

# KPMG to help local companies expand overseas

By WEI TIAN  
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KPMG will continue to concentrate on helping domestic Chinese companies expand internationally, said the global chairman of the accounting giant.

Michael Andrew was in Beijing to introduce the firm's new special general partnership, which is being put in place before its previous joint venture license expires. He said the firm will now be investing in building its research capacities in China, and striving to build a knowledge-exporting base in the country.

KPMG used to serve multinational corporations when it first came to China in 1992 and has worked closely with the State-owned enterprises on their listing processes, he said.

But as the world's second-largest economy restructures itself, and more Chinese companies look overseas to expand, Andrew said "the priority is to offer professional advisory services for Chinese enterprises, specially small businesses, in their overseas investment and mergers".

KPMG is the first of the Big Four accounting firms — the other three being Deloitte Touche Tohmatsu, Ernst & Young and PricewaterhouseCoopers — to convert itself into a local partnership.

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MICHAEL ANDREW  
GLOBAL CHAIRMAN OF KPMG

The Finance Ministry has also approved another transitional program by Ernst & Young on Tuesday, according to a PR release of Ernst & Young.

In its new partnership format, KPMG has selected 25 partners, 15 of which have qualifications from the Chinese Institute of Certified Public Accountants.

That 60 percent ratio of locally qualified partners will have to increase to 80 percent within the next five years.

"It is a very important strategic goal and the best result for KPMG in China and globally," Andrew said.

Stephen Yiu, chairman of KPMG China, added: "The transformation will not affect our clients, staff, business and service quality, as we continue to contribute our part to the development of the Chinese economy."

"If there is going to be any change, it'll be an increase in service quality because we'll have more partners with better knowledge of local businesses and risks," he said.

Andrew said that KPMG will also invest more in building its research capacities in China and strive to build a knowledge-exporting base that benefits from the abundance of local talent that is available. "It will be like our research centers in India, where we bring in business from other countries and export to a global market," he said.

The shift in KPMG's business model comes as the Big Four face an increasing challenge from fast-growing domestic firms.

According to the latest table of the top 100 accounting firms in China, ranked by the CICPA, the revenues of the Big Four only increased by 6 percent in China year-on-year in 2011. By comparison, Chinese companies reported faster growth last year, as the revenues of the top 10 domestic firms increasing 38 percent.

Chen Yugui, secretary-general of the CICPA, said there had been considerable merger activity within the industry locally, and he expected continued consolidation, as had happened at various stages in its history.

Scott Univer, WeiserMazars' general counsel, who was also a former general counsel for BDO Seidman, added: "After World War II, top level firms were often US headquartered in the US, taking advantage of the post-war dominant American economic position."

"But as local economies recovered and prospered, the shares of global firms eventually fell as they were not as well positioned as locally-based networks to benefit from the expansion of the local economy, in particular working with startups and other growing businesses and entrepreneurs," he said.

## what's news



Waiters and waitresses wearing wigs walk down a catwalk at a restaurant to attract customers in Chongqing on July 25. The restaurant was decorated in the style of a disco bar, with music and lights.

CHEN CHAO / CHINA NEWS SERVICE

### Official praises trade between China, US

China attaches great importance to trade between Chinese provinces and US states, the Chinese vice-minister of commerce said during his recent visit to the United States.

Wang Chao led a Chinese governmental economic and trade delegation to the US states of California and Illinois on July 22-26.

Wang also said the trade relationship is an important foundation of Sino-US relations, and promotes that relationship.

The talks concentrated on investment environment and mutual projects. Entrepreneurs from the two countries also made business deals at the two trade-cooperation seminars in Chicago and San Francisco.

### Report: Ministry to sell 30-year bonds at 4.12%

The Ministry of Finance will sell 28 billion yuan (\$4.4 billion) in 30-year bonds at a yield of 4.12 percent on Aug 1, according to the median estimate of a Bloomberg News survey.

The highest forecast was 4.13 percent and the lowest 4.08 percent, the survey of five finance companies showed. The estimate compared with the 4.12 percent yield on similar maturity notes in the secondary market seen on Monday, according to data compiled by Chinabond.

Investors will bid on the yield at the auction. The issuer will set the security's coupon by taking the highest winning yield.

### J.Crew to open first Asia store in Hong Kong

J.Crew Group Inc, the apparel retailer whose customers include US first lady Michelle Obama, plans to open its first store in Asia in Hong Kong, as the retailer targets tourists from the mainland.

