

# Baker Tilly Hong Kong Limited Transparency Report

Year ended 31 December 2021

Cynthia Lo  
Managing Director  
31 January 2022

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# **Legal Structure and ownership**

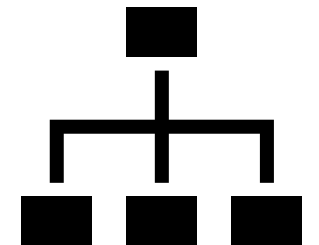


# Legal Structure and ownership



Baker Tilly Hong Kong Limited is a company incorporated in Hong Kong with limited liability, and all of its shares are held by the directors of the company. We are a corporate practice registered with the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Baker Tilly Hong Kong Limited is the Hong Kong member firm of Baker Tilly International, one of the world’s leading networks of independent accounting and business advisory firms.





# **Governance structure**

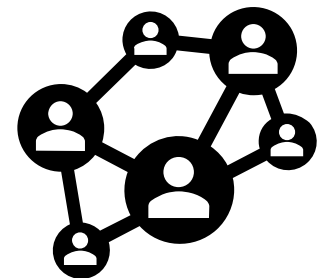


# Governance structure



Baker Tilly Hong Kong Limited is governed by the Executive Directors – Cynthia Lo (Managing Director), Danny Choi, Edmond Chan, Jerry Gao and Matthew Tong. All Executive Directors are certified public accountants registered with the HKICPA.

The day-to-day operations of Baker Tilly Hong Kong Limited are run by the directors within defined operation roles and responsibilities. Coordination and communication is ensured by monthly directors' meetings.





# **Internal quality control system**



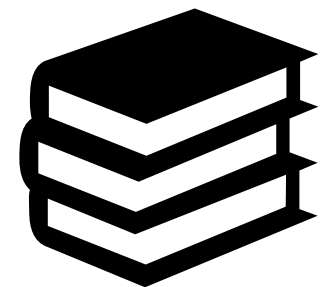
# Practice Assurance Compliance Manual



Our Practice Assurance Compliance Manual (“PACM”) provides guidance for our directors and staff to comply with the auditing standards and regulatory requirements applicable to our engagements, which include but not limited to Hong Kong Standard on Quality Control 1 (“HKSQC 1”) issued by the HKICPA and International Standard on Quality Control 1 (“ISQC 1”) issued by the International Federation of Accountants. We believe that our quality control system is effective and able to meet applicable quality standards and regulations.

Our PACM covers the following aspects:

- a) Ethical requirements, including independence
- b) Acceptance and continuance of client relationships and specific engagements
- c) Human resources
- d) Engagement performance and
- e) Internal monitoring





# Leadership responsibilities for quality

Baker Tilly Hong Kong Limited endeavours to maintain high standards of quality and the directors have the ultimate responsibilities to implement and communicate quality control policies and procedures.

With the assistance of our directors and Technical & Regulatory Department:

- Technical guidance, working paper templates and other technical support are regularly provided to our staff
- Audit methodology manuals are always kept up-to-date
- An audit quality assurance and a non-audit quality assurance review programs are conducted annually
- Customised training programmes are delivered to our staff



# Ethical requirements, including Independence

Baker Tilly Hong Kong Limited has implemented policies and procedures to ensure that our professional staff comply with the fundamental principles of Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (“IESBA”) & the HKICPA, which include:

- 1) Integrity - to be straightforward and honest in all professional and business relationships
- 2) Objectivity - not to compromise professional or business judgments because of bias, conflict of interest or undue influence of others
- 3) Professional competence and due care - to attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation and act diligently and in accordance with applicable technical and professional standards
- 4) Confidentiality - to respect the confidentiality of information acquired as a result of professional and business relationships
- 5) Professional Behaviour - to comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession

Any non-compliance with the policies and procedures is subject to disciplinary action.



