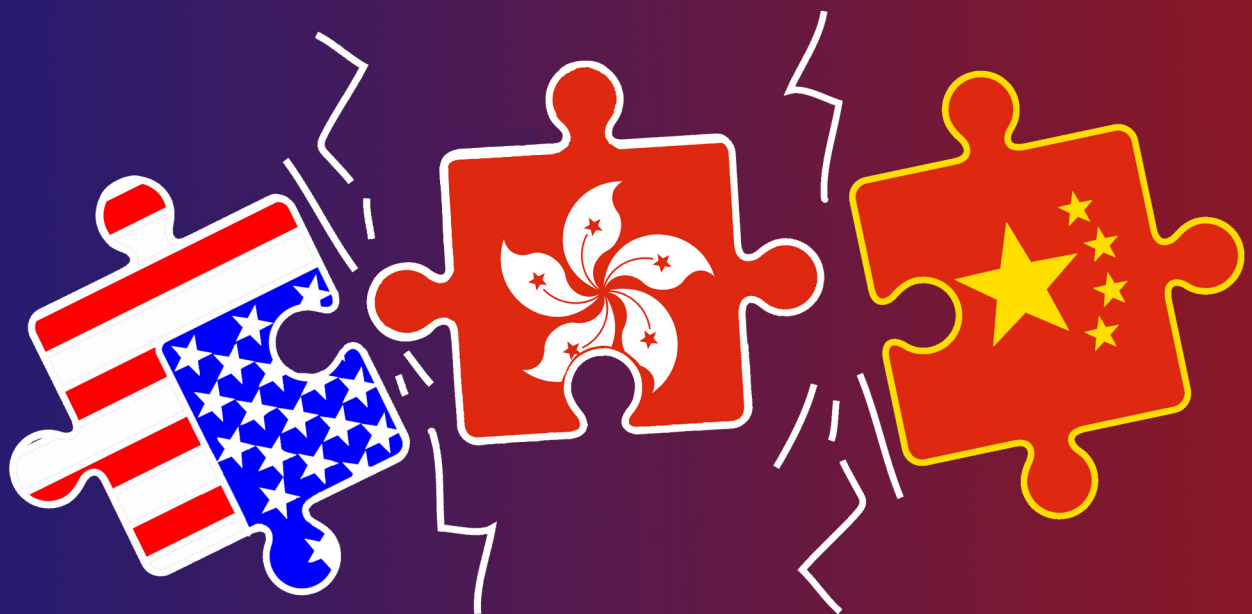


BIZ

Newsletter Issue 15
December 2020



*Hong Kong: Battleground
between China and America*



香港恒生大學
THE HANG SENG UNIVERSITY
OF HONG KONG



School of Business
The Hang Seng University of Hong Kong

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The Year of the Rat!!!

In preparing for the year of the rat, I decided to take a small vacation for a few days at the Royal Plaza Hotel in Mongkok. It's been an old favourite of mine for many years since I used to travel from the UK and stay there typically 3 to 4 times per year for about a decade prior to me living in HK. Upon arrival this time, the atmosphere was rather subdued, as staff began to talk about a new virus and several began to wear masks. As I relaxed in the club floor lounge and enjoyed the great food and drinks, I never realised that it would be my last stay at this hotel for a very long time to come. I was always intrigued by the year of the rat, and fond in a special way, as it was my mother-in-law who always reminded me that she was the first animal to see Buddha. I still remember her talking to me about this and she was so proud. However, on this occasion, unfortunately I will be happy for the year to end. The Covid has caused major trauma for everyone and each time we seem to see light at the end of the tunnel, something else comes by to block our escape.

This year has been very tough for all and we have not had the chance to take proper vacation or visit our friends and family in other cities outside Hong Kong. I don't know about a lock down, but it feels like a lock in. I can see that everyone in the School of Business has rallied on to support one another. I personally thank you all for your kindness, resilience, great effort and fantastic teamwork in coming together to support one another. I know that I am not alone in feeling some degree

of depression over this period, and I find strength knowing that we have each other for comfort and we must continue to battle on to further encourage everyone.

We have weathered the storm and there is good news. For example, we now have over 3,500 undergraduates. This is truly amazing and reflects on our hard work and determination to serve our students. Your excellent teaching is getting noticed and it makes me proud of you in seeing such growth from around 2,800 students just a few years ago. We're now one of Hong Kong's most popular Business Schools thanks to your great work. We've also submitted our AACSB initial self evaluation report and once again I thank everyone for their input, particularly in terms of helping shape the assurance of learning.