The retailer will open the Hong Kong store as early as next year. Meanwhile, it is also looking for sites in Beijing and Shanghai, CEO Mickey Drexler said in an interview in Hong Kong.

Closely held J.Crew is pushing to reach Chinese shoppers as competition heats up and economic growth slows in the world's most populous nation. The apparel company will join brands that include Abercrombie & Fitch Co, Gap Inc and Burberry Group PLC in courting tourists from China's mainland in the former British colony.

Hong Kong had 28 million tourists from the mainland last year.

### Money-market rate jumps the most in a month

China's money-market rate rose the most in a month on speculation that cash supply will wane after the central bank reined in sales of reverse-repurchase contracts.

The People's Bank of China offered 8 billion yuan (\$1.3 billion) of seven-day reverse repos today, the least since July 5. A total 145 billion yuan of the contracts will be redeemed this week, including 95 billion yuan on Tuesday dating to China Merchants Bank Co data.

"Liquidity has turned a bit tight because the reverse-repo amount is much less than redemptions," said Guo Caomin, a bond analyst at Industrial Bank Co in Shanghai. "No one is clear about the PBOC's motivation behind this."

### Chinese banks told to boost loans for local governments

Some Chinese banks are telling their branches to boost lending to local government financing vehicles, a newspaper said, in a further signal that authorities are loosening credit to reverse a growth slowdown.

The local branches are being instructed to give credit support to provincial-level vehicles and those backed by China's 100 richest counties, according to a Tuesday report by the China Securities Journal.

Relaxing control of lending to local governments would mark a shift in strategy as China tries to boost economic growth that has slowed for six straight quarters. China had been seeking to reduce regional debts that ballooned from loans in the aftermath of the global financial crisis to 10.7 trillion yuan (\$1.7 trillion).

### Komatsu cuts full-year profit outlook

Komatsu Ltd, the world's second-largest maker of construction equipment, cut its annual profit forecast after first-quarter earnings dropped 42 percent amid lower sales in China and a slowdown in Indonesian demand.

Net income will probably be 157 billion yen (\$2 billion) for the 12 months ending March 31, 2013, compared with an April forecast of 190 billion yen and 167 billion yen a year earlier, the Tokyo-based company said in a statement on Tuesday.

The cut came after the company said profit fell to 32.1 billion yen in the three months to June from 55.7 billion yen a year ago.

Japan's rebuilding from last year's earthquake and tsunami and higher sales from North America failed to cover declining revenue from China, where slowing economic growth and government curbs on the property market are sapping demand.

### Hang Lung underlying profit rises on home sales

Hang Lung Properties Ltd, the Hong Kong developer that focuses on building shopping malls on the mainland, said its first-half underlying profit rose 72 percent after it booked more gains from selling homes and commercial assets.

Earnings excluding revaluation gains and deferred tax climbed to HK\$2.52 billion (\$325 million) in the six months to June 30 from HK\$1.47 billion a year earlier, the developer said in a statement to the Hong Kong Stock Exchange on Tuesday.

Hang Lung, Hong Kong's third-biggest developer by market value, joined rivals such as Sun Hung Kai Properties Ltd in divesting shopping malls, offices and parking garages in the city over the past year to raise cash ahead of an increase in government land sales.

### Baidu, Sina join hands in smartphone project

Baidu Inc is offering its search engine on Sina Corp's mobile Web portal as part of an agreement aiming to attract more smartphone users in the world's biggest wireless market.

Baidu, China's biggest search engine company, will also install Sina's Weibo micro-blogging service on software for mobile devices, the companies said in a joint statement on Tuesday, without giving a schedule. The alliance covers collaboration on content and data as well, the companies said.

Baidu seeks mobile users for its search services as more surf the Internet on smartphones in China, where mobile ad sales more than doubled to 2.4 billion yuan (\$377 million) last year, according to the research company iResearch.

### China may increase fuel prices on Aug 10

China may raise gasoline and diesel prices in August for the first time since March after crude costs rose, a commodity researcher said.

Prices may be increased by 350 yuan (\$55) a metric ton on Aug 10, C1 Energy said on its website on Tuesday. The cost of the basket of crude oil tracked by the National Development and Reform Commission will have risen more than 4 percent by then, reaching the threshold at which tariffs can be changed, C1 said.

Brent oil, one of the grades in the basket, has jumped 8.7 percent in July, snapping a run of three monthly declines. China has reduced fuel prices three times since May to levels last seen in December 2010. The last reduction was on July 11, when rates were cut by as much as 4.8 percent.

