



Alumni Insider

Summer Edition 2016

Newsletter for KPMG Hong Kong alumni

Featuring an interview
with John Harrison

*Former Chairman of KPMG China
and KPMG's Asia Pacific region*

*Former Deputy Chairman of
KPMG International*



Welcome

to our 2016 summer edition of ***Alumni Insider!***



Dear KPMG friends,

As part of our special series on former KPMG China leaders, we catch up with John Harrison – former Chairman of KPMG China and KPMG’s Asia Pacific region, and former Deputy Chairman of KPMG International. John shares his reasons for introducing a corporate social responsibility team (CSR) at KPMG China, and his involvement in KPMG’s Yunnan Hope School. You can also get more details on our CSR team’s missions to the KPMG Hope Schools on page 8, and learn more about their recent reading programme too.

We update you on the recent events in the Hong Kong office, ranging from the Changing Face of Commerce and INED Forum, to the CFO Forum. We hope you also enjoyed our Alumni Cocktail Reception in June.

In this edition, we feature two new publications. *The Hong Kong Banking Survey 2016* reviews the sector’s 2015 highlights and analyses the key performance metrics of the top 10 locally incorporated banks in Hong Kong. *Now or Never – 2016 China CEO Outlook* looks at responses from the China-based CEOs featured in KPMG’s *Global CEO Outlook Survey*. The survey focuses on the key issues CEOs face today and over the next three years, including issues around transformation, strategy, innovation, transactions data and analytics, and cybersecurity.

Please take a look at the preliminary dates for our upcoming departmental Alumni Cocktail Receptions. We hope to see you there! In the meantime, check out the current benefits you can get with the KPMG Alumni Community card.

I hope you enjoy this issue. If you have anything to share, or have any comments or questions, please contact me at vivien.cheng@kpmg.com.

Best regards,

Vivien Cheng
Alumni Programme Partner,
Hong Kong
KPMG China

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Retired Chairman's Corner



John Harrison - Advocate for caring communities

KPMG career

- 1987: HR partner, KPMG China (Hong Kong office)
- 2003-2009: Chairman of KPMG China and KPMG's Asia Pacific region
- 2008-2010: Deputy Chairman of KPMG International

Before retiring from KPMG in 2010, John Harrison worked for the firm for 33 years – 27 of which were spent in Hong Kong and around Asia. Having been made partner in Hong Kong in 1987 and Partner in Charge of HR shortly thereafter, John went on to become Chairman of KPMG China and KPMG's Asia Pacific region from 2003-2009, as well as Deputy Chairman of KPMG International from 2008-2010. He left an indelible footprint on the China firm, including creating a corporate social responsibility (CSR) team and formalising volunteer work in the firm.

Since his retirement, John has taken on a portfolio of independent non-executive director (INED) roles, and continues to give back to China through KPMG China's Hope School in Yunnan. We catch up with John to find out about life after a lifetime at KPMG, and how giving can make good business sense.

What inspired you to set up the CSR department at KPMG China?

When I became Chairman of KPMG China, I continued to do some mentoring of partners and staff, and gave graduation speeches at universities. I realised that students generally viewed the Big Four as equal and were happy to get an offer from any of them. The younger generation is very much more focused on CSR than earlier generations were, and I thought creating a CSR department could be a differentiator for us. I also believed that being involved with our communities would not just help with recruitment, but also with retention of our people at all levels, as it would give added meaning to their role at the firm.

At that time, individuals at KPMG – and the firm itself – were already involved in a number of CSR activities, and I wanted it to be more structured so that it could have a bigger impact on both our people and society. For example, Ayesha Lau (Partner, Head of Tax, Hong Kong) was very involved with Society for Community Organization (SoCO), which works with the underprivileged in Hong Kong, including children and cage dwellers. Our China practice was doing excellent work with Operation Smile (now known as Beam International), a charity that helps children with facial

deformities – we still participate in this project today, providing staff to assist medical teams from all over the world with translation, pre- and post-operative care, and administrative work. Another long-running project in China is the New Great Wall initiative, which supports underprivileged youth at universities with mentoring and some funding. The main goal was to harness all these positive things that were already happening, create momentum, and better promote and capture them.



John and his wife at the opening ceremony of the Yunnan Hope School

Retired Chairman's Corner

This formalised CSR department also helped us react much quicker. After the Sichuan earthquake in 2008, for instance, we were able to mobilise people immediately, sending volunteers from our China offices to man telephones 24/7 to deal with blood donations. We worked with major agencies in the supply chain to get things to Sichuan because we wanted to offer our expertise, such as IT and logistics, to make a meaningful contribution.

The firm also created the KPMG Foundation in 2008 so that we could engage with different communities and work more professionally with various organisations. The foundation manages the partnership's and other financial contributions, as well as the strategic allocation of funds and other resources to support the underprivileged youth in Hong Kong and China through projects focusing on education and empowerment. The foundation put an umbrella around all the activities and helped to promote the firm.

To reward colleagues for their individual contribution to society outside the firm, we created the Chairman's Awards. Staff members are nominated by their colleagues for their contribution to the community, and at the annual dinner, they are recognised and presented with an award, as well as funds for the charities they support.

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Yunnan Hope School: The school building – before and after

Can you tell us about the Hope Schools and the community centre?

