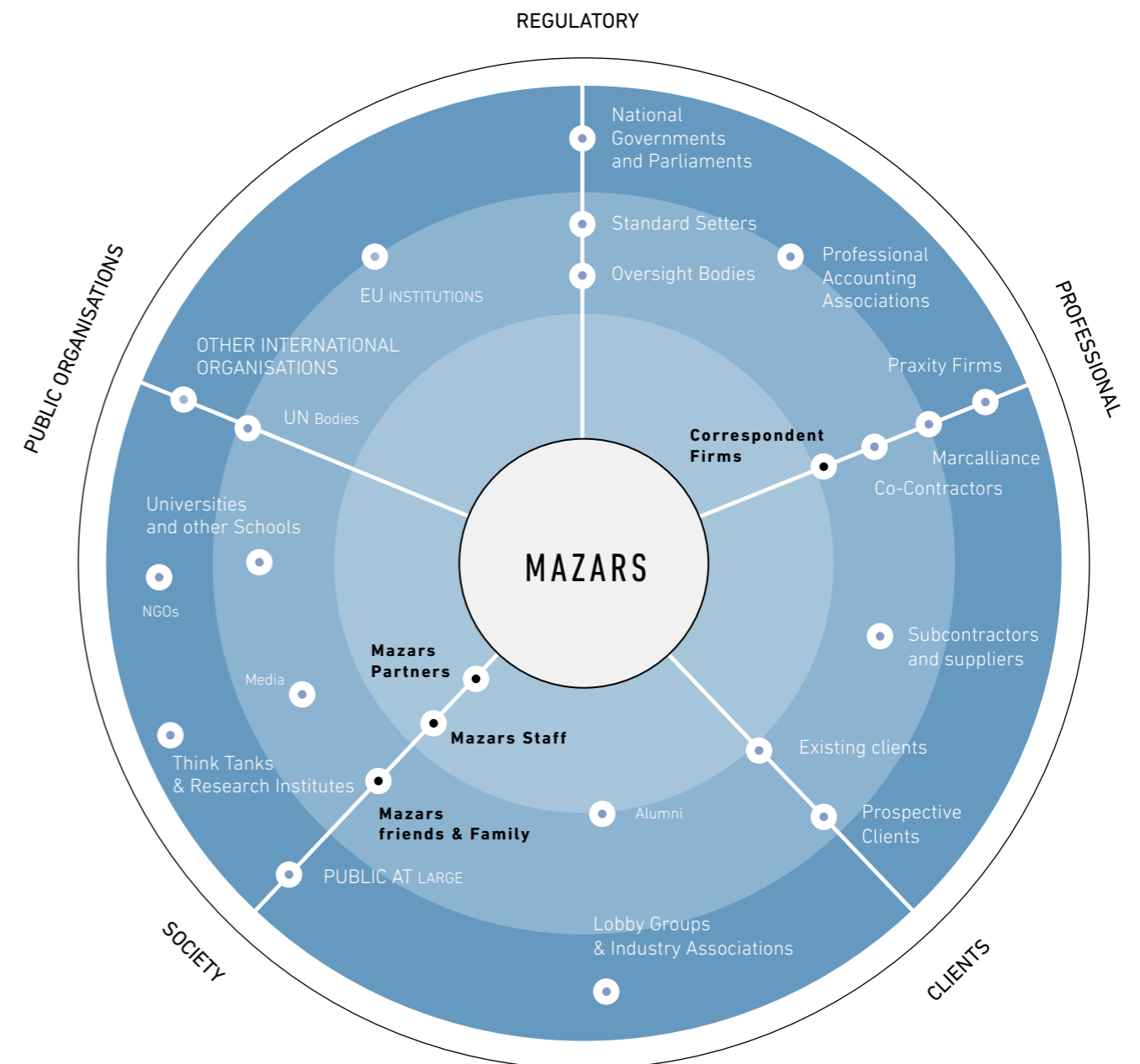
In July 2019, Mazars created its North America Alliance, which substantially enhances our on the ground coverage in North America, giving international clients access to an additional 16,000 professionals from five major accounting and consulting firms in the U.S. and Canada.

Mazars North America Alliance is an alliance agreement between Mazars and five leading firms in the United States and Canada – BKD, Dixon Hughes Goodman, Moss Adams, Plante Moran (U.S. firms) and MNP (Canadian firm). Geographically, these five Alliance firms complement Mazars USA and Mazars Canada, enabling Mazars to achieve full national coverage in North America.

