Takeover of LME to help promote yuan trading

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The acquisition of the London Metal Exchange will be a breakthrough in further promoting yuan internationalization and tapping the business potential of the mainland commodity derivatives' sector, the Hong Kong Exchanges & Clearing Ltd said.

HKEx, the world's second-largest bourse by market value, successfully bid in June for the LME by agreeing to pay HK$16.67 billion ($2.14 billion) to LME shareholders. The acquisition deal is being reviewed by UK financial regulatory bodies and is expected to be completed by the fourth quarter of 2012.

"The LME acquisition is a catalyst" for further expansion of the offshore yuan market, HKEx Chief Executive Charles Li said on Wednesday at a press conference.

"Currently, mainland financial companies and industrial enterprises lack suitable offshore platforms to hedge their commodity position risks and the LME platform will provide the much-needed offshore trading venue," said Li.

"In the due process, the segment of commodity trading by the mainland companies through the LME platform can create some sort of yuan repatriation mechanism whereas the yuan circulation between the onshore and offshore markets can be further enhanced," Li added.

In addition to yuan internationalization, the LME acquisition will also bolster the revenue stream diversification to the local bourse.

"The LME acquisition will turn the HKEx into a global horizontally and vertically integrated exchange group, expanding beyond equities into additional asset classes," HKEx Chairman Chow Chung-kong said on Wednesday.

The company, which lost its place as the world's biggest exchange operator by market value to the CME Group Inc, is seeking to broaden its business as the pipeline of large initial public offerings from the mainland slows and equity volumes fall.

Besides the LME acquisition, the local bourse is also creating alliances with Shenzhen and Shanghai counterparts.

"The HKEx will strive to expand the presence of the LME on the mainland as well as the Asian commodity market. Acquiring the LME will give us an immediate scale presence in the commodity derivatives sector," Li said.

Currently, the LME handles about 80 percent of base metal futures and options contracts trading.

"Over the years they relied almost totally on the cash market turnover," said Daiwa Capital Markets research head Jonas Kan. "Globally there is a lot of money flowing to the bond market and the equity market has been suffering in a way. In some ways, with the LME acquisition, their reliance on the cash market will further decline."

The local bourse's net profit declined 14 percent to HK$2.2 billion in the first half of 2012, which missed analysts' estimates due to the slump in the market turnover and listing fees.

The stock market's daily turnover value tumbled 23 percent to HK$56.7 billion over the same period due to the lingering European sovereign debt crisis which had taken a toll on market sentiment.

The HKEx declared an interim dividend of HK$1.85 a share, also representing a slump of 14 percent from a year ago.

"The profit decline was expected because of the lower turnover," said Daiwa's Kan. "Going forward, it will depend on how it integrates the LME and whether the average turnover will improve."

Bloomberg contributed to this story.

what's news

WANG BIAO / FOR CHINA DAILY

As Chinese Valentine's Day approaches, a shopper eyes a "happy spouse" doll in a shop in Fuyang, Anhui province. The day falls on the seventh day of the seventh Chinese lunar month, which is August 23 this year.

Electricity use seen overstating slowdown

A stagnating electricity output that fanned speculation China's economic slowdown is becoming more pronounced may instead be evidence of an accelerated transition to a more services-based economy.

Power generation in June was unchanged from a year earlier even as industrial production rose 9.5 percent. Heavy industries, including metals and cement, use about 60 percent of the electricity output and account for 20 percent of GDP, according to GK Dragonomics, a Beijing-based consultant.

The shifts signal that electricity's relevance as an economic indicator is receding.

An evolution within manufacturing to more efficient production is also damping electricity use as China upgrades its factories.

Ford expands into China heavy-truck market

Ford Motor Co's Chinese commercial vehicle unit agreed to buy a heavy-truck maker for as much as 270 million yuan ($42 million), as the US automaker expands beyond passenger cars in the world's largest auto market.

Jiangling Motors Corp, in which Ford owns a 30 percent stake, will pay cash for Shanxi province-based Taiyuan Changan Heavy Truck Co from China Changan Automobile and China South Industries Group Corp, Ford said on Wednesday in an e-mailed statement. Claire Li, a Shanghai-based spokeswoman for Ford, said in a separate e-mail that the exact price is still subject to final deal terms.

"JMC's acquisition represents a great opportunity to continue to expand the breadth of our business in China across vehicle segments," David Schoch, chairman and CEO of Ford China, said in the statement. "A strong heavy-truck operation like Taiyuan will complement Ford's existing passenger car and light commercial vehicle operations here in the world's largest and fastest-growing vehicle market."

Shandong oil-refinery rate rebounds to 2-month high

Oil-refinery processing rates rebounded to their highest level in almost two months at privately held plants in Shandong province.