# Ethical requirements, including Independence



Baker Tilly Hong Kong Limited believes that Independence is one of the key aspects in our PACM. Our professional staff should be independent from our clients such that the services provided will not be influenced or impaired. To achieve this, we have implemented the following safeguards:

- Independence and conflicts of interest are taken into account when accepting new clients or existing clients
- Each engagement team are required to sign an independence declaration form when involved in the engagement
- Rotation of engagement directors is required for any long association of audit clients
- A list of the restricted entities, including public interest entities is maintained and available for our staff to access
- All staff are required to provide an annual declaration stating that they have complied with the written policies and procedures on independence
- In case of any ethical issues, the staff should consult the Technical and Regulatory Department
- Regular trainings in relation to Independence are provided to our staff



# Acceptance and continuance of client relationships and specific engagements



Baker Tilly Hong Kong Limited has set out policies and procedures to determine whether to accept a new client or a new engagement, or to continue with an existing client or an existing engagement. A set of risk graded acceptance and continuance documents are required to be completed by engagement teams to indicate the overall risk grade. The documents are then approved and signed by an engagement director. Additional approval is required by our client acceptance committee / technical committee based on the risk assessment.

Besides that, the assessment covers but not limited to the following points:

- Ensure that we are competent to proceed with the clients and engagements
- Ensure that we are independent to the clients and engagements
- Consider whether the activities of the clients and engagements are within our current experience
- Consider whether the clients and their beneficial owners are subject to Financial Sanctions and Terrorist Financing

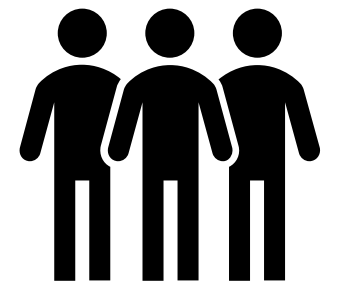


# Human resources



Baker Tilly Hong Kong Limited has developed policies and procedures which provide reasonable assurance that it has capable professionals with professional adequacy and commitment to apply professional standards, including ethical and independence standards. Moreover, the policies and procedures cover the following key areas:

- Recruitment
- Performance assessment
- Professional career development
- Staff remuneration
- Professional training classes
- Resource management



# Engagement performance

The management of Baker Tilly Hong Kong Limited ensures that our engagements should be carried out in accordance with all the applicable professional standards and requirements. The directors of the engagement teams have the ultimate responsibility for the direction, supervision and performance of the engagements in order to issue appropriate reports.

The followings are some of the responsibilities that the engagement team should possess to maintain the appropriate level of engagement performance:

- The engagement team should have capabilities and competence to perform the engagement
- The engagement team should comply with ethical and independence requirements
- The engagement director and manager should supervise the team and review the audit documentation prepared by the team.
- The engagement director and manager should regularly discuss the issues and findings with the team at planning stage, fieldwork stage and completion stage.
- For any high-risk clients or public interest entities, engagement quality control reviewer who is knowledgeable and competent in the applicable professional standards and requirements is involved to be another director.
- The engagement team should seek advice from other professional when necessary (e.g. Audit Technical specialists, Valuation specialists and Tax specialists etc.)



# Monitoring

Our Technical and Regulatory Department is responsible for monitoring the internal quality review annually in accordance with the PACM. The internal quality review is divided into two components:

## Non-Audit Quality Assurance Annual Review

A qualified accountant is engaged to monitor and review our quality control elements and make recommendations in accordance with the requirements of HKSQC 1 or, where appropriate, ISQC1.

## Audit Quality Assurance Annual Review

One engagement is selected from each director. The selection criteria include public interest entities (i.e. listed entities), non-listed entities, small and non-complex entities. All directors are the potential quality reviewers because of their professional competence, knowledge and years of experience. The directors must not be the reviewers of their respective engagements.

The Technical and Regulatory Department reports the internal quality review results to the Board. The review is a risk-based file review, which main objectives are to ensure that quality control policies and procedures, professional standards, regulatory and legal requirements have been properly followed. Moreover, root cause analysis is conducted for each review in order to identify the basic reason of issues and take appropriate remedial actions.