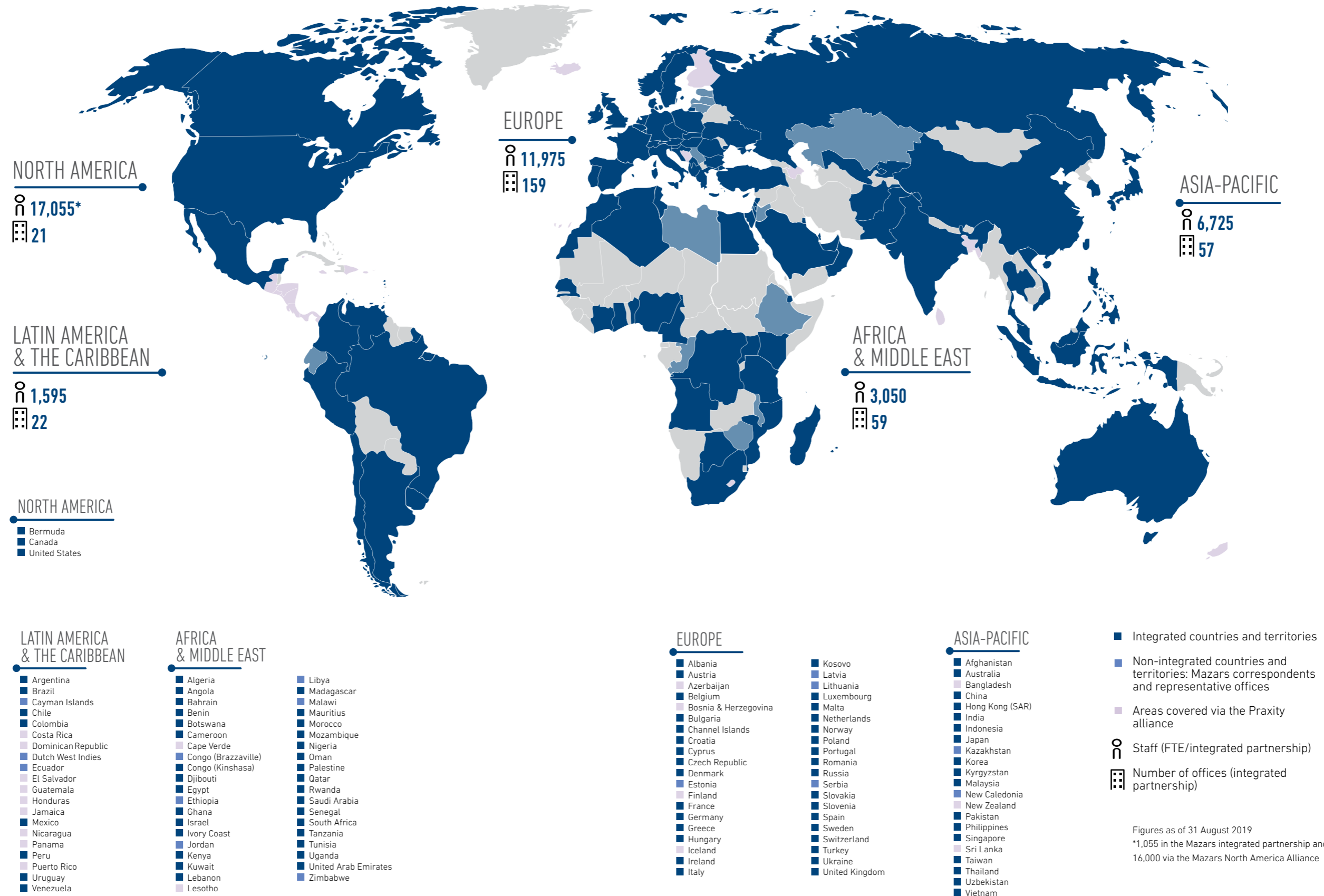
With this Alliance, Mazars now has 40,400 professionals serving clients around the globe: 24,400 professionals across 91 countries and territories in Mazars’ unique integrated partnership, and 16,000 professionals in the

U.S. and Canada via Mazars North America Alliance. With this scale and breadth of talent, Mazars offers tailored, consistent and high-quality services to its clients wherever they are in the world.

