

The title 'Alumni news' is displayed in a large, sans-serif font. 'Alumni' is in blue and 'news' is in red. The text is overlaid on a background image of a modern building with a curved facade and many windows, set against a clear blue sky.

March 2005

## Kung Hei Fat Choi

Gong Xi Fa Cai

As we enter the Year of the Rooster we celebrate the achievements of 2004 and look forward to another strong year ahead.

The accounting profession is in transformation at present, and KPMG is committed to helping develop the profession as the needs of businesses and regulators continue to change. To lay solid foundations for the years ahead, we are implementing a five year strategy for KPMG in China and Hong Kong SAR. We envisage strong growth across all our offices and service areas - at present, we have nearly 3,500 professionals and we anticipate that by 2009 this will increase to 7,000 professionals in China and Hong Kong SAR. This growth will be achieved without compromising our reputation for quality professional service and the highest level of integrity. As we expand, we will also strive to remain an Employer of Choice - recruiting, training, developing and retaining the best people.

In 2004 KPMG member firms internationally recorded revenues of US\$13.44 billion. A 14.7 percent increase over the previous year, making KPMG the fastest growing of the Big Four in 2004. Last year, our member firms in the Asia Pacific region saw revenues increase by 35.8 percent to US\$1.67 billion. As well as growth across all functions and geographies this also reflected the first full year of inclusion of the ex Arthur Anderson practices in Japan and Thailand which are now member firms of KPMG. KPMG in China and Hong Kong SAR has an important role to play in our region's ongoing success as China continues to attract investment and Chinese firms increasingly look to invest overseas.

2005 marks our 60th year in Hong Kong. During the past six decades we have seen many successes, events and milestones that have helped shape our firm and entrench our strong position both in Hong Kong and in mainland China. We are proud of our history and achievements in this dynamic market. We are grateful to all our people, both past and present, for helping to get us where we are today.

Best regards and Happy New Year

**John Harrison and Dominic Ho**

Chairmen, KPMG, China and Hong Kong SAR

# Highlights from the KPMG International Partners' Conference held in Shanghai

KPMG's International Partners' Conference held in the Grand Hyatt Shanghai on 13 and 14 September 2004 was a great success, with 380 partners from KPMG member firms around the world attending the conference.

This important event, which is only held every two years, provided an opportunity for KPMG partners from around the world to learn more about China and KPMG's capabilities in this market.

The agenda for the two days was China-focused allowing delegates to gain greater knowledge about China, with the benefit of actually experiencing China first-hand.

The key themes of the conference:

- China is developing rapidly into one of the world's leading economies.
- It is important to KPMG globally that we succeed in China.
- KPMG in China has a deserved reputation for quality, and its people display the highest standards of professionalism.
- Through *The KPMG Way*, KPMG will remain at the forefront of our profession internationally.



Enjoying culinary delights in Century Park

The conference opened with a welcome reception held in Shanghai's impressive Century Park. Over 140 acres in size, Century Park was built to herald the new millennium. Dominic Ho and Mike Rake opened the conference with the traditional dotting of the dragon's eyes followed by opening remarks by Mike Rake, Chairman of KPMG International.

Mike Rake remarked that the international environment of the accounting profession has become increasingly challenging, with regulators responding to the loss of confidence by instituting more complex and costly rules for us and our clients. And the opportunities have been immense, particularly in China.

Dominic Ho and John Harrison highlighted the enormous economic growth and social changes taking place in China for the audience of partners. They also demonstrated how KPMG is locally placed to be at the forefront of the profession here.



Dominic Ho and Mike Rake opened the conference with the traditional dotting of the dragon's eyes at the welcome reception held in Century Park.



A break-out session

As John Harrison commented, "KPMG's difference in China is our reputation and culture ... and clearly our people."

Highlights of the conference included a lively debate on the opportunities and issues faced by China, with an esteemed panel of guests and moderated by Lorraine Hahn. Lorraine is a veteran business journalist and considered as one of the most recognised TV anchors in Asia. For many years, Lorraine anchored CNN's premiere business news program, BizAsia.