Conference as part of their assessment and the students were wonderful. I encouraged four of our students to work with faculty members to improve their work and submit to a Special Issue of the Hang Seng University Business Review. These students also successfully presented at the Academy of International Business South East Asia Regional Chapter conference in December. I also wish to thank all our faculty members for submitting their papers to the conference. Our school had around 40 of the 130 papers. For those presenting, we have now joined you in the AIB, so you should be receiving regular copies of the Journal of International Business Studies from now on.

Finally, I would like to wish everyone the best of luck for 2021 and I hope it will bring us



In the summer I was lucky enough to teach a delightful group of students, from years 1-4, many of whom were studying on different programmes within the school. I present a picture with a small group of them that made presentations in the final week. I ran a Global Marketing

health and happiness. Thank you all once again for your great support and help. Without you all, I would not enjoy coming into work every day and trying my best to serve you. Please remain healthy and do come and see me if I can be of any help in the future!!

Evaluating the Impacts of the Trade War between China and the United States

Authors: Dr James CHEONG, Associate Professor of Department of Economics and Finance, HSUHK
Dr David CHUI, Head of Department of Economics and Finance, HSUHK

The process of globalization has accelerated in the last few decades with more and more countries opening up for international investment and trade. The business sectors and the consumers in the U.S. are the winners in this process. However, one can always find winners and losers for every economic policy. One major concern in the U.S. is the increase in unemployment as imported manufacturing goods from the developing countries have caused the decline in the number of jobs offered by the manufacturing sectors in the U.S.

The resentment among the populace has affected the politics in the U.S. government. Given that China is the largest exporter of manufacturing products, therefore, the U.S. government has taken steps to reduce reliance on Chinese products by imposing new tariffs. The rationale behind these measures is to reduce imports from overseas and promote investment in the manufacturing sectors in the U.S., thereby increasing the income of the U.S. workers and making America great again. Unfortunately, this will no doubt intensify the trade war between China and the U.S.

A recent study¹ in HSUHK Business Review reported an analysis on the impacts of an intensification of trade war on the economy of the U.S. The study was based on Computable General Equilibrium (CGE) model, a well known economic analytical tool for analyzing the impacts of changes in government policies, consumers' preference and any socioeconomic shocks on the economy.

The study simulates the potential impact based on a reduction of the total exporting volume from China to the U.S. with two specific scenarios: (a) U.S. reduces the imports of light manufacturing goods and heavy manufacturing goods by 10% and (b) US reduces the imports by 25%. The corresponding simulation results are shown below:

Table 1 Changes in Major Economic Indicators

Real GDP Change (%)	10%	25%
U.S.	-3.218	-8.027
Hong Kong SAR	-0.002	-0.004
China	0.068	0.19
Real Output Change (%)	10%	25%
Agriculture and Food	-1.79	-4.95
Extraction	-1.17	-3.86
Light Manufacturing Products	-1.52	-4.57
Heavy Manufacturing Products	-1.46	-4.4
Transportation and Trade	-2.13	-5.73
Business and Finance	-4.92	-11.63
Other Services	-3.56	-8.6
Utility	-1.04	-3.05
Capital Goods (Investment)	-13.49	-37.85
Demand change (%)	10%	25%
Low-skilled Labor	2.88	4.16
Skilled Labor	-9.42	-20.61
Wage Change (%)	10%	25%
Low-skilled Labor	-9.897	-22.05
Skilled Labor	-0.211	-3.061
Welfare Change (US\$ million, at 2014 price)	10%	25%
U.S.	-615190	-1528127

¹ This is an abstract of the research paper entitled "The Impacts of the Trade War between China and the United States: A Perspective from the Computable General Equilibrium Model"



The results are of interest and a little counter-intuitive. The intended outcomes are expected to reduce the reliance on imports from China so that more factories would move back to the U.S., thereby increasing investment and the income levels of the low-skilled workers. However, the findings show otherwise. The reason is that if the producers would like to move back to the U.S. and start production there, in order to remain to be competitive, they can only offer a wage level which is much lower than the existing one in the U.S. This would lead to a fall in overall wage level across the U.S. Moreover, it is worth

mentioning that intermediate goods are always required in the production processes. Therefore, the producers in the U.S. would also need to purchase intermediate goods for a much higher price if they could not purchase them from China, thereby lowering profits. All of these would reduce the welfare and income of the households in the U.S. The decline in wage for the workers and the fall in profit for the producers implies that the people would be poorer than before. Consumers would then reduce their consumption because they cannot afford it. Therefore, there would be a sharp decline in the price levels

of different goods in almost all the sectors. The reduction in household's income would also reduce saving and therefore, investment would drop by a large extent as well.

