CONNECT

MAGAZINE OF THE CHINESE UNIVERSITY OF HONG KONG BUSINESS SCHOOL • SEPTEMBER 2015

CUHK Teams up with Google to Boost Hong Kong's Startup

Cornerstone Investment A Fast-growing Trend

Faculty highlight: FOTA awardees

Can't Get a Bank Loan? Go Underground!

CUHK BUSINESS SCHOOL

CUHK Business School
The Chinese University of Hong Kong

Profile: The Chinese University of Hong Kong

- The Chinese University of Hong Kong (CUHK) was established in 1963 after the amalgamation of existing colleges which date back to 1949.
- The Vice Chancellor & President is Professor Joseph J.Y. Sung.
- CUHK has eight faculties (Arts, Business Administration, Education, Engineering, Law, Medicine, Science, Social Science) and 62 academic departments.
- CUHK is ranked 46th in the QS World University Rankings 2014/15 and four of its academic staff have been awarded Nobel Laureates.
- CUHK is based on a collegiate system of nine colleges.
- CUHK has 20,000 students; 2,000 of whom are from outside Hong Kong.

Dean's Message

I would like to welcome our readers to this edition of CUHK Business School's magazine CONNECT. The magazine provides a platform to inform readers of selected business topics through articles written by staff and guest writers.

In this issue, we look into the ecosystem of Hong Kong's entrepreneurs and the Empowering Young Entrepreneurs (EYE) Program co-organized by Google (HK), discuss the fast-growing trend of cornerstone investment in Hong Kong and reveal the impacts of alternative financing in China. We also feature the 9th CUHK MBA CSR Conference, the 2013/14 Faculty Outstanding Teaching Awards and the insightful story of alumnus, Mr. Kelvin Wu, who acquired the Hong Kong and Singapore branches of HMV.

Situated at the world's doorway to China, with a well-developed foundation in business education and research, CUHK Business School has a unique role in nurturing business leaders of tomorrow. We hope you will find the articles both interesting and stimulating.

Prof. Kalok Chan

Profile: CUHK Business School

- The Dean is Professor Kalok Chan.
- The Business School is comprised of two schools – Accountancy, Hotel & Tourism Management; and four departments – Finance, Decision Sciences & Managerial Economics, Management and Marketing.
- It has over 4,600 students (full-time/part-time). Each year, over 500 undergraduate and postgraduate business students enroll in international exchange programs during the regular school term.
- CUHK Business School is the first business school in Hong Kong to offer MBA and Executive MBA programs.
- The MBA program was ranked 30th in the world in 2015, and the EMBA program was ranked 24th in the world in 2014 by the *Financial Times*.
- The School runs dual MBA degree programs with HEC in France; Rotterdam School of Management in the Netherlands; and the University of Texas at Austin in the United States. It also runs a joint program with Cambridge Judge Business School in the United Kingdom and MIT Sloan School of Management in the United States; as well as masters teaching partnerships with Tsinghua University and Shanghai National Accounting Institute in China.

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CUHK Teams up with Google to Help Hong Kong's Budding Entrepreneurs

Google-CUHK EYE Program calls on five key groups to give start-ups smoother, faster lift-offs

"The EYE Program is the first ever comprehensive study into Hong Kong's highly complex world of entrepreneurs. And the Program's findings are based on detailed surveys with more than 900 entrepreneurs."

Yes, indeed. It's perfectly true that Hong Kong is renowned around the world for the quality of its commercial infrastructure. And also for the support and encouragement that the SAR gives to budding start-ups.

But research provided by Center for Entrepreneurship at The Chinese University of Hong Kong (CUHK) Business School has revealed a startling fact. Despite the backing from both the government and the private sector, the 'ecosystem' for Hong Kong entrepreneurs has become disconnected and is now facing a near deadlock on innovation.

This disconcerting finding has been revealed in a major research report – "Crouching Tigers, Hidden Dragons," itself part of the Empowering Young Entrepreneurs (EYE) Program, organized by Google (HK) and CUHK Center for Entrepreneurship.