### Stakeholder map



## 2.1 OUR UNIQUE BUSINESS STRUCTURE (CONTINUED)



## 2.1 OUR UNIQUE BUSINESS STRUCTURE (CONTINUED)

### Our global business organisation

At the General Assembly of Partners in December 2016 a new Group Executive Board was elected, on the basis of a strategic platform called the Next20. The business organisation described below is aimed at fully implementing this new platform.

In order to deliver the best services to our clients, our international structure focusses on sectors and service lines.

The five key sectors we have identified are:

- Financial Services;
- Industry;
- Services;
- Public Services; and
- Privately Owned Businesses.

To organisations of all sizes in each of these sectors, we deliver high quality services via our six service lines:

- Accounting and Outsourcing Services (AOS);
- Audit and Assurance Services (AAS);
- Consulting;
- Financial Advisory Services (FAS);
- Law; and
- Tax services (TAX).

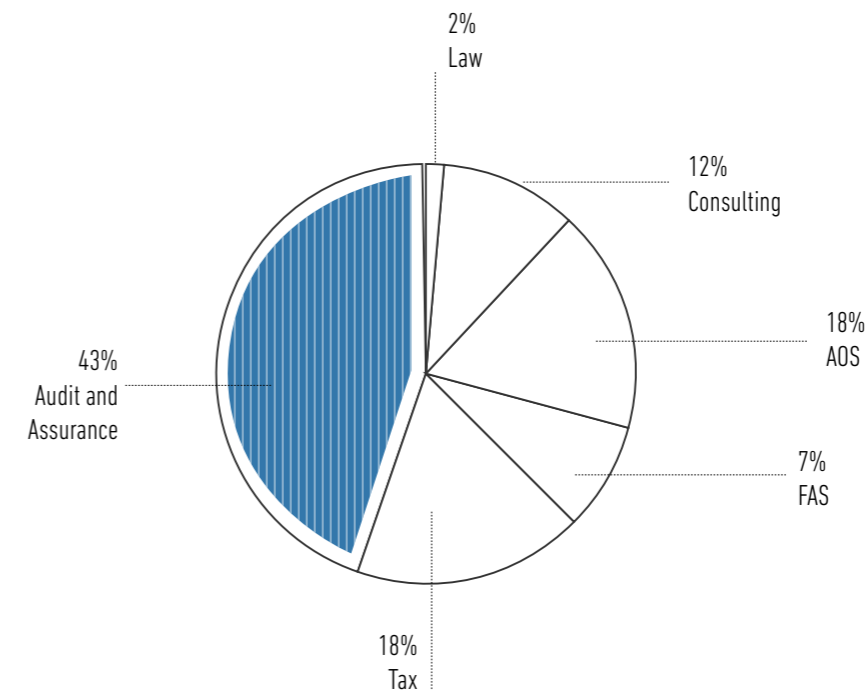
Global Sector & Services Team (GSST) leaders and Global Support Business (GSB) leaders, along with regional leaders, make up Mazars' Global Leadership Team (GLT). The GLT gathers the Group international leaders who carry responsibilities that go across countries, thus requiring coordination of functions, markets, services and other responsibilities. The GLT is led by the Group Executive Board.

This structure facilitates coordination of member entities within the Mazars Group. 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 standardisation within the Mazars Group;
- sectors and service lines are represented in member entities, enabling coordination of assignments and cross-border relations between countries;
- assignments requiring an international team are managed and carried out by an integrated team sharing common standards and procedures;
- collaborative working on global initiatives helps to secure and reinforce consistent values in our culture;
- each global or international assignment is coordinated by an engagement partner in charge who takes final responsibility for reporting to the client; and
- Partners and the national member entities in which they work are linked by a series of agreements intended to achieve maximum consistency within the Group. They all report to the elected representatives of the Group.

