

# PREPARING FOR COVID-19

## CASE STUDIES

### CASE STUDIES FROM MEMBERS MANAGING THROUGH COVID-19

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Focusing on managing cash flow, refocusing business strategies and investing in technology, [ShineWing Hong Kong](#) has adopted a number of practical measures to overcome the challenges of COVID-19.

#### IMPROVING CASH FLOW

While the negative impact of COVID-19 has been significant, Roy Lo, Managing Partner of accounting firm ShineWing in Hong Kong expeditiously implemented a series of strategies to mitigate the effects of COVID-19 on the practice's cash flow including:

- **Deferring rental payment** – Lo stated that in difficult times, it is important to focus on cutting operating expenses such as rent. As a result, he successfully negotiated with the firm's landlord to defer part of their rent.
- **Obtaining a temporary credit line** – Lo started to seek a temporary credit line from banks as early as possible to address potential short-term cash flow issues. To ensure that the application process is smooth and timely, Lo suggests maintaining a healthy rapport with lenders, including demonstrating a strong and credible debtors balance.

## RESTRUCTURING BUSINESS MODELS

Lo forecasts that COVID-19 will lead to a significant drop in initial public offering (IPO) activities in Hong Kong. As providing IPO services is one of ShineWing Hong Kong's principle business activities, Lo is implementing the following changes to reduce the impact this fall in activity will have on the practice:

- **Restructuring main business services** – ShineWing Hong Kong has shifted resources towards supporting clients with restructuring deals, liquidations and sales of distressed asset. Lo noted further that during tough times demand for advice around downsizing, reducing non-core activities and cost management typically increase, creating business opportunities.
- **Upskilling staff** – As a result of shifting the focus on service offerings from the firm, ShineWing Hong Kong has invested in upskilling their staff to help them perform in different roles and capacities.

## WORKING FROM HOME

In February, many practice staff worked from home. While this arrangement was challenging to the business at first, performance began to return to normal levels in early March as offices in Mainland China gradually recommenced work.

Further, ShineWing Hong Kong has adapted to the new working arrangement by increasing their usage of online platforms to communicate and share information with staff in different locations.

Lo further stated that COVID-19 could bring about a permanent change in the working culture for the audit profession with the increase in the sharing of information between the client and auditor via digital platforms.

## INVESTING IN TECHNOLOGY AND SKILLS

COVID-19 has accelerated the use of digital technologies by business and consumers. In response, ShineWing Hong Kong sees it as essential to continue their planned investments in technology while other investments may be delayed or cancelled.

Lo noted it is imperative for businesses to move with the market and continue to invest in technology regardless of the current business environment.

Consequently, Lo will also be looking to recruit more staff with strong knowledge of information technology, financial technology or cybersecurity, as well as soft skills that are easily transferable from one type of work to another. Lo stated that ShineWing Hong Kong is considering changing its graduate recruitment process to seek more graduates from financial technology or information technology disciplines.

## INDUSTRY OUTLOOK

With the above measures in place, Lo remains optimistic for ShineWing Hong Kong and believes the market will recover. However, he noted that one of the lessons from this crisis is that businesses will need to review and transform their business strategies to meet the needs of customers.

Businesses adversely affected by COVID-19 will need to focus on liquidity issues to maintain the business as a going concern. As a result, Lo envisages there will be more restructuring exercises by business, creating opportunities for the firm. ShineWing's auditors are having an especially strong focus on the clients' going concern assumptions as well.

## THINKING OUTSIDE THE BOX

While fewer staff are working in offices, Lo does not see the need to reduce office space. In fact, he believes that office space could be repurposed for different functions such as converting to leisure areas for staff, creating more co-working spaces and multi-function rooms.