Shanghai-based C1 has in the past correctly reported adjustments before official announcements.

### Rising US corn prices affect Chinese imports

Rising prices of US corn have made it more difficult for China to use imports to help relieve its domestic corn shortage, the director of the China National Grain & Oils Information Center said in Beijing on Tuesday.

Shang Qiangmin said China's 2012 and 2013 soybean imports may rise to 60 million metric tons from 58 million tons a year ago, while the domestic harvest may fall to 13 million tons from 14.5 million tons. Shang said the forecast is lower than others in the market because the government is selling domestic reserves, a measure that is likely to continue.

### China Water sets up venture for projects

China Water Affairs Group Ltd, a provider of water and sewage treatment, has agreed to establish a joint venture that will be involved in water-related investments and construction in Henan province and nearby provinces.

Jianghe Water Affairs Co, a unit of China Water, plans to invest 135 million yuan (\$21.2 million) and own a 45 percent stake in the venture. The remaining portion of the company will be held by Henan Water Resources Construction Investment Co and Huanghe Water Affairs Co, China Water said in a Hong Kong Stock Exchange filing.

"The potential for the water business in Henan province and adjacent areas is booming," the Beijing company said on Monday. Projects related to water resources are now under way in the Yellow River basin, as is the South-North Water Diversion project.

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# Policies to support geoinformation industry

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China is expected to introduce policies in August that will give preferential treatment to the geoinformation industry, which is predicted to produce 1 trillion yuan (\$157 billion) worth of goods and services by 2020, said an industry source.

The policies, which are likely to be issued by the State Council this month, will call for the use of tax cuts and other measures to support the industry, according to Cao Hongjie, vice-president of Beijing UniStrong Science & Technology Co Ltd, a Chinese maker of navigation products.

The policies are aimed at making the geoinformation industry — which offers a range of products and services related to surveying, mapping and navigation — one of China's strategic emerging industries, Wang Chunfeng, deputy director-general of the National Administration of Surveying, Mapping and Geoinformation, said last month.

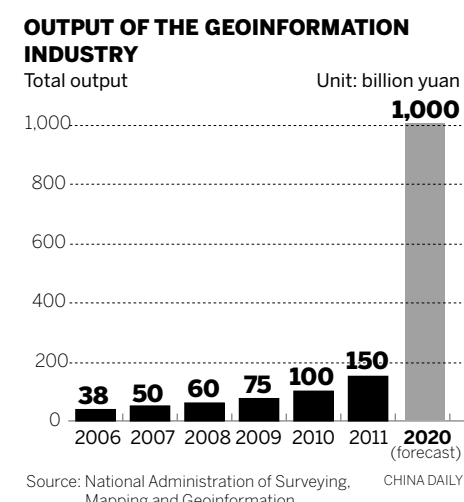
"Apart from the preferential policies, the government will also be increasingly open with its geographical data, which is important to the development of the industry," Cao said, citing talks he has had with administration officials.

China, the second-largest economy in the world, has been working harder to transform its mode of economic growth.

To that end, it is paying particular attention to seven industries that rely more on the use of knowledge and technology than on labor and resources — energy-saving and environmental protection, information technology, biology, advanced-equipment manufacturing, new energy, new materials and new-energy vehicles.

The country's geoinformation industry reported that it produced 150 billion yuan worth of goods and services last year, an amount up 50 percent year-on-year, according to the National Administration of Surveying, Mapping and Geoinformation.

Even so, it didn't come into existence in China until the 1990s and is still much smaller



than many other industries in the country. The software industry, which is also receiving government support, had 1.8 trillion yuan in output in 2011.

Chinese companies in the geoinformation industry are small and find it difficult to compete in global markets, wrote Xu Yongqing,

deputy director of Development and Research Center of the administration, in an earlier report.

They also do not offer a variety of products and are relatively ineffective marketers, Xu said.

Even so, companies in the industry now have a variety of opportunities they can take advantage of, such as China's adoption of the navigation satellite system Beidou.

"The navigation market stemming from the Beidou system will grow quickly and is expected to offer 100 billion yuan worth of opportunities," said Han Xingnan, an analyst with Guolian Securities, in a research note.

The industries that are expected to undergo the quickest expansions are the national defense, transport, surveying, telecommunications and electrical power industries, he added.

China plans to have more than 30 satellites that use the Beidou system by 2020, up from the current 13, enabling it to provide more accurate data and services.