# **External monitoring of quality control**





# External monitoring of quality control

Baker Tilly Hong Kong Limited is subject to external monitoring of quality control by the following stakeholders:

1. The Hong Kong Institute of Certified Public Accountants (“HKICPA”)

The HKICPA performs review in the following aspects regarding non-public interest entities engagements:

- Audit quality assurance reviews
- Anti-money laundering and counter-terrorist financing compliance monitoring reviews

The last completed review performed by the HKICPA was carried out in September 2019. The review results are not publicly available.

2. The Hong Kong Financial Reporting Council (“HKFRC”)

The HKFRC has the power to conduct an inspection of public interest entities engagements. This inspection covers the following aspects:

- Firm-wide quality control system reviews
- Audit and assurance engagements reviews

Up to the date of this report, the review on our firm has not been carried out by the HKFRC.



# External monitoring of quality control



## 3. Baker Tilly International

Baker Tilly International performs review in the following aspects:

- Quality – in compliance with International Standard on Quality Control
- Auditing – in compliance with International Standards on Auditing
- Ethics – in compliance with the Code of ethics issued by the International Ethics Standards Board for Accountants

The last review by Baker Tilly International was completed in March 2021. The review results are not publicly available.





# **Continuing professional development**



# Continuing professional development

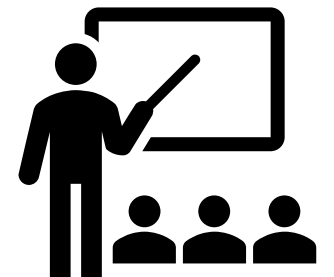


Baker Tilly Hong Kong Limited have been certified by the HKICPA as an approved employer for training purposes and is committed to provide not less than 20 hours training programmes to every talented professional. The training department designs the curriculum of the training programmes based on the knowledge and skills which are required to be developed for our employees.

We adopt different training channels including i) in-house classroom training; ii) in-house online training; iii) external seminars and webinars to deliver the trainings. Moreover, the training are conducted by experienced training managers and directors.

Each participant is required to attend the trainings each year to improve their audit skills and their training records are maintained by the training department.

We believe that our professional staff are well-trained and are competent to perform their roles as auditors.





# **Rotation of key audit directors and staff**



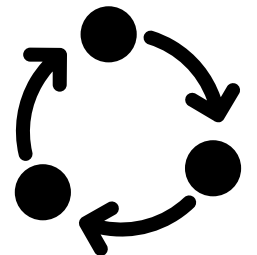
# Rotation of key audit directors and staff



We believe that the rotation of key audit directors and staff is essential in order to mitigate the familiarity threats arising from the long association with our audit clients.

In relation to audits of PIEs, the following policies have been adopted in accordance with the Code of Ethics issued by the HKICPA:

- The maximum number of years that all Engagement Directors, Engagement Quality Control Reviewers (“EQCRs”) and other Key Audit Directors (“KADs”) can serve the PIE clients before rotating off the engagement is seven years.
- The cooling-off period of the Engagement Directors, EQCRs and other KADs is five years, three years and two years respectively.





# **Financial information**



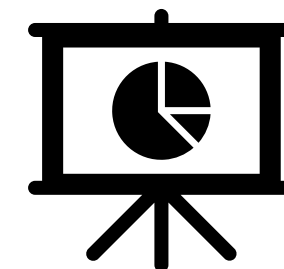
# Financial information

Baker Tilly Hong Kong Limited provides audit and assurance services. In addition, our affiliated companies provide the following professional services:

- Accounting service
- Corporate service
- Risk advisory service
- Tax service
- Valuation service

An analysis for the year ended 31 December 2021 is as follows:

	Revenue (in %)
Audit and assurance service revenue from PIE clients	26
Audit and assurance service revenue from non-PIE clients	44
Non-audit and assurance service revenue	30



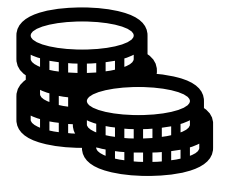


# Financial information



The remuneration of directors is determined based on their responsibilities and experience, their role in management of the corporate practice and the annual performance assessment.

The annual performance assessment covers business development, leadership, people management, risk management and technical competence.