Processing rates at the so-called teapot plants rose to 33.3 percent of total capacity in the week ended Aug 2, Oilchem.net said in a statement on its website on Wednesday. That's the highest since the week ended June 14, and up from 28.6 percent a week earlier, according to the Shandong-based company.

The refineries import about a third of the nation's fuel oil as feedstock to produce gasoline and diesel. Teapot plants boosted run rates in anticipation of a fuel-price hike, said Zhu Jiasheng, an analyst with commodity researcher C1 Energy.

"This is a short-term action to capture the potential gasoline and diesel price hike later this month," Zhu said by telephone from Shanghai. The run rates may rebound to 40 percent of capacity at the end of this month as two more major plants may resume production, Zhu said.

Oilchem expects processing to remain at the same level this week, the company said on Wednesday.

Medical bonds plunge 85% on company silence

Investors in China Medical Technologies Inc's $398 million in convertible bonds face an 85 percent loss as the device maker skips interest payments and doesn't respond to questions.

Buyers are offering about 15 cents on the dollar for debt of the Beijing-based medical-device maker, according to Danny Mandel, a broker at Hapoalim Securities USA Inc's Vilas & Hickey unit. Visium Asset Management LP, Whitebox Advisors LLC and Man Group Plc's GLG Partners LP sued CEO Wu Xiaodong last month in California state court. The stock fell 94 percent from its 2008 peak and was delisted by Nasdaq in March.

China Medical hasn't made a statement since December and hasn't responded publicly to lawsuits amid questions about the finances of US-listed Chinese businesses.

Yields on dollar-denominated bonds of the nation's companies soared to an almost three-year high of 10.4 percentage points more than Treasuries in October, according to JPMorgan Chase & Co indexes. While spreads have narrowed to 4.41 percentage points, they're still wider than the average 3.64 for corporate debt in Asia.

Chinese company buys Australian gold mine

Zijin Mining Group Co Ltd, China's top gold producer by output, said a subsidiary has bought more than 50 percent of Australia-listed Norton Gold Fields, in the first successful example of a Chinese company taking over a large gold mine that is in production.

Jinyu International Mining Co, the fully owned subsidiary of Zijin Group, made a A$180.3 million ($190 million) cash takeover offer in May for the Australian gold mine, according to Xinhua News Agency.

Zijin, which didn't specify the final value or precise stake of its takeover, owned 16.98 percent of Norton before the offer.

Chen Jinghe, chairman of the group, said the takeover is in accordance with the international development strategies of the company.

Vancl moves part of production to Bangladesh

Online clothes retailer Vancl.com has moved some of its production to Bangladesh in an effort to reduce costs with cheaper labor in that country, according to a report in China Business News.

The e-commerce company did a trial with 30,000 shirts in the first half of 2011 via a Nantong, Jiangsu province-based manufacturer, which has a factory in Bangladesh.

A large number of companies have moved their factories as material costs and salaries keep rising in China, which is the current center of global manufacturing.

Vancl saw its costs reduced by 5 to 10 percent with the move, benefiting from the lower labor costs in that country, which are about 30 percent lower than in China, said Hu Haishen, who is responsible for Vancl's clothes manufacturing.

Chinese wine firm's sales decrease in first half

The income of 120-year-old Yantai Changyu Pioneer Wine Co Ltd declined in the first half of 2012 for the first time in the last five years.

The company released its first-half financial report on Wednesday that showed its total business income decreased 2.51 percent to 3.01 billion yuan ($472.6 million) in the first half of 2012 compared with the same period in 2011.

For the last five years, Changyu's half-year income growth was more than 20 percent, except in the first half of 2009, when it was 8.14 percent, according to the company's financial reports.

Changyu's net profit in the first half rose 5.04 percent, compared with the first half of 2011, while it was a double-digit figure in the last five years.

"Due to the decline of the economic growth in China, the adverse effect on consumption demand and also the continuous flooding of imported wine, the competition is increasingly fierce in the domestic wine market," the company said in its report.

MGM China rises on Cotai project progress

Shares in MGM China Holdings Ltd, a venture between Pansy Ho and MGM Resorts International, rose to a seven-week high after the casino operator reported a 38 percent profit gain and said it is making progress on a new project.

The casino operator relies on a single property, the MGM Grand on the Macao peninsula, as it plans its new $2.5 billion Cotai project. MGM China said it was "hopeful" of government approval for a land concession it needs to build the planned casino.

"Dialogue with the Macao government has been positive and is proceeding at an encouraging pace," said MGM China Chief Executive Officer Grant Bowie on Tuesday.

Rivals Sands China Ltd and Galaxy Entertainment Group Ltd are also expanding facilities that combine hotels and casinos to draw so-called mass-market gamblers, who provide wider margins, to the increasingly popular Cotai Strip.

Vantone named as developer in US pier project

China's Vantone Holdings Co is in talks to transform Pier 19 in San Francisco's tourist district into space for Chinese companies seeking to do business in the US, according to sources, who asked not to be identified.