Four Lines of Business groups – Industrial Markets, Consumer Markets, Information, Communications & Entertainment and

Financial Services held break-out sessions with distinguished guests from leading companies operating in China, sharing with the delegates their insights on doing business in China.

We also had the opportunity of having some external speakers from industry as well as from the government, including:

- **Kei Kodaera**, Chairman, Sony China & President, Sony East Asia Sales & Marketing, who presented on China – a multinational's perspective;
- **Zhou Xiaochuan**, Governor, The People's Bank of China who presented in China from a government perspective; and
- **Gao Xiqing**, Vice-Chairman, National Council for the Social Security Fund who presented on the opening up of the capital markets in China.
- Other speakers were **Ronnie Chan**, Chairman, Hang Lung Properties Limited; **Laura Cha**, Vice Chairman, China Securities Regulatory Commission; **Claude Smadja**, President, Smadja & Associates, Strategic Advisory, Switzerland, USA; **Fred Hu**, Managing Director, Goldman Sachs (Asia) LLC; and **Eric Hall**, Editor, Greater China, Reuters.



KPMG delegates on the Bund

# The KPMG Way

Launched in the first half of 2004, The KPMG Way is our definition of who we are, what we do and how we do it. It outlines our vision to be the leaders in the markets we choose to serve, and how we maintain our reputation for quality service and integrity.

The KPMG Way also sets out our values, determining how we behave with our clients, our community and each other. Living by our values and striving for excellence helps us develop relationships with our clients, protects and enhances our reputation, and enables us to attract the best people.

Our strategy is to be a globally consistent organisation with excellent people who have deep industry knowledge, providing multidisciplinary capabilities. This approach meets our clients' expectations, creates opportunities for our people and enables us to fulfill our responsibilities to the capital markets.

The KPMG Way forms part of KPMG's strategy of global consistency, and locally we are adopting it to emphasise the strengths of our firm and its professionals.

## **Outstanding professionals working together to deliver value**

### **Our values**

We lead by example

We work together

We respect the individual

We seek the facts and provide insight

We are open and honest in our communication

We are committed to our communities

Above all, we act with integrity



# KPMG in the community

## KPMG's community service work with the Society for Community Organisation



At KPMG, we believe we have a responsibility to give back to our communities. For the past 18 months, the KPMG Community Service Group has taken part in organising activities for children from the organisation.

The Society for Community Organisation is a non-profit welfare organisation. This organisation carries out welfare services towards the poorest people in the community including new immigrants, children living in poverty, street-sleepers, low-paid workers and other whose voices are not heard.

In November 2004, 39 volunteers from KPMG's Hong Kong office accompanied 81 children from SoCO to Ocean Park for a day of fun and excitement. Both

children and volunteers enjoyed themselves very much and it was really a rewarding experience to see the children having a great day.

## "Our Treasure" – a photo album about children living in poverty

KPMG's Hong Kong office has sponsored "Our Treasure", a photo album about children living in poverty published by the Society for Community Organisation. Tax partner Ayesha Macpherson represented KPMG at the opening of the photography exhibition of the photo album. The other officiating guest to the ceremony was the Health, Welfare and Food Secretary Dr. York Chow. The event was well attended by the media and Ayesha was subsequently quoted in the main local newspapers.



# Outstanding achievers at KPMG

While KPMG in China and Hong Kong SAR is recruiting for its business expansion in mainland China, accountants at KPMG have scored great results in accounting exams.



Rebecca Chu



Stephanie Kwan

Rebecca Chu, who achieved the highest score worldwide in ACCA Paper 2.1 (Information Systems) in 2003, was named one of Hong Kong's outstanding women by the Hong Kong Federation of Women for her outstanding results in the exams. Rebecca accepted her award on the television program, 55th National Day Celebration & Variety Show, which was aired on TVB in Hong Kong in October.