# **Public Interest Entities**



# Public Interest Entities



Baker Tilly Hong Kong Limited is the auditor of the following public interest entities on the Hong Kong Stock Exchange as at 31 December 2021:

- AB Builders Group Limited
- Aurum Pacific (China) Group Limited
- BabyTree Group
- Bosa Technology Holdings Limited
- CECEP COSTIN New Materials Group Limited
- China Demeter Financial Investments Limited
- China High Speed Transmission Equipment Group Co., Ltd.
- China National Building Material Company Limited
- China Netcom Technology Holdings Limited
- COFCO Joycome Foods Limited
- CPMC Holdings Limited
- Datang International Power Generation Co., Ltd.
- Doyen International Holdings Limited
- ELL Environment Holdings Limited
- Fu Shek Financial Holdings Limited
- Fullshare Holdings Limited
- Hing Lee (HK) Holdings Limited
- Hing Ming Holdings Limited
- Hong Kong Education (Int'l) Investments Limited
- Huabang Technology Holdings Limited
- Huadian Power International Corporation Limited
- ITE (Holdings) Limited
- Lai Si Enterprise Holding Limited
- Most Kwai Chung Limited
- Novacon Technology Group Limited
- Pacific Legend Group Limited
- Pak Tak International Limited
- Pan Asia Data Holdings Inc.
- Poly Property Group Co., Limited
- PPS International (Holdings) Limited
- Qianhai Health Holdings Limited
- Sau San Tong Holdings Limited
- Sing Tao News Corporation Limited
- Sinic Holdings (Group) Company Limited
- Sinosoft Technology Group Limited
- Smart City Development Holdings Limited
- Smart Globe Holdings Limited
- Solomon Worldwide Holdings Limited
- Vertical International Holdings Limited
- WeiGang Environmental Technology Holding Group Limited
- Yuk Wing Group Holdings Limited



# **Baker Tilly International network**



# Baker Tilly International network



## Description & legal structure

Baker Tilly International is one of the world's leading networks of independently owned and managed accountancy and business advisory firms united by a commitment to provide exceptional client service.

Baker Tilly Hong Kong Limited is an independent member of Baker Tilly International Limited, which is a company limited by guarantee registered in England and Wales. It is owned by its members, all of which hold an equal interest in the legal entity. The members, in the Annual General Meeting, are responsible for appointing the board of directors, approving the company's strategy and other matters such as making changes to the company's constitution.

Baker Tilly International does not itself provide professional services, advice or opinions to clients but acts as a member services organisation operating from its Global Office in London. Client services are delivered regionally and nationally by a network of over 120 independent members worldwide.

Each member is a separate and independent legal entity. Each member is locally owned, operated and managed and is responsible for its own actions. No single member is responsible for the services or actions of another.

Although many members operate under the Baker Tilly name, there is no common ownership amongst the members.

More details on the global network can be found at [www.bakertilly.global](http://www.bakertilly.global).

# Baker Tilly International network



## Management and governance

Baker Tilly International operates with a board of directors consisting of the Chief Executive Officer (CEO), and directors drawn from independent members around the world. The board of directors appoints the CEO. It also formulates the strategy for Baker Tilly International and approves the policies and procedures to govern and manage the network. On the recommendation of the CEO and regional advisory councils, the board is responsible for admitting new members and, on occasion, terminating membership.

The network operates geographically through four regions - North America; Latin America; Europe, Middle East and Africa; and Asia Pacific. Each region has a chairperson who chairs an advisory council made up of partners from members in that region. The chairperson's role includes the co-ordination and development of business between members, the recruitment of new members as necessary and the implementation of the regional strategy.

At a management level, the network is co-ordinated by the CEO. The CEO is responsible to the board and ultimately to the members for all matters relating to the management and leadership of the network.

The CEO is supported by a team at Global Office which supports members worldwide. Support includes international marketing and business development initiatives, technical development of the global audit tool and the co-ordination of a global secondment programme.

# Baker Tilly International network



## Quality assurance

Baker Tilly International's members are expected to conduct all aspects of their business to the highest professional standards, to maintain integrity and to keep in good standing in their local business community.

They are required to comply with all national standards applicable to all aspects of their work. These include auditing, independence and any other standards issued in a member's country which impact on their work. They are also expected to comply with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the IESBA and to carry out audits to standards that are at least compliant with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB).