KPMG China's CSR team focuses a lot on education. We decided we would like to contribute more and engaged Sowers Action to help us identify schools that needed to be rebuilt after the 5/12 Earthquake in 2008. Sowers Action has a team that helps identify needy locations and monitors the building of schools all over China; we trusted them, as their schools had all withstood the earthquakes.

KPMG China helped rebuild three schools in China – two in Gansu which were affected by the earthquakes, and one in Yunnan that was very run-down. We also partnered with the China Children and Teenagers' Foundation (CCTF) to build a community centre in earthquake-stricken Cifeng County, which was constructed using cutting-edge renewable energy and resources, and quake-resistant technology. Through the KPMG Foundation, we were able to engage our clients in the building and architecture field to work with us.

How are you involved in the Yunnan Hope School?

Since China has given me and the firm so much, my wife and I decided to help fund the rebuilding of the Yunnan school. Working with the KPMG China CSR team, Sowers Action and local authorities, we chose a very remote area in Yunnan province, with the nearest town being Yongde. The Ministry of Education was very enthusiastic about the project and they ended up matching every dollar we gave. At the opening, there was much fanfare and a ribbon cutting, with officials in attendance, and my wife and I wearing red scarves as honorary members of the party for the day!



Retired Chairman's Corner

Since most of the children's parents are rural farmers who live many miles away, it serves as a boarding school. It is impossible for the children to travel daily, and about two-thirds of them only go home on the weekend. Before the renovations, the school was tin shacks and mud, with the kids sleeping in the classrooms in rickety three-storey beds.

I clearly recall our two days getting there the first time we visited – it is extremely remote. We first flew to Kunming, then to Lincang. After that, we took a car for about six or seven hours, after which we hopped into a four-wheel drive vehicle to do the last bit up the hillside. The school is very high up, looking towards Myanmar, and the view is absolutely stunning.

Driving back from the school that year, we stopped in a town about 30 miles away to get some cold drinks. When I asked how much I owed, the store owner said, "It's nothing. We know what you're all doing in our community."

The firm supports all the schools in a very important way. Twice a year, KPMG China volunteers join the missions and visit the schools for a week. It is far from a holiday! Although the journey has become less arduous since the new highway opened, the sleeping and eating arrangements are very basic. Despite this, everybody there has a great time. The volunteers work very hard. They take over the school from the teachers, preparing lessons that focus on areas that may not be covered in their own curriculum – world affairs, and exploring other countries, for example. We also created a library and gave them lots of books so they could learn about the world.

In addition, there is a big focus on health and hygiene for the kids and teachers, including teaching them to brush their teeth, and to wash their hands before eating or after going to the bathroom, for example. In fact, we are currently working on a project to build a new sanitary block, including toilets and showers. We want it to be built in a sustainable way that can reuse water, a precious commodity in a very remote area.

The kids are very happy and they love it when the KPMG teams visit. One time, we took a projector to the school. Although they have seen televisions, we realised they had never seen a movie on a big screen before. They were mesmerised watching *Finding Nemo* in the dining hall! Usually on the day we leave, there are lots of tears, notes handed over and pleas for us to stay.

We have engaged some KPMG alumni too. One incredible alumnus who now lives in Shanghai, Jacky Chu, started '[Pad for Hope](#)', where he collects unused iPads for the underprivileged. For one of our missions, he collected about 20 donated iPads, and added Chinese educational software apps on all of them. He bought cabling and network devices himself and

networked the school, after which he taught the teachers, then the children how to use the iPads. Of course, the kids were so keen that at 6am, all of us were sitting in the playground with different groups of children, working on the iPads! Another KPMG member in the Shanghai office, who was preparing to climb a mountain in Sichuan, collected sponsorship funds which he used to buy the kids uniforms. As you can see, there are so many dedicated people involved in making the school a success.

“Since China has given me and the firm so much, my wife and I decided to help fund the rebuilding of the Yunnan school.”



John's daughter Anna teaching at the Yunnan Hope School

What have you been doing since your retirement?

These days, when I am not travelling, I split my time between Hong Kong, Thailand and England. I have various INED roles in different countries, so I am always on the go. In Hong Kong, these roles include the Hong Kong Stock Exchange, AIA and Cathay Pacific, as well as various positions at the Hong Kong University of Science and Technology (HKUST). Our former Chairman, Marvin Cheung, who unfortunately passed away in 2014, was chairman of HKUST and invited me to join the HKUST Council eight years ago.

In addition, I am on the board of two shipping groups in Singapore (both with Hong Kong roots), and in the UK, I am on the board of the London Metal Exchange and LME Clear.

Retired Chairman's Corner



John and the Yunnan Hope School kids

What are you most proud of?

I would have to say my family. I have three grown-up daughters, all of whom work and live in England. My oldest daughter is a social worker. She is married with a child, so I am also now a grandfather. Our middle daughter is a teacher in an inner-London school and she has previously joined one of our missions in Yunnan. My youngest qualified as a chartered accountant with KPMG in London and has now transferred to the Advisory team there. I am very proud of what they have achieved.

