

# *PwC Hong Kong and China Forensic Services*

10 December 2017

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# *Practice Overview*

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## *Practice Overview*

Within China, our Forensic Services specialists are located in Hong Kong, Beijing and Shanghai.

Our dedicated Hong Kong and China team is made up of more than 130 specialists including forensic accountants, compliance specialists, forensic technologists, and former law enforcement investigation specialists.

In today's increasingly complex business environment, executives face numerous challenges and risks - often when their companies can least afford to deal with them. Our global Forensic Services group is dedicated to meeting the challenges caused by fraud allegations, financial crimes and other irregularities. Our team of experienced professionals is uniquely positioned to help clients recover lost funds, prevent further economic losses and maintain normal business operations.

# Practice Overview (cont'd)

## Anti-bribery compliance reviews, investigations, and remediation

Our anti-bribery and anti-corruption (ABAC)/FCPA related work includes:

- Pro-active ABAC risk assessment/compliance reviews
- Pro-active ABAC due-diligence reviews as part of M&A
- Implementing ABAC compliance programs, including policy development, training and awareness
- Investigations into potential bribery/corruption matters and follow-up remediation work
- Design and development of compliance monitoring dashboards to identify high risk or outlier payment transactions

## Fraud risk management and fraud prevention

Leveraging our experience on fraud investigations, we can help:

- Review fraud policies and procedures to help you reduce risk, improve process, and ensure compliance with laws and regulations. We can also review acquisition targets, subcontractors, and agents to test for compliance issues or risks
- Identify a company's specific fraud risks, develop and implement controls, procedures and operational changes to mitigate these risks

## Dispute analysis and litigation support

We deliver powerful solutions to complex problems in the corporate litigation marketplace, thereby facilitating our financial advisory and expert witness role.

- Provide an initial assessment of the financial, economic and business merits of a potential claim or defense
- Help with the discovery process
- Prepare and evaluate claims for loss of profits and other damages
- Provide information to assist with settlement negotiations
- Prepare an expert report for use during a dispute
- Prepare reports in response to experts acting for other parties
- Appear in the dispute as an expert witness

## Financial crime examinations

We can help you manage and minimise the threat of corporate crime to achieve improved outcomes:

- Reduce business disruptions, financial losses, and reputational damage
- Identify the perpetrators and uncover actionable evidence
- Trace and retrieve stolen/missing assets as fully as possible
- Recommend and/or implement effective remedial action to forestall future incidents

## Intellectual property and licensing management

How we can support you:

- Assess risks to the licence portfolio
- Develop strategies to manage, monitor and control those portfolios
- Establish compliance programs for licensing, distribution, pricing and other contractual agreements
- Conduct forensic-based royalty examinations
- Conduct commercial reviews of royalty and financial provisions in agreements
- Advise on royalty rates and licensing fees
- Act as expert witnesses



## Corporate Intelligence (CI)

We provide background research into companies and individuals to help you manage regulatory and reputation risks, make better informed decisions, and pursue strategic opportunities with greater confidence.

Our services include:

- Background research on companies and individuals
- Investigation support
- Strategic intelligence in disputes
- FCPA-risk related research into third parties

## Anti-money laundering (AML)

Many organisations are subject to ever increasing anti-money laundering (AML) and financial crime legislation and regulations. Drawing upon our broad range of expertise, we can help you with:

- Regulatory/KYC advisory services
- AML technology
- AML training
- Process improvement services
- Fact-finding and forensic accounting services

## Forensic Technology Solutions (FTS)

With forensic labs in Hong Kong, Shanghai and Beijing, our technology specialists can offer a broad range of services leveraging state of the art technology:

- Digital forensics: forensic data acquisition / preservation, digital forensic analysis, cybercrime response and investigations
- Unstructured data mining: electronic discovery hosting, document management, visual analysis
- Structured data mining: suspicious transactions analysis, fraud indicator assessment, AML
- Software licensing compliance: licensing audits, software asset management
- Expert reports and court testimony

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# *Selected Citations*

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## ***US Foreign Corrupt Practices Act investigations***

- Conducted an FCPA review for the internal legal counsel of a US company operating in China into an internal allegation that the company paid a bribe to win a multi-million dollar contract with a major Chinese state-owned enterprise. The investigation uncovered an e-mail discussing the payment to the SOE and other incriminating evidence that led to the cancellation of the contract.
- Engaged through legal counsel of a US-listed multinational to conduct a forensic review into whistle-blower allegations against the company's China-based Customs Manager. The investigation established that the Customs Manager had engaged a consultant on a retainer of over US\$150,000 per year to help the company resolve issues with Chinese Customs. The consultant helped the firm to avoid various penalties that should have been due, including multi-million RMB fines by Chinese Customs, using opaque methods in a potential breach of the FCPA.
- Engaged by the internal counsel of a US pharmaceuticals company to conduct a forensic review into allegations of fraudulent employee expense claims used to generate slush funds to bribe HCPs. The review identified falsified documentation in support of expense claims – such as counterfeit fapiao, fake credit card slips and home-made meal itemisations – and expenses claimed for non-existent meals and symposiums. One of the salespersons interviewed confessed to having falsified expense claims in order to obtain cash with which to bribe doctors. This led to a major remediation program being instigated by the client in China.
- Developed and implemented enhanced compliance procedures around employee expense claims and anti-bribery for a US pharmaceuticals company in China. The work included developing a risk scoring methodology to evaluate employee expense reports, data analytics to identify high risk expense claimants, and training of the client's finance team. PwC also assisted in the design of a software tool to support expense report analysis and monitoring. As a result, the client strengthened its internal controls around false expense claims and reduced its FCPA risk exposure.