Members are also required to comply with IAASB's International Standard on Quality Control (ISQC) 1. This requires that each member establishes a system of internal quality control designed to provide it with reasonable assurance that the member and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the member or engagement partner are appropriate in the circumstances.

Regular quality assurance reviews of all members are carried out by Baker Tilly International, with members typically subject to a review at least once every three years.

# Baker Tilly International network



## Independence

Although Baker Tilly International is a network, it is for each member to determine its position under the ethical codes which govern its work. Each member identifies those other members of the Baker Tilly International network that must be considered in respect of independence.

Each member complies with their local code of ethics. Where no local code exists or where the local code is significantly less comprehensive than the International Code of Ethics for Professional Accountants (Code) members are expected to comply with the Code.

All members are required to include in their audit process a procedure that requires consideration of whether there are threats to independence resulting from work done for the client and any of its related companies by themselves or any other members of Baker Tilly International. This includes discussion with the client of circumstances where any such threats may arise.

Baker Tilly International provides an Independence Database to assist members in complying with this requirement. All members are required to maintain information on the Independence Database. The Independence Database:

- allows members to check for possible conflicts as part of their internal client acceptance procedures
- identifies all listed audit clients to be included on the Restricted Entity List

The Independence Database includes details of all clients which are members of a listed group for which any member provides any service to any company within the listed group.

Details are recorded for all instances where members provide audit services to listed entities. This information is then used to create the Restricted Entity List which shows all the listed audit clients for whom members act as auditors. Member firms should not hold a financial interest (for example, an investment) in any entity on the Restricted Entity List and should not provide non-audit services to those entity's without first consulting the audit team.



# Baker Tilly International network



## Audit firm and audit fee information in respect of EU members

As at 1 November 2021, the following independent member firms of the Baker Tilly International network provided statutory audit services in the EU:

- Austria - Pro Audit Wirtschaftsprüfung und Steuerberatung GmbH
- Belgium - Baker Tilly Belgium
- Bulgaria - TPA Audit OOD; Baker Tilly Klitou and Partners OOD (see Appendix 1)
- Croatia - TPA Audit d.o.o. (see Appendix 1)
- Cyprus - Baker Tilly Klitou & Partners Limited (see Appendix 1)
- Czech Republic - TPA Audit, s.r.o. (see Appendix 1)
- Denmark - Baker Tilly Denmark
- Estonia - Baker Tilly Baltics OÜ
- Finland – Baker Tilly Finland Oy
- France – Strego Audit
- Germany - Baker Tilly Holding GmbH
- Greece - Baker Tilly Greece Auditors S.A.(see Appendix 1)
- Hungary - TPA Control Könyvvizsgáló Kft. (see Appendix 1)
- Ireland - Baker Tilly
- Italy - Baker Tilly Revisa SpA
- Latvia - Baker Tilly Baltics SA
- Lithuania - UAB Scandinavian Accounting and Consulting
- Luxembourg – Baker Tilly Audit & Assurance s.à r.l.
- Malta - Baker Tilly Malta
- Netherlands - Baker Tilly (Netherlands)
- Poland - Baker Tilly TPA Sp. z o.o. (see Appendix 1)
- Portugal - Baker Tilly PG & Associados, SROC, LDA
- Romania - TPA Audit Advisory S.R.L.; Baker Tilly Klitou and Partners SRL (see Appendix 1)
- Slovakia - TPA Audit, s.r.o. (see Appendix 1)
- Spain - Baker Tilly Iberia (see Appendix 1)
- Sweden - Baker Tilly Sweden (see Appendix 1)

The total statutory audit fees for EU members for the period is approximately €145 million.