I am also very proud of my role and tenure at KPMG – being Chairman of KPMG China and Deputy Chairman of KPMG International. I am proud of KPMG's image in Hong Kong and China, and the growth it has achieved. We recruited great people, created rewarding careers, and provided excellent service to our clients.

How did you influence your children?

I think it comes down to values. In our home, one of these values was respect – respect for each other, and respect for others, no matter their circumstances. Displaying those values and being exemplars of those values is important both professionally and personally. My wife used to be a social worker, so maybe there is something in the genes too!

Do you miss working at KPMG?

I really miss the people. When I was a partner, and the firm was smaller, you knew everybody and interacted a lot both professionally and socially. In my experience, the interaction with colleagues is not quite the same as in other companies. Of course, the firm has now grown a

lot and has changed with the times, with the market, and to meet the current economic environment, business needs and regulatory environment. I hope the collegiate spirit remains today.

What advice do you have for aspiring leaders?

Lead by example and teach what you believe in. I learnt that the best way to change things was through leading by example and respecting others. Leaders should understand their marketplace and the needs of businesses – there is no point having great services unless there is a need for those services. The leadership needs to make sure that they are working as a team and that they really understand what is going on in business, including the boardroom and CEO agenda, and the pressures on the CEO.

I think it is also vital to take an interest in your people. Spend time with them by mentoring and talking to them; find out about their lives, their families, their goals and how you can help them. Get to know and understand them. I know that sounds like a huge amount of time, but it pays dividends in many ways. By focusing on that, I think you will be well on your way to becoming a great leader.

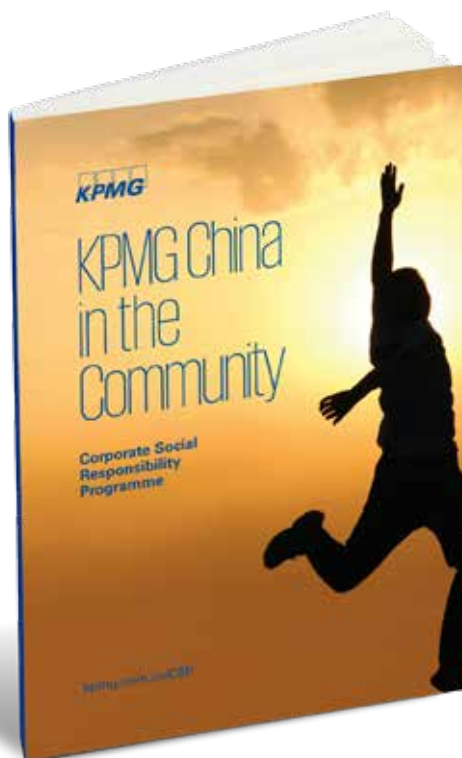
I am proud of KPMG's image in Hong Kong and China, and the growth it has achieved. We recruited great people, created rewarding careers, and provided excellent service to our clients.

KPMG Foundation

In 2016, we celebrate the eighth anniversary of the KPMG Foundation, a charitable entity that aims to engage our employees, alumni and stakeholders in the community to bring about systematic change that addresses environmental and social issues.

The foundation is governed by a board, which meets regularly to review grant proposals, select grantees and manage the partnership’s contributions to strategically allocate funds in line with the firm’s four CSR pillars. The board also works with KPMG China’s 14 local CSR Committees to identify volunteer opportunities and potential community partners.

This structured giving platform complements our firm’s CSR goals and helps ensure that all our programmes are needs-driven, scalable and sustainable in the long term.



KPMG China in the Community

We have recently launched our updated CSR brochure, KPMG China in the Community. This report highlights the efforts we are making to ensure that corporate responsibility flows through KPMG in our day-to-day interactions with each other, our clients and our communities.

To find out more about our positive impact on our communities and how we are inspiring and empowering change to build a better world together, please click [here](#).

CSR Events



On a mission to improve education

In 2010, KPMG China opened two KPMG Hope Schools in Gansu and the KPMG Community Centre in Sichuan after these areas were affected by earthquakes, and rebuilt a run-down school in Yunnan that was no longer safe for the children. Built with generous donations from our KPMG staff and the KPMG Foundation, these projects now benefit thousands of students and local residents. Many of our partners also continue to sponsor needy students to reinforce the power of education and break the cycle of poverty.

Twice a year, KPMG China's CSR team brings together a group of enthusiastic volunteers from our China offices to visit the schools and community centre, where they introduce a range of interesting activities including games, reading, sports, arts and crafts workshops, music classes, and lessons about hygiene and values. Our first round of mission trips for 2016 was held from May to July.