The EYE Program is the first ever comprehensive study into Hong Kong's highly complex world of entrepreneurs. And the Program's findings are based on detailed surveys with more than 900 entrepreneurs and those planning to be entrepreneurs, from 270 startups as well as interviews with 40 mentors and more than 55 experts. The Program takes a careful look at the key factors that Hong Kong's young entrepreneurs look at before deciding if they will launch a start-up and also what challenges they are likely to encounter.

To remedy the disconnect that many beginning Hong Kong entrepreneurs are experiencing – and to break the deadlock on innovation in the SAR, the EYE Program seeks to change how start-ups are initiated and conducted in Hong Kong.

EYE's "2% Mission" can Create Over 300,000 New Jobs within Next Four Years

The highlight of the Crouching Tigers' report is its exciting "2% Mission" which says that if just 2% of the average number of new business registrations made over the coming five years (about 2,800 new businesses) can be helped to succeed, it will be possible to create 333,800 new jobs; and these exciting new careers would be directly linked to 11,480 new start-ups and 7,800 new IP applications. This business boost would create an additional 0.24% GDP – or about one-third of what Hong Kong spends on Research & Development every year.

The Crouching Tiger report cites four vital components needed to give Hong Kong a more resilient start-up environment. WHAT needs to be done is:

1. Stronger social support from the community

43% of Hong Kong's potential young entrepreneurs consider social and cultural norms when deciding if they will start a business. Serious peer pressure makes it difficult for young would-be entrepreneurs to take that first risky step. And then, after enrolling in start-up programes, pressure from friends to delay their business plans increases by a burdensome 436%.

2. Hong Kong-based corporations need to be more generous to first-time entrepreneurs

Out of 143 economies listed in the 2014 World Giving Index, Hong Kong comes out proud in the 10th place, with 68% giving to charity regularly. However, in sharp comparison, between 2007 and 2012, institutional investment made by Hong Kong-based corporations to local start-ups was a paltry 3% - less than one-fifth of what U.S. businesses give to their start-up entrepreneurs.

3. The innovation deadlock must be broken

Yes, many of Hong Kong's start-ups believe that they can offer creative products and innovative services. In fact, studies show that a healthy 75% of the SAR's young entrepreneurs believe that "creativity" is their key strength.

However, a serious traditional cultural paradox exists, which often prevents people from sharing new ideas and effective ways of doing business. The result? Actual innovative output is low. The expert judges at the EYE Program only considered 32% of startups which they studied as being "highly innovative" by EYE Program standards.

What's more, a staggering 94% of local companies do not invest in any R&D; and in fact 23.5% see no need for R&D at all. This unfortunate situation has a serious effect on the public awareness of Hong Kong's own home-grown innovative capabilities, creating a vicious cycle of "crouching innovation."

4. Better balancing of key players in Hong Kong's entrepreneur ecosystem

Yes, Hong Kong's startup community boasts reasonable numbers of good leaders, brokers and feeders. But there are still far too few willing mentors, and consistent supporters in the wider community - both are needed to create a healthy support ecosystem for fledging entrepreneurs. The current imbalanced and uncoordinated development of the startup ecosystem is a result of these groups not working together closely.

Achieving its Mission

To succeed in its mission, the Crouching Tigers, Hidden Dragons report strongly recommends that five key groups in Hong Kong come together, and actively work closer together to help transform Hong Kong's business start-up scene so that it can reach its full potential. These five key factions are: The start-up community itself; plus the larger business community, key investors, educators and the SAR Government.

What action can each of these five crucial groups take to make life better for our local start-ups?

LOCAL HOMEGROWN ENTREPRENEURS should adopt a "bottom-up" approach to developing entrepreneurship; the startup community must work to strengthen its networks, improve mentorship and freely share its knowledge.

LOCAL BUSINESSES need to take better care to ensure the longevity and dynamic development of the respective industries. The business community must actively commit far more financial resources to research and development. And leading business figures must establish collaborative projects with startups, to increase innovation across all local industries. If Hong Kong is not moving ahead, than we are falling behind our competitors.