In summary, the policies of restricting trade with China cannot help the U.S. in reviving the economy. On the contrary, the introduction of these policies would exert adverse impacts on its economy instead. The reduction in the profits made by the producers, the decline in income earned by the households, and the shrinkage in investment made by the investors would lead to widespread unemployment in many sectors. Actually, only a small portion of the low-skilled workers may benefit from these policies, and a lot more workers may face the issue of unemployment, especially, for those skilled labor. However, even though one can find a job, the wage level would be much lower than the existing one.

In fact, it is impossible to promote economic growth by increasing the number of low-skilled production line workers in a developed country. Actually, the proper way in reviving the economy for the U.S. is to allocate resources to provide training to the low-skilled workers so that they can be transformed into skilled labor. It is unwise to boost the number of low-skilled workers in a developed country and try to compete with the developing countries in low-skilled production activities which the developed countries just do not have any chance to win due to the huge wage difference.

The Geo-political Conflict between the U.S. and China

Author: Dr Thomas LEUNG, Associate Dean of School of Business and
Associate Professor of Department of Marketing, HSUHK

Introduction

In 2002, the Sarbanes-Oxley Act (SOX) was enacted as a reaction to major corporate and accounting scandals in the U.S. Those problematic firms were big, including Enron, WorldCom, Tyco International, Adelphia, Peregrine Systems, just to name a few. SOX covered the Board of Directors' responsibilities with additional criminal penalties for misconduct, and obliged the Securities and Exchange Commission (SEC) to create regulations to define how public corporations are to comply with the law (SARBANES-OXLEY ACT, 2002). SEC also established a quasi-public agency, the Public Company Accounting Oversight Board (PCAOB), which is charged with the responsibilities of overseeing, regulating, inspecting, and disciplining accounting firms in their roles as auditors of public companies, increased the oversight role of boards of directors and the independence of the outside auditors who review the accuracy of corporate financial statements (Kimmel, Weygandt, and Kieso 2011).

Nevertheless, China-based accounting firms that audit the US-listed Chinese companies have long refused to allow the PCAOB to inspect their audit papers, as is required by the Sarbanes-Oxley Act. These firms, which normally include the Chinese branches of the Big Four accounting firms, have argued that the production of audit papers would violate the Chinese law which is safe-guided by the China Securities Regulatory Commission (CSRC) prohibiting anyone from providing documents and materials related to securities business activities to overseas regulators. As a response to this long-standing loophole, the Senate approved the "Holding Foreign Companies Accountable Act" in May 2020 (Cohen and Davison 2020). Simply put, if a Chinese company fails to meet the requirements of this Act, this company can be forced to delist from the American financial community.

While the accounting firms are supposed to be independent from the Chinese firms listed in America when they do the auditing jobs for these

companies, they now have to act together with the Chinese firms to ensure the audit papers delivered to the SEC on the one hand and ensure that they do not violate the relevant Chinese law at the same time. This is an impossible mission and only presents the worse scenario to the American investors, that is, the Chinese companies listed in America need to pack up their luggage and return home before the three-year grace period ends in 2023!

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Cohen, J. and Davison, D. (2020). Chinese Companies face new US listing Challenges. Corporate Secretary, downloaded from Chinese companies face new US listing challenges | Corporate Secretary on Dec 5, 2020.
Barrett, E., Xu Elegant, N., and Shen, L. (2020: June 26). The U.S. clampdown on Chinese companies in an unexpected windfall for Hong Kong. Fortune, downloaded from <https://fortune.com/2020/06/26/us-chinese-companies-secondary-listing-hong-kong/> on 8 Dec 2020.



The Hong Kong Stock Exchange: welcome home!

If returning home is a definitive task, the issue of “how” to go back home is both an “art” as well as a “science” consideration. The art is to avoid hurting the enthusiasm of the American investors on the sexy growth stories in the Chinese market while maintaining the capital flow and the capitalization of these Chinese companies is a matter of science.