# Appendix



# Appendix

Network	EU statutory audit members		
TPA Group	<ul style="list-style-type: none"> <li>▪ TPA Audit OOD (Bulgaria)</li> <li>▪ TPA Audit d.o.o. (Croatia)</li> <li>▪ TPA Audit, s.r.o. (Czech Republic)</li> </ul>	<ul style="list-style-type: none"> <li>▪ TPA Control Könyvvizsgáló Kft. (Hungary)</li> <li>▪ Baker Tilly TPA Sp. z o.o. (Poland)</li> </ul>	<ul style="list-style-type: none"> <li>▪ TPA Audit Advisory S.R.L. (Romania)</li> <li>▪ TPA Audit, s.r.o. (Slovakia)</li> </ul>
Baker Tilly Klitou & Partners Limited	<ul style="list-style-type: none"> <li>▪ Baker Tilly Klitou and Partners Limited (Cyprus)</li> <li>▪ Baker Tilly Klitou and Partners OOD (Bulgaria)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Baker Tilly Greece Auditors S.A.(Greece)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Baker Tilly Klitou and Partners SRL (Romania)</li> </ul>
Baker Tilly Iberia	<ul style="list-style-type: none"> <li>▪ Audicat Barna, S.L.P.</li> <li>▪ Auditabe Auditores &amp; Consultores S.L</li> <li>▪ Esponera Auditores, S.L</li> </ul>	<ul style="list-style-type: none"> <li>▪ CJC Baker Auditores, S.L.P.</li> <li>▪ Auditorum AEC, S.L.P.</li> <li>▪ AEC Auditores, S.L.P.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Baker Levante Audit, S.L.</li> <li>▪ Baker Tilly A&amp;C, S.L.P.</li> <li>▪ Castellà Auditors, S.L.P.</li> </ul>
Baker Tilly Sweden	<ul style="list-style-type: none"> <li>▪ Baker Tilly Ahlgren &amp; Co</li> <li>▪ Baker Tilly Asplunds AB</li> <li>▪ Baker Tilly EMK KB</li> <li>▪ Baker Tilly Halmstad KB</li> <li>▪ Baker Tilly Helsingborg KB</li> <li>▪ Baker Tilly Jönköping</li> <li>▪ Baker Tilly Karnan</li> <li>▪ Baker Tilly Lulea AB</li> <li>▪ Baker Tilly MLT KB</li> <li>▪ Baker Tilly Mapema AB</li> <li>▪ Baker Tilly Saxos KB</li> <li>▪ Baker Tilly SEK AB</li> </ul>	<ul style="list-style-type: none"> <li>▪ Baker Tilly Stint AB</li> <li>▪ Baker Tilly Stockholm KB</li> <li>▪ Baker Tilly Strömstad AB</li> <li>▪ Baker Tilly Swedrev</li> <li>▪ Baker Tilly Sydost AB</li> <li>▪ Baker Tilly Umeå AB</li> <li>▪ Baker Tilly Örebro AB</li> <li>▪ Baker Tilly Östra Värmland AB</li> <li>▪ Adsum Revisorer och Företagskonsulter AB</li> <li>▪ Edlings Revisionsbyrå KB</li> <li>▪ Ernströms Revisionsbyrå, AB</li> <li>▪ Thorell Revision AB</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ahnell &amp; Partner Revisionsbyrå</li> <li>▪ Aktiv Revision I Gavle AB</li> <li>▪ Guide Revision AB</li> <li>▪ Luminor Revision</li> <li>▪ M. Sandbergs Redovisning &amp; Revision AB</li> <li>▪ Mora Revisionsbyrå AB</li> <li>▪ Revisorshuset I Uppsala AB</li> <li>▪ Radek KB</li> <li>▪ Solid Revision</li> <li>▪ Sporröng &amp; Eriksson Revisionsbyrå AB</li> <li>▪ YW Revision AB</li> </ul>

## Contact us



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Baker Tilly Hong Kong Limited is a full-service accounting and advisory firm that offers industry specialised services in assurance, tax and advisory.

At Baker Tilly, we are ready now, for tomorrow's challenges. We believe in the power of great relationships. We lead and listen for great conversations. We channel change into progress for great futures.

### Disclaimers

Baker Tilly Hong Kong Limited trading as Baker Tilly Hong Kong is a member of the global network of Baker Tilly International Limited., the members of which are separate and independent legal entities.

Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. Baker Tilly Hong Kong Limited is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly Hong Kong Limited, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under licence from Baker Tilly International Limited.