INVESTORS are interested in startups. But to improve their levels of investment, investors need to legitimize the startup as a viable strategy for wealth creation by expanding and professionalizing angel investment with guidelines, templates for investment processes, case studies, and performance benchmarks.

UNIVERSITIES AND SCHOOLS have been more active in the startup scene in recent years. But there's plenty of room for improvement. Educators should encourage spinoffs and university-based entrepreneurship, through further expansion of incubation and acceleration programs.

THE SAR GOVERNMENT needs to actively continue to enhance a sustainable business environment, and especially promote the shared long-term vision for entrepreneurship.

By Steven Knipp

Teaming up to See the "Shared Vision" of The 2% Mission Succeed

Speaking about the ambitions of The 2% Mission, Prof. Kevin Au, an associate professor at Department of Management and Director of the Center for Entrepreneurship, CUHK Business School, says: "The 2% Mission is an achievable goal aiming to transform the future of Hong Kong.

"This report helps guide needed change in the startup ecosystem. We are genuinely excited to find that many stakeholders agree with us in the need to devise a shared vision, and developing a strategy for improving the local ecology for budding entrepreneurs from Hong Kong and abroad. Our report has been put together to help local stakeholders make more informed decisions and inspire closer cooperation between members of the startup ecology. It is an exciting time to live in, where one can see the rebirth of Hong Kong's 'Tigers' and 'Dragons.'"

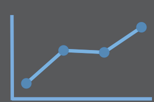
The theme of this year's EYE Program, "Living in the Mobile-First World," was selected because in Hong Kong 'mobile first' is now very much a reality. Currently 14% of Hong Kong people use smartphones when they go online. So there is obviously a huge opportunity for startups and for existing businesses to expect to embrace mobile technology and improve people's lives. In addition to Google, the 2015 EYE Program is also being supported by key partners Cyberport and KPMG; and our strategic partners include Hong Kong Science and Technology Parks Corporation, ASTRI, Cherrypicks, CUHK EMBA Alumni Association, and StartupsHK.

Learn more about EYE Program

11,480
NEW HIGH-POTENTIAL STARTUPS

338,800
NEW JOBS

7,800
NEW IP APPLICATIONS



0.24%
GDP GROWTH

Cornerstone Investment: A Fast-growing Trend

Paul B. McGuinness, Professor, Department of Finance, CUHK Business School

TO facilitate the completion of IPOs, more and more companies looking to list on the Hong Kong Stock Exchange are turning to cornerstone investors. What role do such investors play in the capital market and how do they influence a firm's IPO value? Research by Prof. Paul B. McGuinness of the CUHK Business School offers an in-depth look at these topics.

Cornerstone investor agreements have become increasingly common in the Hong Kong stock market in the past 10 years or more. Such agreements, which have essentially evolved through the Hong Kong marketplace, are still fairly uncommon in many other major capital markets. But in Hong Kong, regulatory and market conditions combine to encourage the inclusion of cornerstone allocations in IPOs.

Paul B. McGuinness, a professor at the Department of Finance of the Chinese University of Hong Kong Business School, explains how such investments work. He notes that cornerstone investors are typically high net-worth parties, and include among their number local tycoons, Chinese state-invested entities, privately controlled public companies, sovereign investors and institutional investors like asset managers. Such parties commit with book-runners to buy a defined block of stock. This commitment is made just ahead of the formal IPO application period. However, cornerstone parties accede to post-IPO lock-ups on their earmarked allocations, during which time they cannot transfer the shares. Prof. McGuinness further notes that unlike private equity investment, cornerstone investment comes in during the IPO period itself (although the contractual obligations surrounding such agreed allocations are finalized just prior to the prospectus release). Cornerstone parties thus pay the same offer price as all other IPO subscribers. By contrast, he notes that any private equity investment occurs well ahead of IPO, sometimes months or even several years prior to listing. Private equity stakes typically occur at sizeable discounts to eventual IPO offer prices, at least in those cases where listing of the invested entity arises.