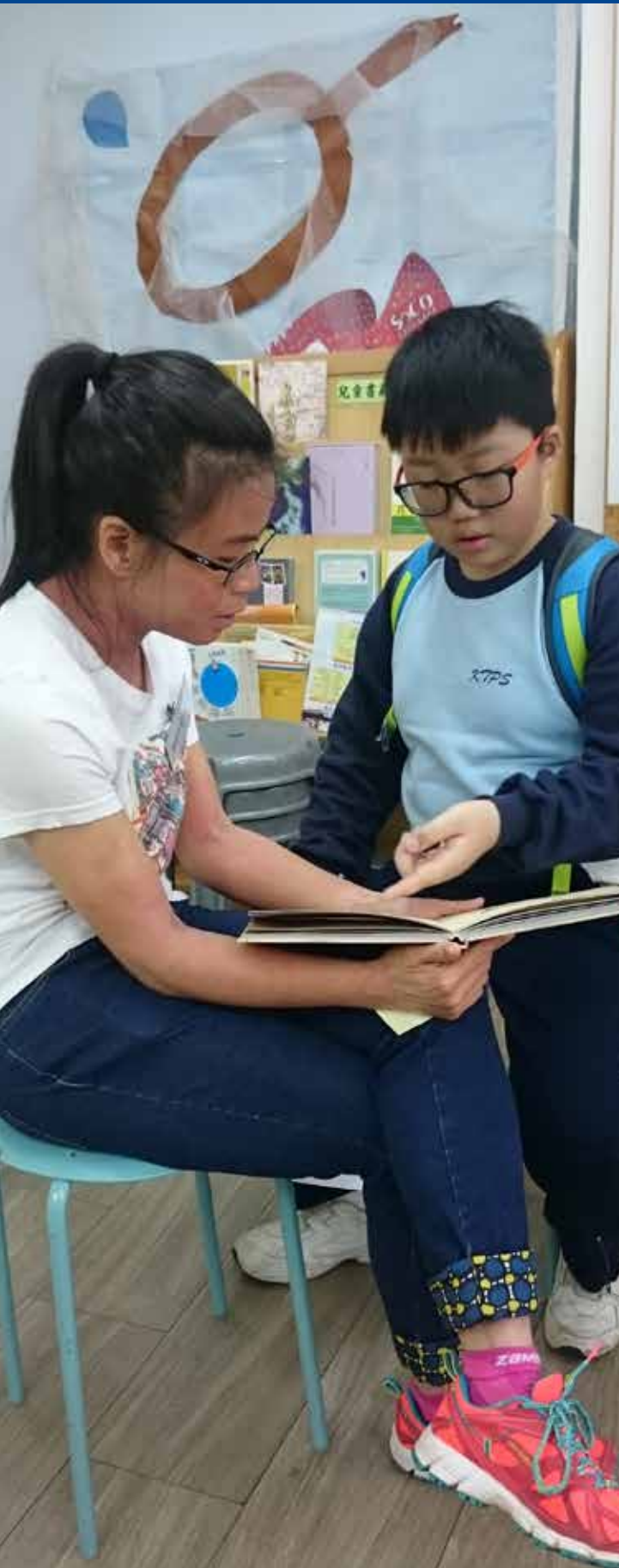
Since 2012, the [KPMG Foundation](#) has been collaborating with the [China Care Fund \(CCF\)](#), a Hong Kong-registered charity, to provide educational assistance and services to students in poverty-stricken villages and remote mountainous regions of China. This year, we have added a new destination to our three ongoing mission trips – Qinghai. In collaboration with the CCF, we are organising a summer camp for secondary students to practice their oral English.

The KPMG Foundation is also funding a project at the Yunnan Hope School to provide proper sanitation facilities. The facilities will be ready for the students by the beginning of the 2016-2017 school year.

“ ‘Making a difference’ was the slogan printed on our KPMG T-shirts. This doesn't have to be as big as changing the world – we should just all try to do what we can to help. ”

Sheren Li
KPMG volunteer,
Yunnan Hope School Mission

CSR Events



SoCO English Reading Programme

From March to May 2016, 23 KPMG participants from the Hong Kong office volunteered their time for the Society for Community Organization (SoCO) Reading Programme at the SoCO centre in Sham Shui Po.

The programme took place over eight Saturdays, with one or two storybooks covered every two sessions. The 16 Primary 3-6 students, who come from low-income families, benefited greatly from the extra support with their English learning. The programme is part of KPMG's We Will Fly project which provides a comprehensive English learning programme for underprivileged children in Hong Kong.

By choosing books with educational themes, the students were also able to learn about important values, including respect, disability, dreams, perseverance, self-confidence and sharing.

Mandy Chu, a Primary 5 student, said, "I learnt plenty of new vocabulary through KPMG's Reading Programme and I feel more confident speaking English now." Primary 6 student Carmen Wong, added, "I enjoyed reading the books and I learnt a lot through KPMG's Reading Programme. I hope I will continue to improve my English level."

Inspire and connect on Dignity Day

KPMG has joined over 70 countries in celebrating Global Dignity Day, which was established in 2006 by delegates of the Forum of Young Global Leaders, an offshoot of the World Economic Forum.

Our staff in the Hong Kong, Shanghai and Beijing offices have served as workshop facilitators to deliver a 'course in dignity' to underprivileged youths in their respective cities. Along with other non-KPMG volunteers, our facilitators engage with the students in a two-hour discussion about dignity and encourage them to share their own experiences.

These sessions empower our youth and our communities, and are a valuable opportunity for participants' personal development. We strongly believe in the unifying power of dignity, so we gladly take this opportunity to empower the youth by helping them build a sense of dignity.

If you have excellent facilitation skills and a passion to help today's youth, why not join our Global Dignity Day events in October? We will be visiting secondary schools around Hong Kong to inspire our youth to be proud, brave and confident.

If you are interested in joining one of our events, please contact Jackie Lee in the CSR team for more details (jackie.tk.lee@kpmg.com or 2685 7703).



