

ACCOUNTANT PLUS

Eugene Liu



CREATING LIFELONG VALUE

There is more to a successful career than simply rising to the top. It's a combination of helping others, thriving outside of one's comfort zone and a hunger for knowledge and progress. Eugene Liu, Managing Partner and Head of Consulting at RSM Hong Kong, tells **Jeremy Chan** how his life experiences led him to expand the firm's service lines and why the key to adding value is staying flexible

Photography by Calvin Sit

To Eugene Liu, the key to success is the ability to help not just yourself, but anybody you meet in life. Be it colleagues, clients, business partners or friends new and old, having the right knowledge, skill set and interpersonal skills – often accumulated over decades of experience – to come up with practical solutions and to help somebody is, in many ways, a gift. “What I have learned over the last 30 years, is that you have to be a trusted business advisor,” says Liu, Managing Partner and Head of Consulting at RSM Hong Kong, and a member of the Hong Kong Institute of CPAs. At work, he says that this means being versatile. “You have to serve clients not only within the discipline you specialize in, but also have the ability to help with a whole spectrum of tasks.”

Since joining RSM as a partner in 2000, Liu has worked hard to ensure the steady growth of the firm. Over more than two decades, he has assisted in numerous initial public offerings (IPOs), served as a bridge between the firm’s offices in Hong Kong and Mainland China, and expanded its services beyond audit. During this time, he has overseen the formation of in-house teams to deliver specialized service offerings in Mainland China tax, internal audit, risk advisory, and valuation and transaction services.

Staying relevant

As Managing Partner, Liu currently oversees the firm’s operations, corporate strategy, marketing and branding, business development and its client relationships. A large section of this role, he adds, consists of dedicating time to coaching both junior and senior staff members. This, Liu says, is both the most difficult yet rewarding aspect of his everyday duties. “What’s most challenging is helping people – from fresh graduates, to those who have been with the firm for more than a decade – to grow,” notes Liu. “For

those less experienced, I focus on helping them understand how they can do their jobs right, how to work as a team and to also understand certain technical aspects of their field, be it in audit, tax or consulting.”

Senior staff members, meanwhile, benefit from his advice in how to communicate effectively. “By the time they become more senior, there is a need to improve their soft skills,” he explains. This requires him to coach them on the importance of being a better team player and understanding how to speak with those within and also outside the profession. “They have to know how to communicate with the board and also those within the business community,” he adds. Liu explains to senior employees that their roles are, in ways, akin to those of an entrepreneur. “I advise them to start thinking about getting new business, growing the team and developing the firm. This isn’t easy for junior executives to grasp.” But he enjoys mentoring employees and seeing them progress over time. “I enjoy sharing my experiences with them and providing them with direction, especially when it comes to building trust and relationships with clients.”

As Head of Consulting, Liu leads a variety of teams including the firm’s internal audit, transaction and valuation advisory services. “We have a broad client base, which includes both listed and private companies, non-governmental organizations and government divisions,” he says. Many of these teams weren’t around when Liu joined RSM, and were set up to help the mid-tier firm stay competitive by branching out from traditional service offerings. To start, he knew that businesses locally and globally needed more rigid internal controls. “This was around 2004 or 2005, so right after the Enron and WorldCom scandals. Without the right internal controls, a company’s financial statements have a high chance of being cooked.” With this in mind, he conveyed his idea to

leaders at the firm to recruit partner who specializes in internal audit, establishing the firm’s first internal audit team. “Currently, we have around 50 listed companies who use our internal audit services,” he says.

The success of the new service line prompted Liu to explore the potential in having other specialized services. By identifying talent within the firm and recruiting talent externally, he put together the firm’s advisory services in mergers and acquisitions (M&A), transaction support and valuations. The valuation team, which Liu established in 2007, was set up not as its own specialized service offering but to equip its firm’s auditors with skills in the area. “A lot of auditors might have some knowledge in valuations, but they’re not experts,” says Liu. “We saw a need for a valuation team to help these auditors read and understand valuation reports. An in-house team could provide valuable input and help auditors to conduct audit properly. If auditors don’t understand how to interpret those reports, how can they express a proper audit opinion?”

The valuation team grew in size and moved on to providing valuation services to external parties. The skills and knowledge the team acquired also helped them to provide advisory in M&As, adds Liu. “When listed companies have acquisition targets and want to perform financial due diligence, this is another area they are able to help with.”

