

PLUS

- Raphael Ding, the Institute's new CE
- Andrew Wan, the SFC's CFO
- Accountants go to work in China

DRIVING BUSINESS SUCCESS

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HONG KONG'S ART BOOM



ART

PHOTO: COLIN BEEBE



BOOM



Once disparaged as a cultural desert, Hong Kong now has one of the hottest arts scenes in Asia and accountants are playing an important role. **Heda Bayron** reports



Previous page: "Quantity has a Quality in Itself" by Douglas Young, founder of Hong Kong brand Goods of Desire, on exhibition at ART HK 12.

Above: "City Landscape" by Danny Lee Chin-fai exhibited at the Hong Kong Arts Centre.

Below: "Monument: Reproduction of Vitalization 2" by Mok Yat-san displayed at the Hong Kong Arts Centre.

Opposite: "Blue Chrysanthemums in a Glass Vase" by Sanyu sold for HK\$47.7 million on 26 May at Christie's.



PHOTOS: HAROLD WONG

When Sotheby's opened a 1,400 square-metre gallery on the fifth floor of One Pacific Place in May, Hong Kong art aficionados were treated to landscapes by the French Impressionist master Claude Monet and vibrant contemporary works by Japanese artist Yayoi Kusama including a giant yellow and black pumpkin.

Having this range of art under one roof in Hong Kong 10 years ago would have been unthinkable. But thanks to growing Chinese wealth, the city has become an unlikely arts Mecca.

Art and other collectibles have become the new status symbols for the Chinese elite, and tax-friendly Hong Kong has become their hunting ground.

The art boom is nowhere more evident than in auctions. Last year, Sotheby's sales in the city exceeded US\$1 billion – the first time the auction house reached that high mark in Asia – while Christie's raked in US\$835.7 million, up 16 percent from the previous year.

Henry Li, senior director of finance at Sotheby's and a member of the Hong Kong Institute of CPAs, says the art business has

changed rapidly. "Sotheby's has been expanding in Asia in the past few years, particularly in Hong Kong. For example, we have grown into three new categories – Asian contemporary art, 20th century Chinese art, and wines – in the past five years and we have opened a new gallery," he says.

Li joined Sotheby's 14 years ago, with no background in art and the auction business. "I was fascinated not only by the art objects but also by the people who I worked with soon after I joined," he says. "People work here mostly because of their passion for the arts."

Institute members' fascination for the arts extends beyond the corporate world. Amy Choi, an internal audit officer at the government's Leisure and Cultural Services Department, also stumbled into art. After completing the Institute's QP, she thought of joining the commercial sector, but was offered a job with the department, which manages Hong Kong's public museums such as the Heritage Museum, which is now displaying the work of Pablo Picasso until 22 July.

Her job has given her a privileged look into the art world she never would have seen as an ordinary visitor. "One of my duties is checking the collections in museums," she says.



“You can closely see the collections in detail and have an understanding about how they should be preserved.”

Mission impossible

While artists and curators focus on the masterpieces, CPAs play an indispensable role behind the scenes, making sure that auctions and exhibitions are successful. Behind the buzz of an auction, for example, are accountants who think about and execute the details well in advance. “Art auction is a constantly changing business,” says Li. “There may be different plans or issues for each auction or private sale. It is important that all requirements under corporate governance and compliance policies have been properly followed.”

Artworks on sale, which are consigned to the auction house, must be covered by insurance and the paperwork to bring them to Hong Kong must be in order. Most importantly, consignors—the auction house’s valued clients—must get paid on time. When winning bidders fail to pay for the artwork, major auction houses don’t hesitate to take legal action.

For some CPAs, working in an arts institution means becoming a teacher as well. Alex Wong, finance and administration director at

the Hong Kong Arts Centre, a non-profit organization that promotes contemporary arts in the community and provides professional arts education, teaches artists about funding and finance – areas important to their future but which they often have a hard time grasping.

“Most artists and art staff don’t know how to communicate when they have projects involving a commercial sponsor, for example,” says Wong, who is an Institute member. He says that when emerging artists apply for funding, they often don’t know how to make proposals and how to make a financial analysis to show that their projects are viable.

As a CPA and with his corporate experience, Wong helps artists affiliated with the Arts Centre to meet those requirements. “We want to give them all the supporting services to let artists and corporate sponsors work all together,” he says. His greatest satisfaction comes from seeing their works in an exhibition or when the artists under his tutelage receive awards and accolades.

Shirley Cheng, finance manager of the Hong Kong Arts Development Council and an Institute member, says an accountant in an arts institution is a mentor to colleagues who don’t have a firm grasp of the financial

side of art. The Hong Kong Arts Development Council provides grants to local artists to pursue their craft, whether visual or performing. “People around you hate figures and they are mostly creative rather than disciplined. You talk to them about corporate governance, it could be mission impossible,” says Cheng.

“An accountant in an arts institution should have the extra patience and even creativity to help your artist colleagues to understand that better financial management and corporate governance allows room for the art institution to grow,” she adds.

Choi at the Leisure and Cultural Services Department says the challenge is how to communicate with artists to balance between commercial considerations such as controlling costs and revenue generation, and non-commercial aspects such as the benefits for art development, which often cannot be numerically measured.

The Arts Development Council has appointed a number of accountants to audit grantees every year on how they used funding, using Hong Kong Standard on Related Services 4400. HLB Hodgson Impey Cheng has worked with the council since 1999, as one of the first auditors appointed to work



with grantees, to help develop standardized reporting.