In June 2004, Stephanie Kwan became the worldwide bronze medal winner in the ACCA exams, a prize giving ceremony was held for all the top achievers in the ACCA exams in October.

## KPMG's Macau office celebrates its 25th anniversary

This year marks the 25th anniversary of KPMG's Macau office. A cocktail reception was held in the Macau Tower on 17 September 2004 to celebrate the occasion. More than 100 clients, government officials, trade association members, alumni and partners attended the function.



Celebration cocktail in Macau Tower



Carlson Tong

## Election results...

Congratulations to Carlson Tong who was re-elected to the Council of the Hong Kong Institute of Certified Public Accountants for a third term. A big thank you to those who voted for him at the election.



## The 60th anniversary of KPMG in Hong Kong

This year will mark the 60th anniversary of KPMG in Hong Kong. As part of the anniversary celebrations, we have commissioned former KPMG partner Tim Lewis to write a history of the firm.

Tim would welcome hearing from any alumnus of the firm, in particular those who left before 1980, with their recollections of what it was like to work with KPMG at that time and any anecdotes or interesting stories about their experiences while working with the firm.

You can contact Tim at his email [timwhlewis@onetel.com](mailto:timwhlewis@onetel.com).

Any photos you may have of staff members, the office, Hong Kong or anything else relevant to the history of the firm would be greatly appreciated.

We would like to ensure this book is interesting and relevant to you as former employees of the firm and would greatly appreciate your support and contributions.

## Funds raised for the Tsunami disaster

The events of the Tsunami disaster in the South East Asia have shocked us all around the world. Our thoughts are with the thousands of people in the region whose lives have been destroyed and who have lost loved ones and family. In order to assist the relief efforts, KPMG in China and Hong Kong SAR has made a donation of HK\$1,005,000 to World Vision. The amount raised includes both the partnership's donation and staff donations.



John Harrison presented a cheque to Kevin Chiu, CEO of World Vision Hong Kong.

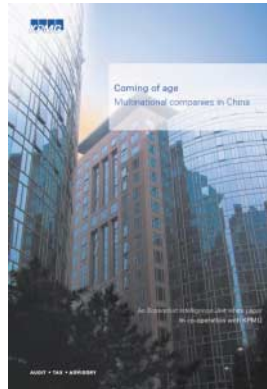
# Facts at a glance...

## KPMG Web site activity

Visitors to the Web sites of KPMG in both Hong Kong and China in January 2005 hit a record. Visitors to the Hong Kong site totalled 94,132, and for the China site totalled 69,744.

## Thought leadership publications

The most popular publications on the Web sites were:



Coming of Age –  
Multinational companies in  
China  
(An Economist Intelligence  
Unit white paper in  
co-operation with KPMG)



China's Automotive and  
Components Market 2004



KPMG International 2004  
Annual Report "Ever  
Stronger"

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# 1 January 2005 is here



Catherine Morley

For those involved in financial reporting, 1 January 2005 marked the beginning of a new era, when all listed companies in Europe came under the same set of International Financial Reporting Standards, with a few notable exceptions. And Hong Kong too has finally aligned itself, with even fewer exceptions.

Throughout 2004 the HKICPA has issued one new “HKAS” or “HKFRS” after another. As the number of pronouncements has grown, so too have the concerns and confusion. Here are some of the questions we have frequently been asked and how we have been responding:

## **Why have so many new and revised standards been issued? Weren't we closely aligned before?**

It is true that many of the standards being followed for the last time in 2004 are IFRS based. But even existing followers of IFRSs are facing many changed or new requirements for the first time in 2005. These come from the two major “improvements” projects finalised by the IASB in December 2003, and 4 new IFRSs issued in time for the 31 March 2004 European stable platform deadline.

Hong Kong has adopted all these developments and more: to achieve full convergence, HKFRSs now include all IASs that, for one reason or another, the HKICPA (HKSA as was) previously decided not to adopt. In particular, we now have the complex and comprehensive standards on financial instruments, HKASs 32 and 39. Also, accounting options allowed in certain IASs but previously rejected by Hong Kong are now adopted. For example, proportional consolidation is now allowed for jointly controlled entities.