The 206,000-square-foot (19,100 square meters) of warehouses near Fisherman's Wharf and Coit Tower could be used for offices, meeting rooms, galleries or a hospitality center for Chinese business people after renovations, a source said.

The talks between San Francisco authorities and the Beijing-based developer follow private American investments in old piers and warehouses along the city's seven-mile waterfront.

A $300 million renovation of Piers 15-17, next to the possible Vantone site, is under way for the Exploratorium Science Museum.

Bonds end 4-day drop on prospects of credit easing

China's five-year government bonds rose on Wednesday, snapping a four-day decline, on speculation the central bank will cut the reserve requirement for lenders or lower interest rates as the economy slows.

A government report due on Thursday may show consumer prices increased 1.7 percent in July from a year earlier, the least since January 2010, according to the median estimate in a Bloomberg News survey.

The moderation in inflation in recent months provides "bigger" room for monetary policy, according to a front-page commentary in Financial News, a newspaper owned by the central bank, on Wednesday.

"A reserve requirement cut is long overdue," said Suan Teck Kin, an economist at United Overseas Bank Ltd in Singapore. "That may come after the release of data as policy makers are still assessing the situation."

'No relaxation in curbs until housing recovers'

China won't relax housing curbs until the health of the industry improves, according to Yu Liang, president of China Vanke Co, the biggest developer by market value traded on the nation's exchanges.

The government controls to cool the property market won't be relaxed soon, Yu said during a press conference in Hong Kong.

The developer reported on Monday that first-half profit climbed 25 percent as the company cut prices to boost sales amid government controls.

"For the central government to begin relaxing the measures, the industry must first return to a healthy state," said Yu. "I don't have a definite answer for when that will happen."

Separately, Shanghai Securities News reported that an unidentified government ministry official suggested on Wednesday that China will be able to expand property market controls if home prices rebound.

The government may further tighten property lending and increase land supply, speed up a property tax trial, as well as expand home purchase restrictions, the newspaper cited an unidentified official as saying.

Industrial park boosts ASEAN partnership

China-Malaysia Qinzhou Industrial Park is set to become the highlight of cooperation between China and the Association of Southeast Asian Nations, the Ministry of Commerce said on Wednesday.

The 55-sq km industrial park in the port city Qinzhou, the Guangxi Zhuang autonomous region, which opened in April, is China's third inter-governmental industrial park with another county.

CHINA DAILY — AGENCIES

Avatar's Cameron joins local partners in new movie venture

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ENTERTAINMENT

Avatar director James Cameron, has launched a new venture in China, along with local partners.

Cameron Pace Group has set up a division in the northern Chinese city of Tianjin and launched its first film project, a 3D documentary on the historical city of Beijing.

It is the first overseas division of CPG, an industry leader in 3D technologies and production services co-founded by Cameron and long-time business partner Vince Pace.

The company will work with Chinese partners, such as Tianjin High-Tech Holding Group and Tianjin North Film Group, to create the documentary.

Cameron Pace Group China will have at its disposal the full range of CPG's patented technology and award-winning expertise, for use not only in feature films, but also in television shows and live event broadcasts. CPG China also offers complete local support provided by trained specialists.

"I am making a big investment and forming partnerships here in China," Cameron told a press conference in Beijing on Wednesday. "We are very excited to be part of the historic transformation of media and entertainment from 2D to 3D. We believe the future of entertainment is in 3D, and the future of 3D is in China."

He did not give details of the amount of the investment or the venture's equity split with two State-owned Tianjin entities.

CPG China will offer Chinese filmmakers 3D technology and service, but would not be involved in movie production immediately, he added.

"We are not here to make movies, we will help make better Chinese movies," he said. "The documentary on Beijing would be a good example of what kind of service we will offer to confident and creative local filmmakers." Cameron's *Titanic* and its 3D version both swept China's box office.

When the original version was screened in 1998, it grossed 360 million yuan ($57 million) and was the highest-grossing film in China for 11 years until *Transformers 2* broke the record in 2009.

Titanic 3D raked in an amazing 900 million yuan.

In 2010 his 3D epic *Avatar* brought in 1.2 billion yuan and was the best-performing film at China's box office so far.

"What attracts Cameron to China is not only what he says about the fertile soil for 3D technology, but also the huge market with numerous customers," said Lu Wei, vice-mayor of Beijing.

With the box office soaring 30 percent every year since 2003, China has become the new land of temptation for Hollywood studios.

On Tuesday, DreamWorks Animation Ltd and local partners announced plans to make the next *Kung Fu Panda* movie in China.

Walt Disney Co is working with Beijing-based DMG Entertainment to produce the third installment of its *Iron Man* franchise.

China has been making moves to further open its market. A deal hammered out in February has increased the annual quota for foreign films in theaters to 34 from the original 20, and raised the foreign share of ticket sales from 13 to 25 percent.