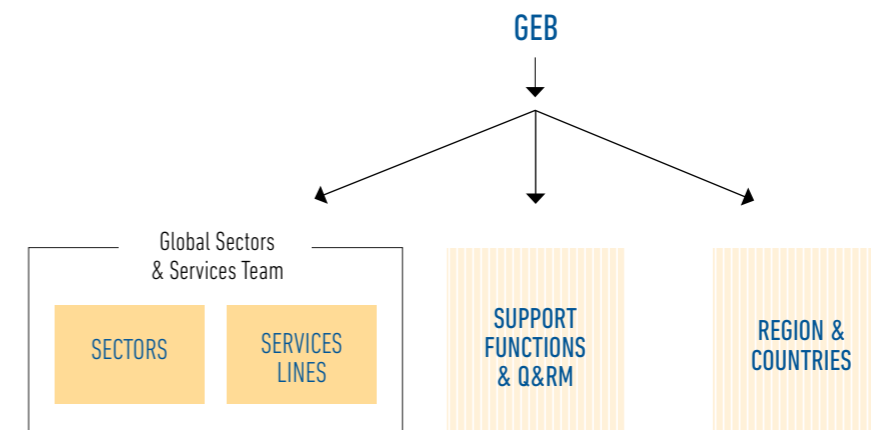
All the entities of the Mazars integrated international partnership are thus committed to enhancing the quality of services provided to large, cross-border groups in an increasingly complex and global environment.

The turnover of the Mazars Group in 2018-2019 by service line was as follows:



Excludes data for the ZhongShen, ZhongHuan and ZhongShen Yatai practices.  
Audit revenue includes €480m in respect of audits in the EU.

### Our global operational organisation



## 2.2 LEADERSHIP AND GOVERNANCE

### Leadership in Hong Kong

#### Hong Kong Executive Board

The Executive Board being the governing body of Mazars Hong Kong is chaired by the Managing Director, Mr. Stephen Weatherseed. Other members of the Executive Board are Mr. Edmund Chan, Ms. Eunice Kwok, Mr. Oliver Or, and Mr. Michael To.

The HK Executive Board provides strategic and operational leadership to the Firm, with a specific mandate to:

- develop and implement the Hong Kong strategy, in line with the international strategy of the Firm, and establish a management structure to deliver this;
- ensure that the Firm's services to clients and conduct in respect of staff are carried out ethically and in accordance with the principles of technical excellence and quality service;
- ensure that the Firm recruits, develops, retains and adequately rewards its staff with relevant skills and experience;
- oversee support functions, including the setting and monitoring of objectives, approving budgets and expenditure and ensuring efficiency between local, national and international support functions;
- ensure that appropriate policies and procedures are in place for risk and catastrophe management;
- monitor the legal obligations of Partners.

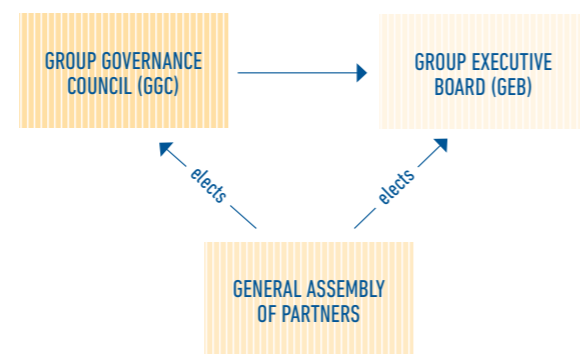
Biographies of the HK Executive Board members as at 31 August 2019 are in Appendix 2.

Directly reporting to the Executive Board are two standing committees: The Risk Committee and the Technical Issues Committee. The Risk Committee is led by the Risk Manager and is responsible for making final recommendations to mitigate risks and answering (or approving an answer to) risk issues identified by the firm or when required. 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.

### Mazars Group

Our leadership and governance platform comprises two main bodies, whose respective roles and missions are clearly defined in our Charter of Association. Together with our national, regional and functional leaders, both our Group Executive Board and our Group Governance Council are working to ensure the sustainable development of our partnership and of the Mazars Group.

### Our strategic leadership ecosystem



### The general assembly of partners

All the Partners of the Mazars Group meet at least once a year at the General Assembly of Partners, within six months following the end of the financial year.

The General Assembly of Partners is a pivotal point in the governance and decision-making processes of the Mazars Group. Every four years it is at this meeting that the partners elect the GEB and the GGC. Annually the assembly approves major strategic and operational decisions, the admission of new Partners, and the approval of Mazars Group's audited financial statements.

The last General Assembly of Partners was held in London in December 2019. The next General Assembly of Partners will be held in Madrid in December 2020.