Alumni Events

KPMG Alumni Cocktail Reception



Vivien Cheng welcoming the guests

Over 230 alumni were welcomed by KPMG partners from the Hong Kong office at the annual KPMG Alumni Cocktail Reception on 7 June 2016. The event was a fantastic opportunity for old friends and colleagues to reconnect, reminisce and network.

The famous Hong Kong Club was dotted with photos displaying milestones and highlights from the KPMG Hong Kong office. The guests were welcomed by Alumni Programme Partner Vivien Cheng, as well as Andrew Weir (Hong Kong Senior Partner), who hosted the reception.

Please [click here](#) to see more photos from the event.



L to R: Andrew Weir (Hong Kong Senior Partner), John Lancaster (Retired Partner), and alumni Richard Witts & Jeremy Barr



L to R: Peter Kan (Retired Partner), Vivian Chui (Audit Partner), Arion Yiu (Audit Partner), Frances Chan (Alumnus) & Joan Ho (Retired Partner)



L to R: Alumni Eric Kwok, Mario Wong & Yee Wang Wong, with Audit Partners Jenny Hui & Alice Yip



L to R: Retired partners Francis Siu, Ruby Leung & Harry Yu, with Andrew Weir

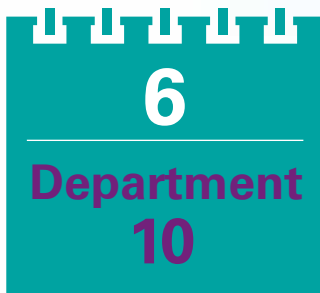
Upcoming Alumni Events

Over the next few months, we will be hosting a range of departmental alumni gatherings. These smaller gatherings provide a fun, informal setting to catch up with your old team.

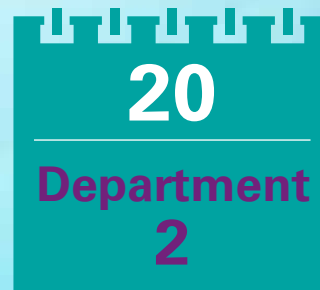
Details:

All events will be held on the 8th floor of the Prince's Building from 6.30-8.30pm.

September



October



November



You will be receiving your invitation soon. For any questions or further details, please contact [Cani Ho](mailto:cani.ho@kpmg.com) in the Markets team (cani.ho@kpmg.com or 2685 7699).

Alumni Community

KPMG Alumni Community – Cash in on our alumni perks!



As part of our elite Alumni Community, you are eligible for a KPMG Alumni Community card, which offers you a world of special offers at some of your favourite stores. Simply present your card at any of the selected outlets below and start benefiting from a range of discounts.

If you do not have a card yet, please click [here](#), fill in your contact details, and we will mail one to you. For any queries, please contact Anita Chau (anita.chau@kpmg.com or 2826 7115).

All offers are valid until 31 December 2016, unless otherwise stated.



Vendor



Benefit

Dining:

The Herbivores

-  - 15% off à la carte menu every day
- 10% off set lunch menu (Monday to Friday, 11.30am-2.30pm)
- 12% off homemade afternoon tea set (Monday to Friday, 2:30-6:00pm)
- Buy 1 get 1 free on all alcoholic drinks (Monday to Friday, 2:30-9:00pm – bar section only)

Dong Lai Shun – Causeway Bay

-  20% food discount for lunch and dinner, Mondays to Sundays

Xiao Tian Gu

-  10% off desserts

Hong Kong Bacchus Fine Wines Group

-  Selected wines at discount prices (call vendor for details: 2406 0986)

Paul Lafayet

-  10% off any à la carte products (except at City'Super)

Marco Polo Seafood

-  10% off your next order. Discount code: kpmg0316

Shiro

-  10% discount on lunch and dinner

Sift

-  10% discount on all products

Holiday & travel:

Club Med

-  - Club Med member fee waiver
- 5% additional discount on land package for groups of 10 people or more travelling together, on top of the best current offer

JC Mobile

-  15% off SIM card/pocket Wi-Fi rental services (call 6881 7800 to book)

Alumni Community

Health & fitness

Bloom Me

 HKD 150 off a spa or salon visit at sign-up

Topfit (ends 31 August 2016)

 - 25% extra free sessions for personal training & group class packages
 - 2 months free for all 12-month Topfit Exclusive Memberships

XYZ

 Purchase the two-week Trial Pass for HKD 800; 10% off any series

Float On HK

 10% off single floats & 15% off memberships

Zero Gravity Floatation SPA

 Online discount: 15% off a 60- or 90-minute session of floatation therapy (discount code: KPMGZEROG)

Shopping:

Leo Optic (ends 31 August 2016)

 40% off sunglasses and glasses upon showing Alumni Community card at their outlets

Chantecaille (ends 30 September 2016)

 - 30% off your first trial of any Chantecaille signature treatments
 - Various other discounts off selected products


The Candle Company

 10% discount on regularly priced items

Gilman Group

 10-30% discount on regularly priced goods (depending on category)

Maj Florist

 10% discount on all orders above HKD 1,000



Evie Beauté

 10% discount on all products

Nita Fashions

 10% discount on tailored suits and shirts

A Timeless Tailor

 - 20% off standard house fabric; 15% off branded fabric
 - Free custom-made shirt per head if two or more people purchase suits together

Vogue Laundry

 20% off garments & 10% off household items

KPMG in the Market

ACCA Hong Kong Committee Election 2016/17



Vote for Jenny Hui

Dear fellow ACCA members and friends,

I am seeking your support for my election to the ACCA Hong Kong Committee for 2016/17.