To complete the project, the HKICPA renamed all IAS sourced SSAPs “Hong Kong Accounting Standards” (HKASs) and re-issued them, whether otherwise amended or not.

## **Can I have a quick summary of the changes? What are the major ones?**

From the start of the final convergence phase in 2004 we have been issuing Financial Reporting Updates to colleagues, clients and alumni to highlight the many developments. Some no doubt wish they were shorter – “a page or perhaps two is all I need”. If only!

The number of Updates and their length is simply a reflection of the multitude of changes that are being introduced this year. And for the first time our annual accounting update seminars stretched over two full mornings just to cover the key points, with additional seminars being run specifically focused on the new standards affecting financial institutions and insurance companies.

No matter how many newsletters and seminars, these are simply a beginning of the process of re-education. 2005 will be a year when accountants need to take time to double-check the rules they have taken for granted for so long. In some areas you will find that nothing other than the name of the standard has changed. Other areas may also have pleasant surprises: sensible improvements to rules or clear guidance where previously time was wasted on debates. But there will also be U-turns to be learned: “no, you should not amortise goodwill”, “yes, you can expense all your borrowing costs”, and “no, expecting that control will only be temporary does not exclude a subsidiary from consolidation”, just to name a few.

Many entities will be able to narrow down the effects on their financials to a few key areas. But these areas can vary greatly from one entity to another. Those with investment property will need to consider carefully the new options available for carrying values, but also the consequences of putting fair value movements through the income statement if they choose the fair value model, rather than cost. Others with complex or uncommon financial instruments or transactions may find that time needs to be spent examining the detail in the new rules on financial instruments, and determining appropriate policies, disclosures and information systems. Others with share option schemes or business combinations during the period may find difficulty in applying the fair value concepts to their circumstances. So be wary of any "one-size fits all" summaries that claim to have all the answers.

### **Have they finished changing now?**

The short answer is "no". During 2005 expect to see tidying up of consequential changes and some Interpretations which may be effective as from 1 January 2005. For example, as of the time of writing, a draft Interpretation on accounting for pre-completion contracts by property developers is out for comment.

Beyond that, the IASB work programme continues, with new or revised standards expected for 2006 and beyond. The IASB's focus is now on short-term convergence projects to align with US GAAP and further improvements in the rules for financial instruments. We expect that whatever decisions are made by the IASB will be copied shortly thereafter in Hong Kong, to maintain the convergence the HKICPA has worked so hard to achieve.

### **Why bother having HKFRSs if they are identical to IFRSs?**

In every argument there are usually pros and cons, and this one is no different. There is obviously cost involved on all sides in maintaining a separate standard setting regime. Furthermore, financial statements prepared in accordance with HKFRSs may not be as readily accepted overseas as those prepared in accordance with IFRSs.

But on the other hand, retaining HKFRSs as a concept provides the Hong Kong regulators and the HKICPA with greater flexibility to influence the standards applied in Hong Kong. For example, it allows the HKICPA the opportunity to:

- draft transitional provisions or set a different effective date to suit the circumstances in Hong Kong;
- issue home-grown Interpretations, e.g. where past practices have developed in Hong Kong which the HKICPA considers unsatisfactory;
- develop financial reporting standards on areas where there is no IFRS; and
- depart from IFRSs, if there is strong objection to the particular IFRS rules.

As far as we are aware, the HKICPA has no intention of giving up these advantages in the foreseeable future and so separate, but more or less "fully converged", HKFRSs are here to stay.

For many reasons 2005 will be a challenging year for all accountants, whether in Hong Kong or elsewhere. Hopefully, we have reduced some of the confusion in this one area of change and set you thinking about what you need to do next for your own entities. All issues of our Financial Reporting Updates can be found in the virtual library at [www.kpmg.com.hk](http://www.kpmg.com.hk) and we will continue to update you on developments during 2005. In the meantime, feel free to talk to your usual KPMG contact.