### Group Executive Board

The Group Executive Board is Mazars' executive body. It is in charge of operational management of the partnership with regards to collectively-defined

key strategic objectives, under the supervision of the Group Governance Council. It focuses on pursuing and accelerating growth, while ensuring the quality and sustainability of our activities.

As at 31 August 2019 there were 11 members of the GEB. The current GEB was elected in December 2016 and with an election every four years, the next one is due in 2020. Additional members may be added after being duly elected by the Partnership.

The GEB is supported in its role by:

- a GLT, which comprises all Group business leaders (sectors and service lines, including our audit activity), Group Quality & Risk Management leaders, and Group support function leaders;
- 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; and
  - the executives are elected by the Partners of the particular member entity, with their candidacy being subject to the consideration of the GEB.

The GEB meets at least monthly; it also meets twice a year with the Country Managing or Senior Partners at 'Country Forums'.

Members of the GEB as at 31 August 2019 are in Appendix 2.

### Group Governance Council

The GGC is the Group's supervisory body and is elected at the same time as the GEB. The GGC has decision-making powers in specific areas as set out in the partnership's Charter of Association. The GGC is responsible for supervising the GEB, with special responsibilities for:

- the approval of partnership candidates and external growth operations;
- the compensation of the members of the GEB;
- the approval of disciplinary action decided by the latter; and
- reviewing the performance of the GEB.

The GGC is required to meet at least quarterly. It comprises between eight and 16 members including two non-executive independent members. The actual number is determined by the General Assembly of Partners at the time of election. Any Partner can nominate themselves for candidature. As of 31 August 2019, there were eleven members of the GGC, two of whom are independent. Elected every four years, the next GGC elections are due in December 2020.

At the end of year there was one non-executive independent member who was also a member of the PIC.

Members of the GGC as at 31 August 2019 are in Appendix 2.



**APPENDICES**

# APPENDIX 1

## Mazars Group statutory audit firms

### NORTH AMERICA

Country/Territory	Name of entity
Bermuda	Mazars Bermuda Limited
Canada	Mazars Harel Drouin, SENCRL
United States	Mazars USA LLP

### LATIN AMERICA & THE CARIBBEAN

Country/Territory	Name of entity
Argentina	Estudio Urien & Asociados Estudio Urien S.R.L
Brazil	Mazars Cabrera Assessoria, Consultoria E Planejamento Empresarial Ltda. Mazars Auditores Independentes - Sociedade Simples Mazars Auditores Ltda.
Cayman Islands	Mazars Cayman
Chile	Mazars Chile Ltda Mazars Auditores Consultores Spa
Colombia	MCA Auditing & Accounting SAS
Dutch West Indies	MPHC Accountants & Advisers N.V.*
Equador	Hansen-Holm*
Mexico	Mazars Auditores, S. de R.L. de C.V. Mazars Mexicali, S. de R.L. de C.V. Mazars Guadalajara, S. de R.L. de C.V.
Peru	Contreras y Asociados S.Civil de R.L
Uruguay	Mazars Uruguay
Venezuela	AAdrianza Rodriguez Cefalo & Asociados Mazars Venezuela

\*correspondent firms

### ASIA-PACIFIC

Country/Territory	Name of entity
Afghanistan	Mazars Afghanistan Limited
Australia	Mazars Risk & Assurance Mazars Melbourne Assurance Pty Limited Mazars Audit (Qld) Pty Limited
China Hong Kong	Mazars CPA Limited
China Mainland	Mazars Certified Public Accountants Zhongshen Zhonghuan  Kalyaniwalla Mistry & Associates Kalyaniwalla & Mistry LLP Mazars Advisory LLP S. N. Dhawan & Co Llp
India	
Indonesia	KAP Aria Kanaka & Rekan PT Mazars Consulting Indonesia
Japan	Mazars Audit LLC
Kazakhstan	Nurteam Audit LLP*
Korea	Mazars Sebit Korea
Kyrgyzstan	Mazars LLC Mazars Audit LLC
Malaysia	Mazars PLT Mazars Risk Management Sdn Bhd
New Caledonia	OCEA Nouvelle-Calédonie*
Pakistan	Mazars MF & Co
Philippines	Yu Villar Tadeja and Co
Singapore	Mazars LLP Mazars Asia Pacific
Taiwan	Mazars Consulting (Taiwan)
Thailand	Mazars Ltd.
Vietnam	Mazars Vietnam Co Ltd