As a member of various ACCA Sub-committees and Taskforces since 2012, I have organised learning and development activities, supported charities through the ACCA Community Day, and shared insights with the youth through the ACCA Hong Kong Business Competition and Mentorship Programme.

In today's rapidly changing world, it is crucial for our members to develop a broader mindset and skills to add value and bring real results to the business world and society. I promise to build ACCA's strong foundations to support the aspirations and professional development of our members into the future.

I would like to use my passion and experience to dedicate myself as a committee member of ACCA Hong Kong. With over 18 years of experience at KPMG and my enthusiasm for the profession, I am confident that I can make a valuable and positive impact on the development of ACCA to help create greater value for our members, our profession and our community.

ACCA involvement:

- Member: Annual Dinner and Charity Taskforce (2012/13-present)
- Member: Professional Development Sub-committee (2015/16-present)
- Member: Tax Sub-committee (2014/15)
- Judge: Hong Kong Business Competition 2015
- Mentor: Mentorship Programme 2013

Public engagements:

- Vice President: Oxford Business Alumni Hong Kong Chapter
- Advisor: CUHK Society of Accountancy, Student Union
- Member: Social Affairs & Alumni Relations Sub-committee of CUHK Convocation

ACCA members will receive online voting information or ballot papers from ACCA Hong Kong on 10 August 2016. Please cast your vote online or return your completed ballot papers to ACCA Hong Kong before 5:00pm on Wednesday, 14 September 2016.

Thank you in advance for your support. I look forward to being elected as a committee member and continuing to serve the Association.

Best regards,

Jenny Hui

jenny.hui@kpmg.com

KPMG Innovation Series

KPMG Innovation Series 2016



Since 2015, our High Growth Technology & Innovation Group has been producing the *KPMG Innovation Series*, which aims to inspire change and innovation in the business community in Hong Kong in the face of accelerated disruption. This year, we have had the pleasure of talking to some of the most influential innovators, both in Hong Kong and beyond. We encourage you to read, watch and share the full series, and let us know what you think. Below is a short taste of the whole project – we hope you enjoy reading and watching it. Click [here](#) to watch the teaser video!



Allan Zeman – “Innovation and creativity are the future of the world”

In his interview with the KPMG team, Dr Allan Zeman (owner of Lan Kwai Fong Group) says he believes that China is leading the world in technology in many ways and that disruption is key. His advice: embrace change or risk being left behind.

Allan believes the older and younger generations have different attitudes towards embracing change; yet, if both generations work together, they can benefit from the older generation’s experience and the younger generation’s modern understanding, and move forward together.

In his experience, companies that want to do business with China or Hong Kong respect the integrity of Hong Kong’s rule of law, appreciate the low tax base and trust the legal system. Hong Kong’s proximity to China can also help Hong Kong be at the forefront of change. As he says, “Innovation and creativity are the future of the world, so I suggest everyone get behind it, be at the forefront of it and you’ll only go from strength to strength.”

Watch the [video](#) to find out more, or access the [blog post](#) here!

Norma Chu – “Do your best, forget the rest”

Norma Chu is the founder of DayDayCook, a bilingual cooking blog that encourages healthy home Chinese cooking through online video tutorials. DayDayCook has done extremely well in the mainland Chinese market, a feat not many other start-ups have been able to accomplish.

Norma, who left a career in banking to set up DayDayCook, says that although the start-up ecosystem in Hong Kong lacks access to funding, the city has a strong talent pool. She believes that with increased government assistance for start-ups and entrepreneurs, the start-up environment will continue to improve.

According to Norma, although DayDayCook faces a lot of competition as a core content brand with a focus on media, she has positioned her company as a partner rather than a competitor by incorporating its service into her partners’ work. Her main challenge continues to be coming up with – and executing – the perfect user experience.

Check out the [video](#) here or read the [blog post](#).



For more information on our work within the start-up ecosystem, please visit the [High Growth Technology & Innovation Group page](#).

KPMG Events



Edge Zarrella (Clients & Innovation Partner)

The Changing Face of Commerce

KPMG recently hosted its landmark Changing Face of Commerce conference in Hong Kong, which drew over 200 attendees from a range of multinational companies, start-ups and service providers. The event generated interactive and insightful discussions on how artificial intelligence (AI) and cognitive computing are affecting consumer behaviour and the way business is conducted.

During his opening address, Edge Zarrella (Clients & Innovation Partner) noted that recent studies have found that AI and cognitive computing can create up to a 70 percent cost reduction in processes and use of digital labour.

Additional discussion topics included the potential impact of AI and cognitive computing, which was the focus of a panel discussion; the use of technology and its relevance for the consumer of the future; as well as a subsequent shift in focus for companies from function to value.