The fact that the particulars of cornerstone allocations are disclosed in the IPO issue document (prospectus) means such parties' identities are revealed before the formal application period commences. As Prof. McGuinness notes, "cornerstone investors are lending visible and high-profile support to the IPOs." At the same time, he points out the larger such allocations and the more extensive the lock-ups (typically set at a minimum of six months), the greater the potential "certification (i.e. endorsement) effect."

Why has Hong Kong's IPO market taken such a leadership role in the area of cornerstone investment? Prof. McGuinness believes it is due to a combination of factors: "On one hand, Hong Kong's regulatory environment is quite flexible, which allows for significant cornerstone investor presence. On the other, the emergence of cornerstone investment is closely tied to the growth and expansion of mainland Chinese enterprises as well as Hong Kong's strategic and political relationship with the mainland. International institutions, corporate parties and Asian tycoons have shown a keen interest in investing in Chinese companies listed in Hong Kong, so the demand is strong. Other markets may also have regulatory flexibility but not necessarily the demand for such allocations."

According to Prof. McGuinness, "many market watchers see cornerstone parties as value investors. The typical nature of such parties, sovereign funds, institutional investors, tycoons and high net-worth individuals, as well as the post-IPO lock-ups that they have to adhere to, suggest certain certification effects. Cornerstone presence therefore serves as a potential signaling device."

Connection with IPO Firm Value

So what is this "certification effect" in the context of an IPO? In a research paper titled "IPO firm value and its connection with cornerstone and wider signaling effects," [1] Prof. McGuinness looks into cornerstone investors' role in signaling or certifying IPO value. He points out that certification effects have been widely examined in connection with venture capital investment, dating back to Megginson and Weiss' (1991, Journal of Finance, 46/3: 879-903) seminal study on the subject. However, there is very little information about cornerstone investment in the academic literature. This is because such investment is not commonly found in European and American markets," he explains.

Prof. McGuinness' study focuses on IPOs launched on HKEx's Main Board between January 2005 and December 2009, a period characterized by a proliferation in cornerstone investor agreements. His study reveals several important findings. First, cornerstone presence displays strong association with initial value multiples, market-to-book (M/B) and Tobin's Q. Strong associations are also apparent when looking at other cornerstone dimensions: size of allocation, lock-up period and number of investing parties. Thus, greater cornerstone involvement correlates with higher M/B and Tobin's Q levels. The study also examines possible causal effects between equity value and cornerstone participation.

> “Obviously, there must be significant benefits to listing companies and their controllers from the procurement of cornerstone investors. Benefits also arise for the book-runners/underwriters in terms of stimulating market demand for the IPO.”
>
> — Prof. Paul B. McGuinness

The study's second major finding, which reinforces the signaling angle, is that cornerstone investment exhibits positive association with post-IPO earnings growth. As a third important result, Prof. McGuinness determines that cornerstone invested-entities display more resilient and stable trading volumes during an IPO firm's first 30 days' listing. He also finds book-runners' on-market purchase (or price stabilization) activities to be less common in cornerstone-invested entities—an outcome he ascribes to such entities' more resilient secondary market price performance during their first few weeks of listing.

Prof. McGuinness's article also investigates a range of other signaling devices and valuation effects. In particular, he finds higher valuation multiples in offerings with a smaller initial retail tranche component. His study also identifies higher Q multiples in issues with an international (as opposed to domestic) placing tranche and in IPOs containing secondary offers (i.e., vendor or controller sales).

Commenting specifically on the cornerstone effects, Prof. McGuinness opines: "Obviously, there must be significant benefits to listing companies and their controllers from the procurement of cornerstone investors. Benefits also arise for the book-runners/underwriters in terms of stimulating market demand for the IPO."

"Retail investors may be more inclined to buy a company's stock if they see cornerstone investors buying into it, especially where the cornerstone parties have a proven record of value investment," says Prof. McGuinness. "For example, if a leading Hong Kong tycoon invests, some retail investors may place greater trust in the underlying company and the pricing of the issue. Some investors may also feel that cornerstone presence adds a further layer of monitoring or due diligence, especially where cornerstone parties lock in for an appreciable period. In short, cornerstone investment can excite subscription demand."