“It’s not big figures,” says Raymond Cheng, managing director at the firm and an Institute member. “We’re not talking about complicated accounting issues. But the problem is the mindset, converting artistic minds into accounting minds is a long process.”

Becoming Picasso

The art business can be fickle. Demand for art objects waxes and wanes according to economic cycles, with healthy economic times coinciding with record art sales.

“Opportunities and challenges will always come along no matter how the business is doing,” says Teresa Wong, Asia head of finance at Christie’s and an Institute member. “It is much more important [to focus] on how quickly we react and how to react. In the boom period, there are lots of opportunities that the business would like to go ahead with or explore.”

Some worry that a slowing Chinese economy will cool Hong Kong’s art market. However, according to Sotheby’s, although there was less demand from mainland Chinese buyers this spring, Hong Kong, Singa-

porean and Taiwanese collectors remain enthusiastic.

“As the key person in finance, we of course would like those opportunities to drive the business to the next level of growth but, at the same time, the challenge is to monitor and think well ahead how growth can be sustained if we are in the slow period,” Wong adds.

During a slowdown, cost management is especially difficult for the non-profit sector. When companies tighten their belts, artists and institutions reliant on corporate grants feel the pinch.

“If you work in the commercial field, you focus on profit,” says the Art Centre’s Wong, “Even though we have a loss, we must go on because it is our mission. If the project is good for the community, we’ll try our best to find another route to funding.”

For personal growth, Wong of Christie’s finds inspiration in work of Picasso, the Spanish painter. “I think the characteristics of Picasso’s works might best illustrate how a CPA should be,” she says. “His styles changed as he met new people or came into contact with new ideas and experiences, different ways of expressing himself. We, as

CPAs, should have the same mindset, stay close to the business, look around for challenges and explore new ideas and experiences, seeking new ways to handle those challenges.”

As Hong Kong’s art scene becomes busier, competition is also becoming fiercer, but opportunities for accountants are keeping up with the increase in galleries, museums and art fairs that are soon to rise at the West Kowloon Cultural District.

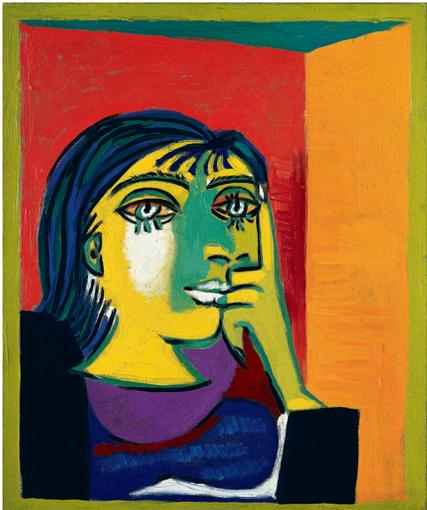
Already galleries, museums and art institutions are chasing after prized artists and collections. The yet-to-be-built M+ (scheduled to open in 2017) scored a coup in June with a big donation from Swiss collector Uli Sigg, one of the world’s pre-eminent collectors of Chinese contemporary art. The collection of about 1,500 works is estimated to be worth about US\$165 million.

And on 23 May 2013, one of the most anticipated art shows in the world, Art Basel, expands from locations in Basel and Miami Beach to open its inaugural fair in Hong Kong, attracting an estimated 250 galleries from around the world.

The erstwhile cultural desert has bloomed into the darling of the art world. **A**



PHOTO: SOTHEBY'S



Left: "Modern masters series, Corot to Monet – French landscape painting in the 19th and 20th centuries" held in Hong Kong by Sotheby's.

Above: "Portrait de Dora Maar" by Pablo Picasso on exhibition at the Hong Kong Heritage Museum.

Creative DNA: Accountants as artists and collectors

If there's anything that the Hong Kong art market is proving, it's that CPAs have creative DNA too. For some CPAs working in the art world, their work stems from an interest in the arts.

Alex Wong of the Arts Centre used to paint, and when he was 12 years old he won a competition organized by the Urban Council and had his work exhibited at City Hall. "I'm really interested in the arts," he says. "But after I went to secondary school, I didn't have more art classes in school, and I didn't paint anymore."

Chris Hall, an Institute member and president of the Oriental Ceramics Society,

became fascinated with Chinese fabrics in 1978 as a young accountant on a paltry HK\$4,500 monthly salary. He now has one of the world's largest private collections of antique Chinese textiles.

Some of his collections are on long-term loan at the Asian Civilizations Mu-

"If you're a CPA who really loves the arts, working in this field will enrich your life."

seum in Singapore and the National Silk Museum in Hangzhou. "As a collector, you are permanently in debt," he jokes. He says being a CPA helped him manage his cashflow wisely.

Hall says he thinks Chinese people

will keep seeking Chinese treasures that have found their way out of China. "The Chinese have been collecting antiques for hundreds of years and it's very much part of their culture. There are fewer antiques in China now after the country suffered so many disruptions," he says.

Shirley Cheng of the Hong Kong Arts Development Council doesn't want to call herself an artist, but she has been practising Chinese ink painting and photography. Working with the Hong Kong-born international painter and writer Chui Tze-hung, she has had her photographs published in a magazine in China.

"Working in an arts-related institution enables you to be more informed about the arts and have more opportunities in feeling the artistic atmosphere even when you are at work," she says. "If you're a CPA who really loves the arts, working in this field will enrich your life."