### EUROPE

Country/Territory	Name of entity
Albania	Mazars sh.p.k
Austria	Mazars GmbH Wirtschaftsprüfungsgesellschaft
Belgium	Mazars Bedrijfsrevisoren - Réviseurs d'entreprises B.C.V.
Croatia	Mazars Cinotti Audit d.o.o.
Cyprus	Mazars Limited Mazars & Co Limited
Czech Republic	Mazars Audit s.r.o
Denmark	Mazars Denmark statsautoriseret revisionspartnerselskab
Estonia	Audiitorteenuse DÜ*
France	Mazars SA Mazars SPCC Franex Mazars Uniconseils CBA Mazars aCéa Mazars (Rouen) Mazars (Bezannes) Mazars (Labège) Mazars (Strasbourg) Mazars Bourgogne Franche-Comté Mazars et Associés Mazars Figeor Mazars Data Mazars Dijon Mazars Pontarlier Mazars Lons Pluris Audit MAZARS & SEFCO Sud Est Expertises financières comptable et d'organisation SEFCO Mazars Gourge MAZARS-FIDUCO Mazars experts-on-line Mazars Saint Exupery Mazars Metz Mazars Entrepreneurs (Villeurbanne) Mazars Rodez Mazars Immobilier Thomas & Associés Mazars ASC D.D.A. Mazars CPA Mazars Inreco AGEC

### EUROPE

Country/Territory	Name of entity
Germany	MAZARS GmbH Wirtschaftsprüfungsgesellschaft Roever Broenner Susat Mazars GmbH RBS BBE GmbH Wirtschaftsprüfungsgesellschaft Steinberg & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Greece	Mazars Certified Public Accountants Business Advisors S.A.
Hungary	Mazars Kft.
Ireland	Mazars Mazars NI Ltd
Italy	Professionisti Associati Società Semplice (P.A.S.S) Mazars Italia S.p.A
Kosovo	Mazars in Albania
Latvia	SIA TaxLink Baltic
Lithuania	Persense Audit UAB
Luxembourg	Mazars Luxembourg
Malta	Mazars Malta
Netherlands	Mazars Accountants N.V. Ten Kate Huizinga Audit N.V.
Norway	Mazars Revisjon AS
Poland	Mazars Audyt Mazars Polska Mazars Expertise
Portugal	Mazars & Associados, SROC, SA
Romania	Mazars Romania SRL
Russia	Mazars Audit LLC
Serbia	AGM Audit LLC
Slovakia	Mazars Slovensko, s.r.o.
Slovenia	Mazzars d.o.o
Spain	Mazars Auditores S.L.P.
Sweden	Mazars SET Revisionsbyrå AB
Switzerland	Mazars SA Suisse Aunexis AG
Turkey	Denge Bağımsız Denetim
Ukraine	Audit firm Mazars Ukraine
United Kingdom	Mazars LLP Mazars Channel Islands Limited

## APPENDIX 1 (CONTINUED)

### AFRICA & THE MIDDLE EAST

Country/Territory	Name of entity
Algeria	Mazars Hadj Ali
Angola	Mazars Angola - Auditores & Consultores, S.A.
Bahrain	Mazars Chartered Accountants
Benin	Mazars Benin
Botswana	Mazars
Cameroon	Mazars Cameroon
Congo (Brazzaville)	M3B Audit & Expertise*
Egypt	Mazars Mostafa Shawki
Ethiopia	Asrat, Gezahegn and Birberssa Audit G.P. (ASGB Partners Auditors)*
Ghana	Mazars Ghana
Israel	Bri, Rotbart, Raz, Mazars Israel
Ivory Coast	Mazars Côte d'Ivoire
Jordan	International Professional Bureau Consulting & Auditing CO.
Kenya	Mazars Kenya
Kuwait	Mazars Hend Abdullah Alsurayea & Co Mazars Kuwait - Consultancy
Lebanon	Mazars Saade
Libya	Mazars Libye
Madagascar	Mazars Fivoarana
Mauritius	TK Uday Ltd