Higher Level of Transparency

Cornerstone investment comes with detailed disclosure. "Usually, you cannot get precise disclosure of share allocations in the international placing arm of an IPO. But where cornerstone agreements exist, which form a part of the placing tranche allocation, cornerstone parties' identities, dollar amount of committed investment and lock-ups quickly become apparent," says Prof. McGuinness.

The professor notes that cornerstone investment in Hong Kong could be an attractive factor for international investors. But from a broader investor perspective things may not be so straightforward. He points out that some investors might feel that cornerstone investors, by being able to secure a large amount of shares, crowd-out smaller investors. But, as mentioned, there are positives from cornerstone allocations. One is increased transparency. As Prof. McGuinness maintains, "Cornerstone allocations enable us to know more about a key part of the international placing tranche allocation."

While acknowledging the mixed views that cornerstone agreements sometimes arouse, Prof. McGuinness concludes that such investment is now an important part of the Hong Kong IPO terrain. Moreover, cornerstone investment appears to be gaining importance in other markets, particularly in the Asia Pacific region. Study of cornerstone investment therefore offers lessons for other markets that have just embraced such investment in their IPO markets.

By Fang Ying

Reference:
1. Paul B. McGuinness, "IPO firm value and its connection with cornerstone and wider signaling effects," Pacific-Basin Finance Journal, Vol. 27(2014) pp.138-162 (http://www.sciencedirect.com/science/article/pii/S0927538X14000213)

Can't Get a Bank Loan? Go Underground!

Daphne Yiu, Associate Professor, Department of Management, CUHK Business School

MANY Chinese private firms are turning to alternative fundraising options to survive and thrive, as it isn't always easy for them to obtain a bank loan. A new research on the role of alternative financing at CUHK Business School reveals its positive impact on the performance of private firms.

> *"Private firms have flourished in mainland China despite their limited access to formal financing, such as bank loans and fundraising in the capital market. Why is that the case? The reason had never been studied. That's what prompted us to unveil the mystery."*
>
> — Prof. Daphne Yiu

The research, led by Daphne Yiu, associate professor at the Department of Management of the Chinese University of Hong Kong Business School, explores the relationship between alternative financing in the forms of underground finance and trade credit and the performance of private firms.[1] Using the metrics of return on assets (ROA) and net income reinvestment rate (NI reinvestment rate), the study reveals that underground finance and trade credit are useful informal financing channels for private firms in China and transitional economies in general.

"How firms are financed is one of the fundamental issues raised in the literature of private firms," says Prof. Yiu. "Private firms have flourished in mainland China despite their limited access to formal financing, such as bank loans and fundraising in the capital market. Why is that the case? The reason had never been studied. That's what prompted us to unveil the mystery."

According to Prof. Yiu, private Chinese firms have been undergoing rapid growth and serving as the main driving force of China's economic development in the past decade. For example, the number of private firms increased from 52,920 in 2005 to 102,345 in 2009, accounting for half of the total number of industrial firms in China. In addition, the private sector contributed about 18.7 percent of China's industrial value in 2009. However, given such a large number of private firms, only 3.52 percent of the total loans issued by state-owned commercial banks went to private firms in 2009. Moreover, the complex procedures and high costs of state bank loans make it more difficult for private firms to obtain loans in a timely manner. As a result, state bank loans can only satisfy 10 percent of private firms' total financing needs, and these firms have to turn to other financial channels.

"In light of this, we would like to explore if there are alternative ways of financing for private firms to sustain their growth in China," says Prof. Yiu.

Beneficial to Private Firm Performance

According to Prof. Yiu's research paper, alternative or informal financing refers to all other financing channels that are based on reputation and relationships rather than on formal contracts, such as underground financing and trade credit. Prof. Yiu points out that alternative financing provides funding access to private firms when formal financing channels are not accessible to them.

In the study, Prof. Yiu and her collaborators, Jun Su, a graduate student at the Department of Finance, and Yuehua Xu, a graduate student at the Department of Management of CUHK Business School, investigated the financial data of a sample of 284 private firms in 19 cities in China. These private firms are neither listed nor state-owned, each with a headcount below 1,000. At the same time, the researchers collected data from a random-sample survey conducted in 2007 by the provincial branches of three listed banks in China.