**Catherine Morley**

Principal, Professional Practice Department

# Promotions

Last July saw the promotion of 21 new partners and four new directors for our China and Hong Kong offices. Here's a brief introduction of each of them.

## New partners

### Hong Kong



#### **Paul Neale**

Paul started with KPMG in the United Kingdom straight from University working as an auditor. He relocated to KPMG's Hong Kong office in 1994. He is responsible for coordinating KPMG's learning, knowledge and communication initiatives in China and Hong Kong.



#### **Denise Leung**

Denise joined KPMG in Hong Kong in 1991. During her time at KPMG, she has been involved in audit, financial restructuring and initial public offering assignments in China, Hong Kong and Singapore. She specialises in providing professional services to clients in the information technology and industrial markets sectors.



#### **Alex Shum**

Alex began his career in KPMG Hong Kong in 1993 as an audit assistant. He specialises in providing audit services to listed companies in the telecommunications industry. Since 2001, Alex has worked on the China Telecom Initial Public Offering and subsequent acquisitions.



#### **Raymond Tsoi**

Raymond joined KPMG in Singapore in 1991 after graduating from university and moved to Hong Kong in 1994 where he joined KPMG's Hong Kong office as a supervisor. He specialises in providing audit and related advisory services to listed and multinational companies in the logistics, consumer markets, property and infrastructure industries.



#### **Rita Wong**

Rita joined KPMG after graduating from university in 1990. She has focused mainly on the financial services industry and her major clients include banks in both Hong Kong and China. Over the last three years, she has worked on initial public offering assignments in China.

## Guangzhou and Shenzhen



### **Bolivia Cheung**

Having completed a Masters degree, Bolivia joined KPMG in Hong Kong in 1996, in China tax. In April 2003, she transferred to the Guangzhou office, providing China tax and business advice on group restructuring and cross-border transactions.



### **Maggie Lee**

Maggie joined KPMG in Hong Kong in 1993. In 1998 she began working on China engagements and later moved to Shenzhen, where she is based now. She specialises in providing audit services to listed companies in Hong Kong and China, primarily in the consumer markets and industrial market industries.



### **Maria Lee**

Maria joined KPMG in Macau in 1985 and moved to KPMG's Shenzhen office in 2003. Maria has extensive experience in providing audit services to companies in Macau and China, primarily in the industrial markets sector.



### **Ronald Sze**

Ronald joined KPMG in Hong Kong in 1992 and has spent most of the past 12 years working on China engagements for foreign investment, local and state-owned enterprises. He serves clients in the energy, telecommunications and manufacturing industries.



### **Ricky Wong**

Ricky has extensive experience in providing transaction services including due diligence to multinational companies and private equity firms. He has spent a number of years in Guangzhou working on projects involving assets realisation and debt recovery.

## Beijing



### **Fuli Cao**

Before joining KPMG in 2003 as a tax director, Fuli had worked in another accounting firm for ten years, spending six years in the US and four years in Beijing. He specialises in the financial industry, especially in inward and outward investment, restructuring, mergers and acquisitions and tax aspects of overseas listings.



### **Eric Finnsson**

Since originally joining KPMG in Canada, Eric has gained significant international experience in Eastern Europe as well as KPMG International Headquarters in Amsterdam. In Beijing, Eric specialises in serving multinational clients operating in China.



### **Lily Chen**

Joining KPMG in Beijing in 1992, Lily focuses on providing audit services to Chinese state-owned enterprises and foreign invested companies in the telecommunications and power industries. She also has substantial experience advising clients on initial public offerings, acquisition due diligence and financial restructuring assignments.