The consumer of the future was explored further in the final panel discussion, moderated by James McKeogh (Head of FinTech) and featuring executives from The Mills Fabrica, OgilvyOne Asia, Alibaba.com, Sqreem Technologies and PassKit. The panel emphasised embracing technology throughout the organisation and getting all key executives involved.

KPMG Events



Irene Chu (Partner, Technology, Media & Telecommunications)

INED Forum

The INED Forum on 13 June attracted 200 independent non-executive directors (INEDs) from leading companies in Hong Kong, who gathered at the Hong Kong Bankers Club to hear updates on issues concerning INEDs.

Opening the event, Andrew Weir (Hong Kong Senior Partner) looked at 'The year ahead', sharing the World Economic Forum's (WEF) key themes for 2016, which were divided into the Fourth Industrial Revolution and macro issues. He said that to address these, INEDs should focus on disruption to business models, digitalisation, big data and new technologies. Irene Chu (Partner, Technology, Media & Telecommunications) took the concept of 'Disruptive innovation' further, focusing on why companies should make disruption and innovation part of their board agenda, and create a culture of inquiry and collaboration. Building on this, Ray Slayford (Partner, Management Consulting) discussed how cognitive technology and robotic process automation is augmenting human judgement and driving unparalleled transformation of business models.

In terms of boardroom insights, Melissa Wu (Partner, Head of Audit, Hong Kong) used KPMG's Audit Committee Institute publication, *Building a great board*, to highlight the importance of aligning talent with the company's strategy and ensuring diversity on the board. Paul McSheaffrey (Partner, Head of Banking) further highlighted the importance of internal audit (IA) teams, saying that some of the main questions INEDs should ask include if their IA function has the right skills, whether the annual audit plan focuses on assessing risks, and what investments and plans are in place to enable a technology-led audit.

Another vital topic for companies – financial reporting – was discussed by Catherine Morley (Head of Department of Professional Practice) who looked at how regulations have been evolving globally, and highlighted questions that audit committees need to ask themselves and others to meet the financial reporting requirements due from 1 January 2016 and beyond. Michael Olesnicky (Special Tax Advisor) said that there were also lessons to be learnt from the very topical Panama Papers. As companies now need to disclose tax information, boards need to pay more attention to tax issues to protect their brand and avoid penalties and enquiries.

Speaking on capital markets, Bonn Liu (Partner, Financial Services) and Paul Lau (Partner, Head of Capital Markets Advisory Group) identified some of the key themes under the spotlight, including market volatility, FinTech and outbound M&A. They also looked at listing suitability for listing applicants.

KPMG Events



Roy Leung (Partner, Capital Markets Advisory Group)

CFO Forum

KPMG recently hosted around 200 chief financial officers (CFOs) in Hong Kong at the latest CFO Forum, which focused on operational and financial implications in the current economic climate.

After an introduction by Nick Debnam (Chairman of Consumer Markets for ASPAC Region), Andrew Weir (Hong Kong Senior Partner) highlighted key areas of focus for 2016 and then introduced a range of KPMG and external speakers. On the topic of regulation, Catherine Morley (Head of Department of Professional Practice) provided snapshots of IFRS 9, 15 and 16, and the implications of using the long-form audit report for the first time in 2016 for listed companies, while Roy Leung (Partner, Capital Markets Advisory Group) looked at new guidance from the Hong Kong Stock Exchange in terms of IPO vetting and suitability, large-scale fundraising, and major disposals. In addition, Ivy Cheung (Audit Partner & President of the Hong Kong Institute of Certified Public Accountants) spoke about the International Ethics Standards Board for Accountants' (IESBAs) Non-compliance with Laws and Regulations (NOCLAR) project, which aims to provide guidance for professional accountants on how to respond in situations where they encounter a suspected illegal act.

Ben Simpfendorfer (Managing Director, Silk Road Associates Limited) was the first external speaker of the day, discussing China's commercial outlook and the implications for Asia. Katherine Ng (Senior Vice President, Head of Policy, Listing, HKEx), went on to discuss business reporting, looking at important policies in 2015, including the *Environmental, Social and Governance Reporting Guide*, and whether companies are doing enough in terms of disclosure. With a focus on the lessons from the Panama Papers, Matthew Fenwick (Tax Director) looked at the global tax environment and the implications for companies' tax functions.

There was an emphasis on disruption and innovation, led by KPMG Partner Irene Chu (Head of Technology, Media & Telecommunications, Hong Kong) and Patrick Kirby (Director, Technology, Media & Telecommunications, KPMG China), who introduced three start-up founders to share about their experience. Kevin Chan (Co-founder and CEO of Insight Robotics Limited) spoke on how his risk management technology company is making sense of data to safeguard natural resources, particularly with regard to mechanised fire detection technology. He was followed by Norma Chu, Founder of popular Chinese cooking website, DayDayCook, who discussed expanding her company and what the new generation of mainstream consumers is on the lookout for. Lastly, Julian Schillinger, Co-Founder and Chief Technology Officer of Privé Financial Limited, shared about his work on bionic advisory and its application in real life.



Hong Kong Banking Survey 2016

KPMG has launched its 28th annual *Hong Kong Banking Survey*, which reviews the overall sector's financial highlights in 2015, and provides an analysis of key performance metrics for the top 10 locally incorporated banks in Hong Kong.