They found that alternative financing is beneficial to private firms' performance. "The reason may be that alternative financing is better than formal bank financing in terms of flexibility and timing of supplying cash needed in a short period of time," explains Prof. Yiu.

In addition, the researchers found that the value creation of alternative financing varies across different provinces depending on the level of institutional development. For example, underground financing plays a more important role for private firms in provinces where there is less governmental support, less non-state economic development and less credit marketization.

The study's third major finding is that there are industry preferences in the use of underground financing and trade credit. For example, manufacturing firms normally have larger capital expenditure needs than trading companies. The large amounts of capital required can easily be met by underground financing. By contrast, trading companies generally have more frequent transactions and trading partners than manufacturing firms. As such, trade credit is their preferred channel as they can establish trust and social networks with their suppliers and customers through its usage.

Implications for Policymakers

Having deciphered the relationships between alternative financing and private firms, the study offers important implications for policymakers in China and other countries that are undergoing similar economic transitions, according to Prof. Yiu.

First, governments in transitional economies should provide more support on alternative financing to private firms. Careful steps are needed to regulate alternative financing resources to promote their positive effects and to mitigate the risks, such as delayed payments and defaults that are not supported by current legal systems. "A series of carefully designed alternative financing mechanisms by governments would help the development of the private sector in transitional economies," Prof. Yiu points out.

Second, these governments should create a multi-faceted financing system for private firms, such as accelerating private firms' access to capital markets, encouraging them to get loans in small banks and setting up SME credit guarantee systems, which will serve to better meet private firms' financing needs and support their long-term development. "In the long run, under a multi-faceted financing system, private firms may seek bank credits in the first place while using alternative financing as a supplemental means for their immediate cash needs," concludes Prof. Yiu.

By Fang Ying

Reference:
1. Daphne W. Yiu, Jun Su and Yuehua Xu, "Alternative financing and private firm performance," Special Issue on Private Firms in Emerging Markets, Asia Pacific Journal of Management, September 2013

CUHK Business School

Announces the 2013-14 Faculty Outstanding Teaching Award

The Chinese University of Hong Kong (CUHK) Business School has recently announced the 2013/14 Faculty Outstanding Teaching Awards (FOTA). The yearly FOTA recognizes four well-deserving faculty members for their teaching excellence, and the awardees of this year's FOTA are:

- Prof. Thomas BAIN, Adjunct Professor, Department of Finance
- Prof. KAY Lo Hei Rose, Adjunct Assistant Professor, Department of Finance
- Prof. NG Cheuk Yin Andrew, Associate Professor of Practice in Actuarial Science; and Director of Insurance, Finance & Actuarial Analysis Program
- Dr. LAI Hon Weng John, Senior Lecturer at Department of Management; Director of Global Business Programs; and Assistant Dean (Undergraduate Studies)

The rigorous selection process included nominations and reviews conducted by an accomplished selection panel, comprising the Chairperson of the Faculty Committee on Teaching and Learning Quality (FCTLQ) and awardees from the previous year. Short-listed candidates were required to submit teaching portfolios that demonstrated, amongst other achievements, their intellectual contribution, pedagogical innovation, course design, and approach to teaching and learning.

Each awardee will receive a professional allowance of HK$10,000 and a commemorative plaque that is specially designed for the award.

Prof. Kalok CHAN, Dean of CUHK Business School, said:"FOTA represents the dedicated efforts of the recipients. Please join me in extending heartfelt congratulations to these well-deserving awardees!"

By Fion Chan and Edmond Siu

CSR Yesterday, Today and Tomorrow: Highlights from the 9th CUHK MBA CSR Conference 2015

TO provide a unique platform for business leaders, CSR practitioners and corporations in Asia to share new insights on the trends and best practices that will shape the future development of corporate social responsibility (CSR) in Asia, the 9th CUHK MBA CSR Conference, organized by MBA students at CUHK Business School, was held at the Hong Kong Convention and Exhibition Center on 28 May. With the theme "CSR Yesterday, Today and Tomorrow," the conference - one of the largest events of its kind in Asia, attracted more than 200 CSR professionals, SME owners, members of non-governmental organizations (NGOs), business students and professors.