### AFRICA & THE MIDDLE EAST

Country/Territory	Name of entity
Morocco	Mazars Audit et Conseil SARL
Mozambique	Mazars, Lda
Nigeria	Mazars Coker & Company MNO Nominees
Oman	Mazars Chartered Accountants & co. LLC
Palestine	El Wafa Co. for Financial Consulting and Accounting Services
Qatar	Mazars Ahmed Tawfik & Co. CPA Mazars LLC
Rwanda	Mazars in Rwanda
Saudi Arabia	Alkharashi & Co.
Senegal	Mazars Senegal Mazars Port Elizabeth Mazars Services Trust
South Africa	Mazars Partnership Mazars Central Inc Mazars Durban
Tanzania	Mazars Wiscon Associates
Tunisia	ECC Mazars SBCI
Uganda	Mazars BRJ
United Arab Emirates	Mazars Chartered Accountants
Zimbabwe	KLMCA Audit Services (Private) Limited*



## APPENDIX 2

### Hong Kong and Group leadership

As at 31 August 2019 the Hong Kong Executive Board was comprised of:



**Stephen Weatherseed**

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 Board.

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 increasing Mazars' brand awareness within Hong Kong.

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.



**Eunice Kwok**

Since Eunice joined 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.



**Edmund Chan**

Edmund has over 20 years of experience in auditing and business advisory services. He has been serving a wide range of clients including manufacturing and trading companies, financial institutions, listed companies (both local and overseas) and PRC state-owned enterprises. Edmund also actively participates in the liaison and coordination of students' activities of local universities maintaining a closer tie between next-generation accountants and the firm.



**Oliver Or**

Oliver joined Mazars Hong Kong in 1988. He has over 25 years of experience in auditing in Mazars Hong Kong and has particular experience in insurance. Oliver has been serving a wide range of clients including manufacturing and trading companies, insurance companies, listed companies (both local and overseas) and PRC enterprises. He also has extensive experience in due diligence and investigation work and IPO reporting.



**Michael To**

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. Michael has extensive experience advising clients on tax and operational issues related to their activities 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. Michael is experienced in serving international clients engaged in a variety of business including insurance, trading, construction, manufacturing, hospitality, media, sport shoes, electronic measurement devices, information technology and professionals such as architects, quantity surveyors, etc.

## APPENDIX 2 (CONTINUED)

### Leadership of the Mazars Group

As at 31 August 2019 the Group Executive Board was composed of:



France

HERVÉ HÉLIAS  
CEO and Chairman



Spain

ANTONIO BOVER



Italy

PASCAL JAUFFRET



United Kingdom

RUDI LANG



Senegal

TAÏBOU M'BAYE



Germany

DR CHRISTOPH REGIERER



Belgium

VÉRONIQUE RYCKAERT



China

WENXIAN SHI



Netherlands

TON TUINIER



United Kingdom

PHIL VERITY



United States

VICTOR WAHBA

As at 31 August 2019 the Group Governance Council was composed of:



United Kingdom

TIM HUDSON  
Chair



France

THIERRY BLANCHETIER  
Vice-chair



Germany

GERTRUDE BERGMANN



United States

KATHRYN BYRNE



France

JULIETTE DECOUX



France

FABRICE DEMARIGNY



India

BHARAT DHAWAN



United States

DENISE FLETCHER  
Independent member



Singapore

CHRIS FUGGLE



South Africa

MICHELLE OLCKERS



China

LIWEN ZHANG

## APPENDIX 3

### Public Interest Entity audit clients of Mazars Hong Kong

Public Interest Entities in respect of which Mazars Hong Kong has expressed an audit opinion in the year to 31 August 2019 are detailed below.

#### Hong Kong Stock Exchange

Great China Properties Holdings Limited  
Get Nice Holdings Limited  
Pak Fah Yeow International Limited  
Tingyi (Cayman Islands) Holdings Corp.  
Asia Energy Logistics Group Limited  
Applied Development Holdings Limited  
Great Wall Belt & Road Holdings Limited  
Daisho Microline Holdings Limited  
Oshidori International Holdings Limited  
K & P International Holdings Limited  
Global Bio-Chem Technology Group Company Limited  
Rentian Technology Holdings Limited  
Ground International Development Limited  
Nan Nan Resources Enterprise Limited  
Get Nice Financial Group Limited  
Ever Harvest Group Holdings Limited  
Tian Chang Group Holdings Limited  
Universal Health International Group Holding Limited  
Global-Sweeteners Holdings Limited  
Target Insurance (Holdings) Limited  
Yuxing InfoTech Investment Holdings Limited  
Dafeng Port Heshun Technology Company Limited  
China Smartpay Group Holdings Limited  
VBG International Holdings Limited  
Elegance Commercial and Financial Printing Group Limited  
Nexion Technologies Limited  
Hao Bai International (Cayman) Limited  
Mindtell Technology Limited  
Oriental Payment Group Holdings Limited  
Sun Kong Holdings Limited  
Husoke Resources Holdings Limited  
SingAsia Holdings Limited

