



May 2020

Research Tender

Title: Accounting quality of Chinese internet companies

Purpose: To understand accounting quality and risk relating to a number of large cap Chinese internet companies.

Requirements: An investigation into a number of key accounting grey areas. Forming of a holistic view on the aggression or conservatism displayed on the whole by the given company over recent history. Produce a clear ranking of the 5 companies in question in terms of true financial and accounting quality/conservatism.

Scope:

- Companies in question as below.
 - Alibaba
 - Baidu
 - Tencent
 - JD.com
 - Meituan Dianping

- Non-exhaustive list of key accounting issues:
 - use of investment gains to flatter profits
 - carrying value of unlisted subsidiaries and associates
 - use of non-GAAP metrics in an aggressive way to potentially mislead
 - accounting for stock-based compensation
 - discretionary consolidation or deconsolidation of associates
 - capitalization of questionable assets such as non-competes
 - inflation of revenue, GMV or profits
 - audit fees, reputation and relationship with the audit partner
 - evidence of financial leakage to politicians, connected persons or CCP
 - amortization policies
 - impairment approach
 - RPTs – disclosure and fairness, where possible to discern
 - revenue recognition of intangible/digital item sales
 - general obfuscation and complexity without adequate explanation
 - general sense of aggression vs. conservatism

- Scope not to be limited to these topics, but to include anything that the provider deems relevant or important.

- To be completed by end June at the latest. Sooner preferable.

- Looking for a 10-20 page report or presentation as the final outcome.

Tender specifics:

Please submit a proposal by email (maximum of two pages) to siresearchtenders@stewartinvestors.com on how you would conduct this research, over what timeframe and for what price. This would remain a private tender at our end, but happy for the authors to incorporate and publish as they see fit themselves.

Closing date for application: end May 2020. We may commission work before this date if we receive a compelling submission during May.