### **Ellen Jin**

Ellen joined KPMG in 1992 just after KPMG started business in China. Following postings in Hong Kong and Singapore from 1994 to 1998, she returned to KPMG's Beijing office to take up a senior position focusing on financial services clients. Currently, her clients are all in the financial sector, though in the past she has worked with firms such as PICC Property and Casualty Company Limited and Nestle, in areas ranging from restructuring to initial public offering projects.



### **Elise Wong**

Elise joined KPMG's Hong Kong office in 1991 to serve clients in the banking industry. She spent two years on secondment with KPMG in London from 1996 to 1998 and relocated to KPMG's Beijing office in 2001. She has worked on numerous financial projects in Beijing.



## Shanghai



### **Mark Bowra**

Mark relocated to Hong Kong in 1991. He has over 15 years experience in financial investigations, and analysis, quantum assessment in litigation and arbitration, asset tracing and recovery, business partner and intellectual property reviews in Asia Pacific. He has extensive experience working with clients in the electronic and technology sectors.



### **Thomas Chan**

Thomas joined KPMG in Hong Kong in 1993 and moved to KPMG's Shanghai office in 2000. He has extensive experience in audit, due diligence and initial public offering assignments with state-owned enterprises, private companies and foreign investment enterprises in China. Clients that he serves include mobile network services providers, telecommunications infrastructure manufacturers and banking.



### **William Gong**

William joined KPMG in Shanghai in 1993. He has extensive experience in providing audit services to companies in China in the telecommunications industry. He also has substantial experience in initial public offerings, acquisition due diligence and financial restructuring assignments. William is based in Shanghai.



### **Lewis Lu**

Born in Shanghai, Lewis emigrated and was educated in Canada, where he became a Chartered Accountant. He joined KPMG in Shanghai in 1998. Lewis has extensive experience in providing tax planning and advisory services in China, particularly in the financial services, transportation and property development sectors.



### **Vivien Qian**

Vivien joined KPMG in Shanghai in 1993 after graduating from university. She specialises in providing audit services to the Chinese subsidiaries of US public listed companies in the industrial products, information technology and consumer markets industries.



### **Emma Zhou**

Emma joined KPMG in Shanghai in 1994. Based in Shanghai, Emma serves clients investing in China in sectors such as manufacturing, telecommunications and retail. She also has substantial experience in initial public offering assignments.

## New directors

### Hong Kong



#### **Barbara Forrest**

Barbara moved from the United Kingdom to Hong Kong in 1997 to work with KPMG. As a tax director, she assists clients to formulate international assignment policies, design and structure tax efficient remuneration packages (particularly in respect of cross-border employees) and to develop practical approaches to tax problems.



#### **Joanne O'Callaghan**

Joanne has more than twelve years of experience working with professional service firms in the fields of marketing, corporate communications, client relationship management and business development. In her new role, she will continue to support KPMG's reputation in the marketplace for professionalism, quality and integrity.

### Shanghai



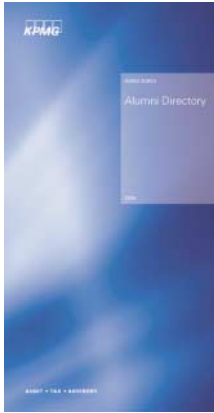
#### **Ryan Reynoldson**

Ryan relocated from KPMG's Transaction Services practice in the United States to Shanghai in 2002 to focus on serving the needs of multinational companies investing in China. He has extensive experience advising on cross-border mergers and acquisitions, providing due diligence, valuation and structuring assistance.



#### **David Xu**

David joined KPMG as an assistant manager in 1997. He spent two and a half years with audit and was transferred to Transaction Services practice in May 2000. He has extensive experience in assisting foreign invested companies in China, especially in the industrial, chemical, pharmaceutical, consumer and infrastructure sectors.



## Alumni directory

The Alumni Directory 2005 will be mailed out this spring.

## Keep in touch

Please help us keep our records up-to-date by notifying us of changes to your contact details by e-mailing to Pearl Fan, Communications Manager, at [pearl.fan@kpmg.com.hk](mailto:pearl.fan@kpmg.com.hk).

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