Thanks to a regulation introduced by the Hong Kong Stock Exchange (HKEX) in May 2020, secondary listing companies can be included in the local benchmark Hang Seng Index (HSI) (Yiu 2020). Such inclusion is a prerequisite for trading on the Hong Kong-Shenzhen and Hong Kong-Shanghai Stock connect schemes-agreements between the cities; bourses that allow international and mainland investors to trade in each other’s markets, meaning Hong Kong-listed companies get access to cash flows from the mainland (Barrett, Xu Elegant and Shen 2020).

So far, e-commerce retailers, Alibaba and JD.com and gaming company NetEase finished the process of a second listing in Hong Kong and have raised a total capital of US\$ 17.6 billion. A UBS analyst also mentioned that some 42 US-listed Chinese companies, known colloquially as concept stocks, would be eligible for a secondary offering in Hong Kong as Washington keeps the pressure on nailing down regulations governing foreign companies looking to float their stocks in America. These Chinese companies are worth 46 percent of the combined market cap of all concept

stocks in the U.S. (Chen and Zhou 2020).

If the American government insists on delisting the Chinese firms after the grace period, the Chinese companies may, of course, return the monies to the investors before their delisting happening there. Nevertheless, a more viable option for these Chinese companies is to offer an option of swapping their stock for an equivalent stake issued in Hong Kong. This will transfer more than one trillion US dollar into the Hong Kong Stock market which accounts for three percent of the U.S.’s total equity market cap (Barrett, Xu Elegant and Shen 2020; Cohen and Davison 2020).

A compromise



Up to this point, all game theorists would propose a compromise, that is, the SEC in America and the CSRC in China would sit down and negotiate a compromise to solve the geopolitical conflicts between the two countries.

Alumni Sharing

Greetings to all HSUHK students and alumni! It is my honour to share some of my thoughts here with all of you. I am Elaine Shiu, a serial entrepreneur in fashion jewellery, travel industry as well as pet technology. I have received numerous international awards for incorporating innovation approaches in my ventures and for my achievements. These awards include Hong Kong Outstanding Young Entrepreneur, Hong Kong Cultural and Creative Industry Awards, Asia Pacific Entrepreneur Award etc.

I started my first business while studying BBA (MKT) year 2 in HSUHK. During that time, starting your own business as a student was not a norm and I would even say that it was a rarity. However, I decided to go for it anyway while studying full time. It was not easy to manage time at the beginning and not easy when most of the professors, my parents as well as friends were against my decision to start my own business while studying full time. I have a motto. "Winners never quit and quitters never win. If you have a dream, follow it, do it and achieve it. You don't want to be full of regret in the future for not having tried." It has been almost 9 years and I am grateful for the decision I made and that it has turned out the way that it has.

There were and continue to be a lot of challenges during my start-up journey, especially in 2020. The retail business as well as the travel industry have been heavily hit under COVID-19. However, I believe that we have the "Lion Rock" spirit as Hongkongers. No

matter how difficult the situation is, we should keep striving towards our goal. Also, there is a Chinese saying which translates to "crisis creates opportunities." and we can always find a way out as another door will always open up when one door is closed.

Last but not least, I have been asked by many students on how to be a successful entrepreneur. There is no magical formula for it and I am still learning now. Nevertheless, I have a tip for you if you are keen on starting your own business. The most important thing is that you have to be ready to fail. This is not telling you to be negative or give up on planning. This is to encourage you to always stay hungry, stay foolish and be humble to learn. Once you have this mindset, your start-up journey will be easier and you will not be afraid to fall.

Feel free to reach me on Instagram (elaeeeeeee) and let me know if you have any questions related to start-up. I am happy to share my experience and help if I could. Thanks for reading and good luck!



Ms

Elaine SHIU

The HSUHK Programme Consultation Day 2020



The HSUHK Programme Consultation Day 2020 was successfully held on 13 June 2020 (Saturday). Over 150 participants visited the on-site consultation day, amid the COVID-19 pandemic in Hong Kong.

The School of Business and its Departments set up information booths at the Auditorium with over 10 seminars and workshops conducted via the ZOOM online platform. Students and parents had a choice to visit the HSUHK campus or attend the online sessions at home.