Diversifying RSM’s service offerings has also aided Liu in his role as Head of China Practice, he sees himself act as a bridge between RSM Hong Kong and its fellow RSM firm in Mainland China. “It’s two-way traffic,” says Liu. “We have clients in Hong Kong who want to invest in Mainland China, and clients there who want to start and develop their business, or list in Hong Kong. Beyond audit, we provide clients with services such as valuation, transfer pricing advisory and pre-IPO advisory.” He also

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As Managing Partner and Head of Consulting at RSM Hong Kong, Eugene Liu oversees the firm's overall operations, business development and dedicates his time to coaching both junior and senior staff members.



recruited a China tax partner to join the firm. The firm's China Practice, Liu adds, is also key to maintaining strong relations with partners across the border. "It's important to have a good relationship with our partners of RSM China. I try to understand their needs and issues, their clients' issues and find ways to help them. This also helps to ensure business opportunities."

Liu is also in charge of the firm's marketing and corporate branding. "This is always an indispensable element of the development of a business," he adds. "As an medium-sized practice, we stand out from peers by investing in digital marketing, making good use of social media platforms, and aligning firm's identity with our Global Executive Office in London."

The power to recognize value

Liu, who is also a Certified Valuation Analyst under the United States' National Association of Certified Valuators and Analysts,

and Hong Kong Chapter Chairman of the International Association of Certified Valuation Specialists, would like to see increased regulation for valuations in Hong Kong. Despite the introduction of the latest edition of the International Valuation Standards (IVS) effective 31 January 2020, Liu says the standards are not enough to hold substandard valuers accountable. "Unlike auditors, valuers aren't registered or regulated by a professional body," he says. Though companies may look into the background and experience of a valuer before engaging them, adds Liu, the lack of regulation has created a melting pot of valuers of differing standards.

Indeed, while property valuations in Hong Kong have to be conducted by certified surveyors under the law, qualifications aren't required for non-property or intangible valuations, such as brand names, enterprise values or intellectual property. "Some valuers claim to be performing

a valuation following a certain standard, but some wouldn't even say anything before issuing a report. There are some valuers working independently, part-time without the backing of a firm. They might even take on jobs with listed companies."

One way companies or firms can consider adding credibility to its valuation services is by having the right data to back up a valuation report. Liu says the firm made a decision more than a decade ago on to subscribe to leading database services that provide the team with accurate, real-time information on listed companies. "Databases, such as ones by Bloomberg or Moody's, provide us information on a company's beta or volatility, risk-free rate and risk premium," Liu elaborates. "As valuers, we have to properly quote the source of data we use in our valuation reports. So this data is key to put on a valuation model to make it convincing – without this subscription, our reports wouldn't be credible at all." The subscription, which Liu says



Liu has a degree in Commerce and Accounting at the University of Manitoba in Canada and an MBA in Finance and Marketing at the University of Oregon in the United States. He worked at Arthur Andersen & Co. and PwC before joining RSM.

comes at a hefty annual fee, is a valuable investment. “It isn’t cheap, but we’re committed to having this data to work with when doing valuations. If you want to do things right, you have to do so at the very beginning.” The tool so far has aided the audit and valuation team. “We now have the right data to cross-check rates and percentages with for discount rates, incremental borrowing rates, expected credit losses in both equity and credit valuations, and for purposes such as financial reporting, transaction pricing, legal disputes and tax related valuations, which puts us all at ease,” says Liu.

While the new valuation standards are a step in the right direction, Liu believes the high price of such data services, coupled with the city’s current regulations, will likely continue to pose challenges for valuers in the industry. “These international standards still aren’t mandatory, so valuers can choose whether to use them or not. Valuation reports often don’t indicate which standards they

have used,” he says, adding that, ultimately, more stringent measures are needed to address this gap. “A valuer should one day be required to fulfil continuing professional development hours, the same way a CPA has to.”

Come full circle

Born and raised in Hong Kong, Liu attained his Bachelor’s degree in Commerce and Accounting at the University of Manitoba in Canada. He then went on to pursue a Master of Business Administration degree in Finance and Marketing at the University of Oregon in the United States before starting his career at Arthur Andersen & Co. in 1988, where he stayed for close to a decade. There, Liu built his skills as a budding accountant through each audit engagement and IPO. But what Liu considers to be most memorable was the chance to hone his skills across the border. Shortly before being promoted to audit manager, Liu, along with a few of his colleagues, was presented with the option to be seconded to Beijing

following the opening of the firm’s audit practice in Mainland China. Young and curious, he immediately jumped at the opportunity. “I think this was around 1993. They were one of the few firms licensed to perform audits in Mainland China back in the day,” recalls Liu, who spent roughly two years there.

Though days and nights were busy, whenever it was time to eat, he took the time to explore the city and fell in love with the diversity of cuisine, particularly spicy food from regions such as Sichuan and Hunan.

Even after being reposted back in Hong Kong, Liu continued to take on as many assignments as possible across the border. “China was developing quickly during the early 1990s. The country was keen to see how the capital markets would grow and how foreign investors could help the economy,” he adds. Through each engagement and his experience travelling around the country, Liu was inspired by the sheer size of the nation and the opportunities that were available. In retrospect, he notes the establishment of RSM’s

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China Practice was inspired by his time spent living and working in Mainland.