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## ***Listed Company Investigations***

- Retained by Counsel for the independent committee of a Canadian-listed Chinese forestry company, which have been subject to short selling attacks, Ontario Securities Commission enquiries to conduct investigation of allegations of various accounting irregularities.
- Retained by Counsel for the special investigation committee of a US-listed Chinese printing manufacturing company, which have been subject to short selling attack, SEC enquiries and class action law suits to conduct investigation of allegations of revenue and asset manipulation.
- Engaged by the special committee of a NASDAQ-listed Chinese media company with an internal investigation of multiple allegations concerning operating data and transparency in the Company's financial numbers.
- Retained by the Counsel for the Audit Committee of a SEC-registered Chinese chemical manufacturer to provide them with assistance and to conduct certain procedures in support of their investigation into suspicious accounting irregularities that were identified by the company's independent auditor.
- Engaged by the legal counsel for the special investigation committee of a US-listed Chinese company targeted by short-sellers alleging financial statement fraud by management. The review identified issues including questionable bank balances, customers and distribution networks and assets, non-arms length related party transactions, mismatch between financial statements provided to the SEC vs. Chinese authorities.

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## ***Listed Company Investigations (cont'd)***

- Engaged by the legal counsel of a US-listed Chinese company to conduct a forensic review into allegations that management had engaged in fraud and legal non-compliance, including sales round-tripping, undisclosed related party transactions, and using a plant in South East Asia to improperly circumvent US anti-dumping restrictions. The review identified evidence of non-compliance involving the SE Asia plant, sales rounding-tripping in China and non-arms length transactions with a related party.
- Engaged by the legal counsel for the Audit Committee of a US-listed company specialized in nanomaterial manufacturing after its auditor's resignation for several irregularities identified through audit procedures. PwC's review identified evidence of irregularities from electronic documents found on custodians' computers, including templates for printing bank slips and bank statements, electronic versions of customers' and vendors' chops, and electronic versions of invoices.

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*Selected CV's – Hong Kong, Beijing and Shanghai*

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# John Donker

**Partner, Forensic Services (Hong Kong)**

Office: +852 2289 2411  
john.donker@hk.pwc.com

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John is the leader of PricewaterhouseCoopers' Forensic Services practice in China, Hong Kong and in the Asia Pacific Region and is a member of the firms Global Forensic Services Leadership team.

His work involves carrying out forensic fact finding investigations, providing support to clients and their legal advisors involved in dispute or potential dispute situations and advising clients in the areas of regulatory remediation, compliance and fraud/corruption risk mitigation.

## **Relevant Working & Project History**

- John has over 27 years professional experience and has been based in Hong Kong since 1992. He has extensive experience in complex financial investigations, compliance remediation and litigation support including arbitration, major commercial litigation and criminal fraud cases across the Asia Pacific Region. In relation to this investigations work John has been retained by private clients, non executive independent committees and regulatory bodies including the Hong Kong Securities and Futures Commission. In recent years he has been heavily involved in a large number of investigations into allegations of financial statement manipulation in listed companies.
- Over the course of his career he has worked for clients in a broad range of industries and has provided services to leading global clients in Financial Services (insurance, securities brokers, private banking, investment management, investment banking), Private Equity, Pharmaceuticals and medical devices, technology, automotive and manufacturing sectors.
- John coordinates the firms anti-corruption work in Asia and in has been involved in a large number of US Foreign Corrupt Practice Act and international anti-bribery diligence, investigation and remediation assignments in Asia. He is a regular speaker on corruption issues both internally and for clients. John has developed policies and delivered training and presentations in respect of the US Foreign Corrupt Practices Act, UK Bribery Act and other international anti-bribery legislation.

John is a member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and a Certified Fraud Examiner

# Brian McGinley

**Partner, Forensic Services (Hong Kong)**

Office: +852 2289 1871  
brian.mcginley@hk.pwc.com



Drawing on his 18 years of forensic investigations experience including 12 years in Asia Pacific, Brian helps clients across a range of industries in Hong Kong and mainland China which have experienced economic crime. Brian's experience includes anti-corruption due-diligence, investigations into alleged breaches of the US Foreign Corrupt Practices Act, conducting and shadowing 10A investigations, employee fraud, asset misappropriation, and financial statement fraud investigations.

Brian has a particular focus on the pharmaceutical industry in China, but also has significant experience in agricultural, retail, automotive and technology industries. He has worked for a range of corporate clients, regulators and government bodies in China, and also throughout Europe, USA, Latin America and Asia.