Department of Economics and Finance

EAF Investment Competition Prize Presentation cum Sharing



The Economics and Finance Department launched the first EAF Investment Competition in Semester one to promote students' interests in investment and financial markets. A total of 18 teams participated and started their simulated trading and investing activities in early September. After 7 weeks of managing their investment portfolios, five teams with the highest rate of return were shortlisted for the finalist round in which teams were required to prepare a presentation to explain their investment strategies.

Overall, we saw very impressive work. The five finalist teams demonstrated their hard work and well thought out strategies. It was really a hard decision of who was ultimately going to be the champion of the competition. There were just a few points of difference among the winners. Finally, we announced the winners as follow:

	Awarded Team	Prize
Champion	Bullbear team	HK\$3,000 cash coupon
1st Runner-up:	HDZ team	HK\$2,000 cash coupon
2nd Runner-up:	Halia team	HK\$1,000 cash coupon
Special prize:	Champion team and Voyagers team	Each team member had been awarded HK\$100 cash coupon

HSUHK EAF Public Research Seminars

The Department of Economics and Finance has organized a series of Public Research Seminar delivered by the University's academic staff as well as distinguished external guests.

The Hang Seng University of Hong Kong (HSUHK) encourages all academic staff to conduct research that meets the needs of the University as well as other stakeholders. In this context, the University has been organizing different research seminars and workshops for the academic staff in hope of providing research and learning opportunities.

Date	Topic	Speaker
9 Jan 2020	A Comparative Study on Credit-Rating Adjustment Produced by Issuer-Paid Agency and Investor-Paid Agency: An Innovative Approach of Distribution Dynamics	Dr LEE Wai Choi Senior Lecturer
	The Relationship between Financial Development and Income Growth	Dr James CHEONG Assistant Professor
	Future Evolution of World Coal Consumption: Insights from a Distribution Dynamics Approach	Dr James CHEONG Assistant Professor
	Trading Frequency and Information: Does Risk Tolerance Matter?	Mr T C LAU Lecturer
	Trading Venues, Valuation, and Stock Liquidity: New Evidence from Hong Kong	Dr Johnny KWOK Assistant Professor
14 Jan 2020	The Effectiveness of Quantitative Easing: Evidence from Japan	Prof Roman MATOUSEK Professor of Financial Economics, School of Business and Management, Queen Mary University of London

Department of Management

GBM High Table Dinner

GBM High Table Dinner 2020 was successfully held on 26 June 2020. More than 40 students, faculty members, advisors, scholarship donors from the Hong Kong Young Chief Officers' Association (HKYCOA) and practitioners from various business fields attended this event.

It was our honour to have 3 senior business executives delivered talks for the event on how technology enhanced team, client and business management in crisis time. One of the directors from HKYCOA also shared his vision for the GBM students.

In this event, students with distinguished academic achievement and services to the society received awards from HKYCOA scholarship donors and the Head of the Department. HKYCOA presented their scholarship to three GBM students, who showed outstanding academic performance, demonstrated leadership potential and engaged in community services and students with cGPA at 3.6 or above were presented the MGT 3.6 Academic Achievement Award.



The event started with a speech from Prof Bradley R. BARNES, Dean of the School of Business and Prof Jeanne FU, Programme Director of BBA-GBM. Representatives of the HKYCOA and HKHSU took a photo after the setting up of the scholarship.

Three business executives from top-notch multinational corporations, namely, (from left) Mr Edmund CHUI from Intel Semiconductor, Mr Rajeev CHIB from Citibank and Mr Kelvin SO from Swire Resources Ltd., then gave talks that provided insights in managing teams, clients and businesses during the Covid-19 pandemic.



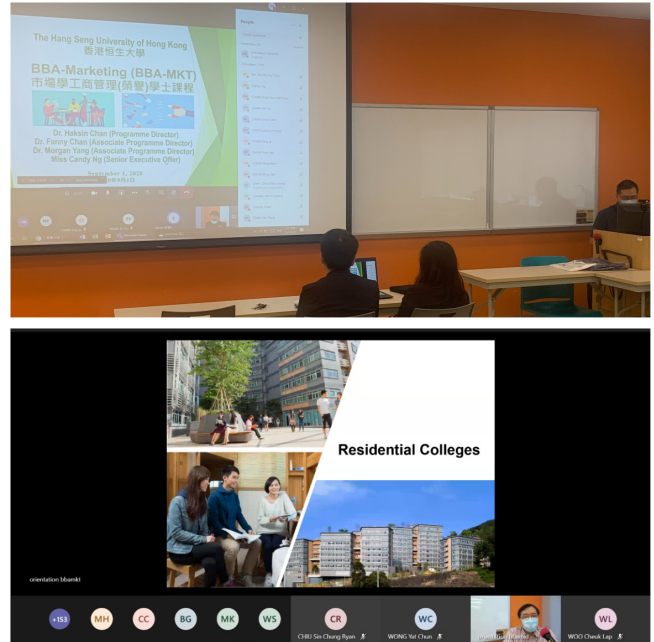
Mr Edmund CHAN from HKYCOA delivered his vision for young leaders and directors from the Association then presented GBM Scholarship to outstanding students.