The introductory keynote speech was given by Patrick Riley, Senior Vice-President of Interface Asia-Pacific, a global market leader in modular floor coverings and the application of sustainable business and manufacturing processes. With a rich experience in driving the sustainable growth of the company in the corporate office and commercial markets, Riley talked about how CSR strategies actually work in his organization. He points out that the secrets of successful CSR strategies lie in people, passion, commitment and managers' leadership. "It is people being fully engaged in what they are doing that drives sustainability and CSR objectives," he remarked.

Following Riley's speech was the main panel discussion, with the theme of "Corporate Social Responsibility across the Value Chain as a New Form of Risk Management." The panelists explored how CSR programs are a necessary element of risk management for global companies because they provide the framework and principles for stakeholder engagement and support the corporate risk agenda.

The one-day conference then featured four breakout sessions, with two concurrent ones taking place in the morning and another two in the afternoon. The themes for these sessions were: "Building Brands through Doing Good: Taking CSR to the Front Line of Brand Communications," which discussed the growing popularity of social enterprise-inspired startups and explored how established brands can put "doing good" at the heart of their business; "Social Investment—What It Is, Why It Matters and What Should We Do About It," which focused on venture philanthropic investments and the importance of best practices to ensure the welfare of society; "From CSR to Creating Shared Value—The role of CSR in Compliance, Risk Management and Information Disclosure," which explored how important it is for CSR policies to have a common framework across the company to identify, quantify, manage and monitor business risks; and "Business Innovation—Why Should Entrepreneurs Create Social Value," which focused on how entrepreneurs should seek to solve real problems and create social value.

The endnote of the afternoon session was a CSR case competition and two final keynote speeches.

Following the huge success of the first CSR Case Competition in 2014, this year's case competition, sponsored by Swire Pacific, has set the bar even higher. It challenged each team to develop an innovative and sustainable CSR solution for Swire's "Green roof sustainability challenge." Swire's new office in Beijing has a phenomenal rooftop measuring nearly 1,600 square meters in size but is presently not utilized. The group is looking for potential solutions to develop this area into an exceptional community, event or urban farm space that demonstrates Swire's vision and innovation in sustainability to all its stakeholders.

The three finalist teams—one from The Chinese University of Hong Kong and two from China Europe International Business School (CEIBS)—presented their solutions in front of a panel of judges consisting of personnel from the Swire Group, CUHK Business School academic staff and business professionals. Finally, one team from CEIBS won the championship with their pioneering ideas supported by practical solutions.

Following the case competition was a keynote speech by Seema Aziz, Founder and Chairperson of CARE Foundation, the largest NGO in Pakistan, which has educated more than 180,000 students in 352 schools. She shared her experience of how an NGO implements its CSR initiatives and encourages people to be actively involved in expanding the education opportunities for children in Pakistan.

Philippe Lacamp, Swire Group's global head of Sustainable Development, gave the concluding keynote speech. He highlighted several CSR initiatives of the Swire Group, including how to reduce the group's overall environmental impact, improve energy efficiency and identify investment opportunities within the sustainability scope. He also offered practical examples of how the group's CSR objective has been achieved.

Since 2007, CUHK Business School has hosted this non-profit CSR conference in Hong Kong annually. Recognized by *Financial Times* in 2012 as Asia's finest non-profit CSR conference, the conference has proved to be a great success over the years, encouraging MBA students to think globally and to foster coordinated efforts to build a more sustainable world.

By Fang Ying

Alumni Spotlight

Kelvin Wu: From Investor to Entrepreneur

GRADUATED from the Chinese University of Hong Kong in 1994 with a bachelor's degree in business administration, Kelvin Wu is the Cofounder and Principal Partner of AID Partners Capital Limited and CEO of AID Partners Capital Holdings Limited. Wu is a successful investment manager specializing in M&A, buyout, expansion capital and growth equity. He has over 15 years of experience in the finance and investment industries. In 2013, Wu's private equity and venture capital firm made a bold decision to acquire the Hong Kong and Singapore branches of the British music retail chain HMV.