This report features an interview with senior executives from the Financial Services and the Treasury Bureau on FinTech developments in Hong Kong. It also looks at how banks are focusing on enhancing their customer experience offering, as well as their mobile and other payment service channels to improve top-line growth.

Other chapters examine how banks can manage their costs optimally by harnessing data to improve regulatory reporting, or by implementing a cost management structure as part of a broader Enterprise Performance Management framework.

The stored value facility (SVF) market is also rapidly expanding, making payments easier and more efficient than ever before. The report discusses how the Hong Kong Monetary Authority's recently enacted ordinance – which requires all multipurpose SVF issuers to obtain a licence to operate in Hong Kong – might affect financial institutions.

In addition, with regulatory issues remaining a key priority for Hong Kong banks, the report highlights a number of new regulations and initiatives around anti-money laundering, Basel III, cybersecurity and Common Reporting Standards that are expected in the near future. Furthermore, with non-performing loans in China potentially affecting financial institutions in Hong Kong, we explore ways in which banks can review and bolster their risk management framework.

Key financial highlights:

- Overall, the surveyed banks' total assets grew by only 2 percent in 2015, down from 8 percent in the last two years.
- The banking sector's average net interest margin (NIM) dropped 10 basis points to 1.59 percent at the end of 2015 as the low interest rate environment persisted globally.
- Continual investment in more regulatory and compliance initiatives, and rising wage and infrastructure costs pushed up the average cost-to-income ratio by 1.6 percentage points to 48.7 percent.
- The impaired loan ratio among the surveyed banks increased by 23 basis points year-on-year to 0.55 percent in 2015, though it is still considered relatively low. Exposure to non-bank mainland China-related business continued to increase but the growth has slowed down to 1.1 percent, which is also lower than the 2.1 percent growth in total assets for the same period.

We see banks in Hong Kong facing continued pressure on revenue, while credit costs are returning to more normal levels from a low base. Global economic uncertainty also poses a potential challenge. Furthermore, banks in Hong Kong will be keeping a watchful eye on China's growth, while Brexit concerns and the upcoming US elections in November could have global ramifications.

Despite the challenges, we see banks looking at alternative ways to improve profitability by investing in innovation, FinTech and data analytics; focusing on effective cost management; and enhancing customer experience.

If you would like more information about the report, please contact the Publications team at cnfm.publications.hk@kpmg.com.



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2016 China CEO Outlook

Innovation is key growth driver for China's CEOs, ahead of global counterparts, finds KPMG report

KPMG's *China CEO Outlook Survey* was launched at the recent World Economic Forum (WEF) in Tianjin.

The survey, titled *2016 China CEO Outlook – Now or Never*, features China findings from the *Global CEO Outlook Survey*, which gathered responses from 1,268 CEOs worldwide, including 129 from China. This study focuses on the key issues CEOs face today and over the next three years, including around transformation, strategy, innovation, transactions data and analytics, and cybersecurity.

Despite operating in different industries, one common theme emerged from the responses of China CEOs surveyed: innovation will be a crucial driver of growth over the next three years. Almost half of the China respondents placed "fostering innovation" as one of the top three strategic priorities for their companies over the next three years – compared to a figure of just 21 percent worldwide. In addition, 92 percent of China respondents believe it is important to include innovation in their business strategy, with 47 percent of China CEOs placing innovation at the top of their personal agendas – compared to 23 percent globally.

Despite today's global geopolitical uncertainty and disruptive market and social forces, the CEOs in our survey are focused on growth, by strengthening their capabilities today and readying their businesses for a very different future, through transformation, advanced technology and more specialised talent. Nowhere is this more evident than China, where CEOs are especially confident about the prospects for growth and recognise the importance of creating a culture of innovation and collaboration.

In a rapidly evolving and vibrant market like China, CEOs need to think about innovating and adapting their business models to ensure their products and services are attractive to a growing consumer market, the survey highlights.

According to the survey, half of the China respondents view "new products" as the primary source of growth over the next three years. In addition, China's CEOs identify "new product development", "increasing data analysis capabilities", and "internet of things, machine-to-machine technology, industrial internet or other aspects of technology" as the top three focus areas for further investment in the next three years.

The survey results underscore China's transition from an investment-intensive, export-led model of growth to one driven by consumption and innovation. The findings are also consistent with the recently released 13th Five-Year Plan, where innovation is identified as one of five new tenets of China's economic and social development around which policies will be designed and implemented during 2016-2020.

Through the use of disruptive technologies such as cloud computing, the internet of things, smart industrial robotics, data & analytics and enhanced automation, Chinese companies will be able to not only respond to the changes brought by China's economic restructuring, but will also be able to capture business opportunities derived from it.

While there are indeed hurdles to overcome, confidence remains high among China respondents, the survey notes. With the right growth strategy in place – coupled with heightened risk awareness and a willingness to innovate – CEOs in China can deliver on this optimism and thrive in this fast-evolving economy.

If you would like more information about the report, please contact the Publications team at cnfm.publications.hk@kpmg.com.



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To update your details, please click [here](#).

We welcome any comments or feedback you may have. Please feel free to contact [Vivien Cheng](#), Alumni Programme Partner, Hong Kong.

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