During the Creative Photo Game, students were excited to take photos with the props and backdrop. Students were delighted to meet after a long social distancing restriction.

Department of Marketing

BBA-MKT Workshops

On 2 April and 9 June, the Department of Marketing hosted two online workshops for senior-year BBA-MKT applicants. Prospective students learned about the BBA-MKT curriculum, application procedures, admission requirements, and career prospects. Approximately 100 BBA-MKT applicants attended the online sessions and interacted with their future teachers.



Student Achievements

KPMG Businesss Administration Paper Competition 2019



Congratulations to Ms CHUNG Pik Ki, Pecky, a Year 2 BBA student, whose team was shortlisted as one of the top 5 finalists over 160 teams worldwide.

The Competition was organised by the Hong Kong Federation of Business Students (HKIFBS) and the title was sponsored by KPMG. The Grand Final of KPMG BA Paper Competition 2019 was successfully held in March 2020. The topic this year is “Risk Transformer” which requires participants to predict and analyse future business risks or challenges faced by business owners and provide solutions in order to create opportunities for the business.

Personal Finance Ambassador Programme 2019/20

Project Presentation and Award Ceremony

The team "HSUEPAY" which is formed by students from BBA Banking and Finance and Financial Analysis Programmes was awarded the Ambassador Certificate at the Ambassador Award Ceremony of the Personal Finance Ambassador Programme 2019-20 on 18th January 2020.



Awardees:

LAM Kai Tik (BBA-FA)	LUK Kai Yan (BBA-BAF)
LI Yuet Kwan (BBA-BAF)	LAU Hoi Yi (BBA-BAF)
CHOY Chi Hei (BBA-BAF)	KWOK Tsz Wai (BBA-BAF)

CFA Institute Research Challenge 2019-20

A BBA-MGT student teaming up with students from other programmes of SBUS won the 1st Runner-up in the competition in February 2020.

Awardees:

CHAN Sin Yi (BBA-BAF)
 CHENG Hoi Sang (BBA-BAF)
 CHENG Tsz Ying (BBA-FA)
 NG Shun On (BBA-BAF)
 TSE Kwan Tsz (BBA-MGT)



World Asian Business Case Competition



The World Asian Business Case Competition is an annual event organised by the Academy of Asian Business. In the summer of 2020, a team of Year 1 students (led by Mr Eric CHEE) reached the Top 10 over hundreds of other teams in this global competition. Three other teams received the Honorable Mention.

Top-10 Award

LEUNG Kowk Chak
 NG Sze Wing
 WONG Sze Ching Sara

Honorable Mention

CHEUNG Wing Yin Christy
 FUNG Ho Yin
 HO Tsun Ki Vincent

Honorable Mention

CHAN Sze Man
 CHEUNG Cheuk Nam
 SHUM Ka Pik
 TONG Yuen Ki

Honorable Mention

CHAU Pak Wai
 CHAN Sin Hang
 LEE Pak To
 LUI Chin Ching

Supervisor:

Mr Eric CHEE,
 Associate Head,
 Department of Marketing

Supervisor:

Dr Heather LEE,
 Associate Professor,
 Department of Accountancy

Supervisor:

Dr Alex LAU,
 Senior Lecturer,
 Department of Marketing

Supervisor:

Dr Kenneth KWONG,
 Assistant Professor,
 Department of Marketing

Upcoming Events

The 7th Hong Kong University Student Innovation and Entrepreneurship Competition



Organiser: Hong Kong New Generation Cultural Association
Website: <https://www.hkchallengeplus.com/en/>
Application Deadline: 31st March 2021



Online Registration

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