What did you learn from CUHK that has made a big impact on your future career?

WU The university experience is not only about receiving an education. It's actually a self-learning process. The university environment is so different from that of a high school. There is no one who supervises you every day. You have to learn to be self-disciplined, to plan everything yourself and to think about what you're going to do in the future. This training in independent thinking has made a big impact on my career.

You are a successful investment manager specializing in M&A, buyout, expansion capital and growth equity for many years. For students who want to follow your career path, do you have any recommendations for them?

WU I think the business that I am doing requires a substantial amount of experience. It requires a wide array of knowledge such as mathematics, science and arts, and it requires a lot of help, networks, connections and affiliations as well. I don't think that fresh graduates could easily handle this kind of job. I would suggest them to gain some basic commercial and financial knowledge through on-the-job training in big corporations, accounting firms, law firms, banks and more.

Working as an employee and being the boss of a company are two very different things. From your previous work experiences, you performed outstandingly regardless of whether you were an employer or an employee. What motivated you to start your own business?

WU The motivations came from a belief that I have had since my childhood. I envisioned a different life and I wanted to make a difference to the world. This great desire has been driving me to keep improving and keep thinking what to do next, and what can make a change to people's lives.

For a private equity and venture capital firm, the most significant thing is that it can successfully raise capital or private equity funds to support specific investment strategies. Success depends heavily on whether you can give people a sense of confidence. How do you achieve this?

WU Honesty, strength in investment thesis and a commitment to business are the most important things. You should never exaggerate your returns nor mislead your investors. Instead, you have to give them a certain level of confidence on ensuring a good return on their investment. Finally, everything boils down to execution, so you have to demonstrate how well you can execute your plans.

In 2013, your company made a bold decision to acquire the Hong Kong and Singapore branches of the bankrupt British music retailer HMV. How are things going at the Hong Kong store?

WU Things are going well after the acquisition. We've recruited many talented people to join our team. We'll open our 40,000 ft^2 flagship store in Causeway Bay later this year. New elements such as a lifestyle product corner, a restaurant and a performing area will be introduced in the new store. It will be Hong Kong's largest audio and movie library and vinyl records destination. The HMV restaurant will be the new venue for spectacular occasions and the dining hotspot will be a perfect venue for high-profile meet-and-greet events, album releases or gala premieres. To support the local music industry, the HMV restaurant will also stage regular live gigs, offering a new platform for emerging bands and singers.

We are working with various online streaming companies to improve our business as well. We've just launched a new smartphone app to explore e-commerce. Everything is on the right track.

Do you have any plans to open HMV stores in Mainland China?

WU Yes. There are many enquiries about licensing our brand in China. Our strategy is to open some flagship stores with satellite shops in the major cities in China, may be next year. We also welcome cooperation with domestic companies in China. But, we are very careful and selective and are not rushing into partnerships.

Have you considered creating a Chinese name for HMV?

WU Coming up with a Chinese name would be difficult for us. Firstly, the acronym HMV has been ingrained deeply in people's mind. It is literally impossible to find a replacement using three Chinese characters. Secondly, a Chinese translation of "His Master's Voice" will most likely be a very long phrase. So I would rather keep it simple and international.

What is your view on "guanxi" in China?

WU Having good relationships while conducting business is a universally desirable thing. But in China you also talk about government relations. Our business is slightly different from asset-heavy or policy-related businesses. We are just a consumer-oriented entertainment business. But, an understanding of government policies and regulations remains very important. We will pay attention to it.

As a CUHK Business School alumnus, can you say some words of encouragement to our current students?

WU The most encouraging thing I can say is that we are in the right spot where a lot of opportunities are waiting for us to tap into. Hong Kong's geographical location is ideal. With a good international reputation, the city offers easy access–commercially and geographically–to business opportunities in Mainland China and Asia. Within 2-3 hours' flight, we can reach the fast-growing markets in Southeast Asia. So, opportunities abound. Don't give up!

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