## **Relevant Working & Project History**

- Conducted FCPA due diligence reviews for a US PE fund into a PRC medical device company investment, and also an FCPA due diligence review for a US PE fund into a PRC healthcare company investment.
- Led the FCPA compliance review program into a prominent US pharmaceutical company's PRC operations.
- Led a team in conducting reviews of China medical associations on behalf of a major US pharmaceutical company.
- Performed post deal FCPA review on behalf of a major US/PRC joint venture pharmaceutical company.
- Led a team working under the instruction of Legal Counsel to assist a US pharmaceutical company review the sales and marketing activities of PRC personnel.
- Retained as part of a global team to conduct anti-corruption compliance review and remediation projects for a European multinational. The work involved investigation/analysis, controls design, implementation and training design/delivery.
- Assisted a US electronics manufacturer respond to allegations of corruption by senior management of their PRC business.

Brian was formerly with the PricewaterhouseCoopers forensic team in the United Kingdom from 1998, where he assisted clients with financial investigations matters, commercial disputes and regulatory compliance issues. In 2003 Brian moved to the PricewaterhouseCoopers forensic team in Hong Kong and since 2007 has been based in Beijing.

Brian has authored articles and frequently spoken on the risks of fraud in China, and is a fellow of the Chartered Association of Certified Accountants.

# Benjamin Ee

## Director, Forensic Services (Beijing)

Office: +86 10 6533 7708  
benjamin.k.ee@cn.pwc.com



Benjamin Ee is a Director with PwC China/HK and he leads the Forensic Services practice in Beijing. Benjamin, a Singapore Chartered Accountant, has three years of internal audit experience with a Fortune 500 Oil and Gas company and a Singapore-listed transport company. He has an additional fourteen years of consulting experience with the Big Four accounting firms and helped clients in the automotive, pharmaceutical, life science, agricultural and natural resources industries in a number of jurisdictions. He has extensive experience in compliance due-diligence reviews, forensic accounting investigations, US Foreign Corrupt Practices Act (FCPA) and anti-bribery and anti-corruption (ABAC) related reviews and investigations, and internal control reviews. His work has taken him across East Asia, the Middle East, Central Asia, and to the UK and the US.

### Relevant Working & Project History

- Advised independent committees in US, Hong Kong and Singapore listed companies and Singapore Government bureaus in their investigations into alleged financial, operational or employee-related frauds, where the results of the investigations help them to determine the root causes and in their dealings with either the stock exchanges or the media.
- Led several pre-acquisition anti-bribery/corruption compliance reviews, internal FCPA investigations, due diligence reviews and investigations for MNCs. These resulted in the identification of several observations in business partners compliance, transparency in the business transactions and local employees' integration to the compliance program, which enabled multinationals to understand the risks they faced in China and recommended remediation to address the local risks.
- Directed FCPA regulatory investigations for a prominent diversified media group and a medical device MNC in China, leading a team in a review of transactions relating to potential payments to government and/or government officials and working closely with the clients' external counsels. The investigation identified several non-compliant issues and the results were used for submission to the regulators.
- Managed contract dispute projects for MNCs which have ownerships in Joint Ventures with Chinese State-Owned Enterprises. His work involved reviewing the entity's financial statements, corroborating electronically obtained evidence and co-operating with the client's legal counsels to build cases for claims.

Benjamin obtained his Association of Chartered Certified Accountants (ACCA) certification, and is a member of Institute of Singapore Chartered Accountant (ISCA) and Association of Certified Anti-Money Laundering Specialists (ACAMS).

# Antoinette Lau

## Partner, Forensic Services (Shanghai)

Office: +86 21 2323 5533  
antoinette.yy.lau@cn.pwc.com



Originally trained as a Hong Kong CPA and specializing in examination and dispute-related work since 1997, Antoinette gained her extensive grounding in fraud and commercial crime examinations during her time working in Hong Kong's Securities and Futures Commission (SFC) and also in the Independent Commission Against Corruption (ICAC).

Now a Partner in PwC Hong Kong and China, Antoinette's depth of experience means she is well placed to help clients with forensic accounting examinations. She also provides assistance to clients and their legal advisors involved in disputes or potential dispute situations.

In recent years, Antoinette has been involved in many HK and US listed Chinese companies investigations of revenue and asset manipulation, company internal investigation of employee fraud cases and FCPA assignments, including implementation of remediation programs, and delivery of training and compliance reviews.

### Relevant Working & Project History

- Performed forensic accounting work for the ICAC in a case involving alleged laundering of large sums of cash which had been smuggled into Hong Kong from China and received by a money changing company and corrupt dealings of senior bank officers;
- Conducted an anti-money laundering compliance review for a major bank in Hong Kong at the request of Hong Kong Monetary Authority;
- Execution of an investigation of misappropriation of clients' assets by employees in its Taiwanese subsidiary for a global financial institution; and
- Conducted an investigation of fraudulent activities involving irregular trading activities and acts of misconduct for a global financial institution in Hong Kong.

Antoinette is a member of the Hong Kong Institute of Certified Public Accountants and is a Certified Fraud Examiner.