## APPENDIX 4

### Effectiveness of the system of internal controls

Mazars Hong Kong has conducted an annual review of the effectiveness of the internal control system, which covered all material controls, including financial, operational and compliance controls and risk management systems, as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the Firm.

This review included a consideration of:

- the Firm's structures and boards;
- the Enterprise Risk Management Framework;
- Internal and external reviews, including:
  - compliance with ISQC1;
  - internal audit reviews;
  - whole of firm compliance reviews; and
  - reporting from our external auditor;
- crisis management and business continuity arrangements;
- the control environment in operation in our finance and other selected central functions;
- regulatory compliance; and
- oversight of Hong Kong at a Mazars Group level.

It is not considered that any of the areas for improvement highlighted by these reviews represent a significant failure or weakness, either which requires disclosure or which undermines the current systems of internal control.

## APPENDIX 5

### Group and Hong Kong statements of compliance

#### Statement on the effectiveness of 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, including work carried out as a local PIE auditor. 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. Furthermore, management confirms that the practices have been subjected to internal review. Based on the evidence obtained in these reviews, the management of Mazars Group and Mazars Hong Kong confirms, with a reasonable level of assurance, that the independence procedures and practices, including those relevant to our work as a local PIE auditor, have been implemented and the system is effective in maintaining independence.

#### Statement of compliance with professional training obligations

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 Group has established a professional education program that includes the organisation and delivery of

technical in-house and external seminars, the active involvement of professional staff in major national and international professional accounting and auditing organisations and the development of extensive opportunities for staff to attend technical seminars and conferences.

Each year, member entities of the Mazars Group must compile an inventory of training attended by their professionals, and membership of professional bodies/institutes, in order to ensure compliance with the above-mentioned requirements on a multi-year basis.

Mazars Hong Kong complies with the Continuing Professional Development policies of the HKICPA which are, in turn, compliant with IES 7 and IES 8. Mazars Hong Kong also confirms that its Key Audit Partners and other staff working on local PIE audits are competent and suitably trained to deliver audit work within this sector.

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

## APPENDIX 6

### Glossary of terms

AAS	Audit and Assurance Service	KPI	Key Performance Indicator
AOS	Accounting and Outsourcing Services	LLP	Limited Liability Partnership
CCOI	Code of Conduct for Objectivity and Independence	MAM	Mazars Audit Methodology
CPD	Continued Professional Development	Mazars Group	The member entities of Mazars SCRL
EQCR	Engagement Quality Control Review	Mazars HK	Mazars CPA Limited
EU	European Union	Partners	Partners and shareholders of Mazars entities in the Mazars Group
FAS	Financial Advisory Services	PIE	Public Interest Entity
FoF	Forum of Firms	QAD	Quality Assurance Department
GEB	Group Executive Board	QR&M	Quality Risk and Management Board
GGC	Group Governance Council	SCRL	Societe Cooperative a Responsabilite Limitee (Limited Responsibility Cooperative Company)
GLT	Global Leadership Team	SMP	Small and Medium Practitioners
GSB	Global Support Business	TAX	Tax services
GSST	Global Sector & Services Team	The Charter	Charter of Association
IAASB	International Auditing and Assurance Standards Board	The Firm	Mazars CPA Limited
IES	International Education Standards	The Group	The member entities of Mazars SCRL
IESBA	International Ethics Standards Board for Accountants	HK	Hong Kong
IESBA Code	IESBA Code of Ethics for Professional Accountants	HK Executive	Hong Kong Executive Board
IFAC	International Federation of Accountants	HKICPA	The Hong Kong Institute of Certified Public Accountants
IFRS	International Financial Reporting Standards	HKGC	Hong Kong Governance Council
IQCC	International Quality Control Committee	Us/we	Mazars CPA Limited
ISA	International Standard on Auditing		
ISQC	International Standards on Quality Control		
IT	Information Technology		
KAP	Key Audit Partner		