Liu then joined PwC, then Coopers & Lybrand, in late 1997, where he worked for two years. “I joined right before they merged in 1998,” he says. Though it was a solid experience, Liu, who made audit partner after the merger, found himself wanting to help with more company listings.

Liu brought his skills to join RSM at the turn of the millennium. He was intent on helping the firm – also relatively new to taking companies public – with his IPO experience from his Arthur Andersen and PwC days. “They were still new to dealing with the capital market, so their services were mainly consisted of audit at the time,” he says. Liu, who has since helped the firm with over 20 listings since joining, regards one particularly memorable IPO as a personal milestone. “I helped with the firm’s first Japanese IPO in Hong Kong,” he adds. In 2012, Liu and his team helped to take Dynam Japan Holdings Co., Ltd., an operator of Japan’s *Pachinko* or mechanical pinball-based arcade game halls, public. The IPO raised HK\$1.57 billion following its debut on the Hong Kong Stock Exchange and made the organization the first ever Japanese private company to list in the city.

As Liu reflects on how the firm has grown and diversified its service offerings, particularly in the last two decades since he joined, he feels a great deal of satisfaction and is determined to continue driving its growth in Hong Kong and in Mainland China. “I feel like everything has come full circle,” he says, hinting at how his experiences over the years laid the groundwork for the development both at the firm, and for him as an accountant and a trusted business advisor.

While he says attaining the CPA qualification is an important stepping stone in any accountant’s career, he urges young CPAs to further pick up skills and knowledge in specialisms both within and

beyond the profession, with the aim of becoming truly all-rounded professionals. “It’s a natural tendency for people to only focus on their expertise,” adds Liu. “An accounting student might only touch upon the subject in general, but when he or she enters the profession, they become exposed to different aspects of the accounting world such as audit, tax, M&A, IPOs, valuation and internal controls.” Indeed, Liu spent much of his career carefully observing how professionals across different disciplines carry themselves and add value to both projects and meetings, and learning as much as he could through communicating with them. “Over the last 30 years of my career, I’ve been trying to transform myself from a specialist to become somewhat of a generalist or an all-rounder – it’s good practice to keep learning from other people, as learning is a lifelong process.”

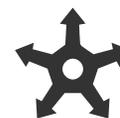
A zest for life

Liu’s dedication to helping others extends outside work as he devotes his free time to volunteer work. He is currently a Council Member of the Hong Kong Federation of Youth Groups, one of the largest non-governmental youth service organizations in Hong Kong tasked with helping young people in their development in different areas. Using his accounting expertise, Liu also serves on its Audit Committee and Investment Task Group. “With my interest and business consulting background, we hold training sessions, clinics and seminars in subjects such as entrepreneurship and starting one’s business,” he says. “These organizations always tell us how appreciative they are of accountants using their expertise to help.”

He is also a member of the Hang Seng University of Hong Kong’s Fundraising and Donation Committee. Using his network, he recently connected the university and a listed company to arrange scholarships for first-generation university students. “These are students who are the first people

in their families to ever attend university,” explains Liu, adding that he is also a first-generation university student himself. “I decided to meet with the chief executive of the company for breakfast, and afterwards, he was more than willing to consider my proposal.” Liu feels humbled and wants to continue helping people in any way possible. “I find volunteer work to be extremely worthwhile. It’s a great way to give back, especially to the young people of Hong Kong.”

Liu’s other passion is food – in particular, spicy food. Bent on revisiting all the savoury dishes he tried during his younger years in China, Liu set up an informal group of spicy food enthusiasts comprised of colleagues, friends, business partners, clients and just about anybody he knew who shared his zeal for all things numbingly hot. “Back in 2014, I came up with this crazy idea. I thought to myself, why not gather everyone I know who loves spicy food for regular dinners? I always found it hard to enjoy a spicy meal at a table with those who couldn’t stand it,” laughs Liu. “So every time I meet someone new at work or outside work, I ask if they like spicy food. If they do, I ask if they want to join our WhatsApp group.” Some of Liu’s must-haves include *kou shui ji* (口水雞) or Sichuan-style poached chicken in red chili oil, *shui zhu yu* (水煮魚) or Sichuan boiled fish in chilies and *la jiao yu tou* (辣椒魚頭), a Hunan-style dish made of steamed fish head with chilies. Liu unwinds by eating his favourite food at different Chinese restaurants around the city, and also appreciates getting to know those he would normally see in a professional setting enjoy food that he isn’t even allowed to have at home. “My wife and son don’t eat spicy food at all – but I always have a small plate of chili sauce by my side,” he says. “That’s what I love – getting out of routine, eating with friends and talking about anything from life to work. There is just so much to learn from different people.”



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