



Australia China Business Council  
澳大利亚中国工商业委员会

# CHINA IN TOUCH

A newsletter for  
Northern Territory  
branch members

Northern Territory Branch  
October 6, 2009

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## Vice President's observations

“Show us the colour of your money” used to be an expression for a demand to put cash on the table to prove you were serious about a deal. The Foreign Investment Review Board (FIRB) Director speaking at the ABC organized Investment Forum in Sydney has given a new meaning to this expression.

“Show us the color of your money” now means we distinguish between green money and red money. His comments made public the suspected FIRB policy that greenbacks – US dollars – were more acceptable than the red color of the China Yuan. For example: US investors are permitted a much higher level of investment in Australian companies before an FIRB review is triggered. US investors can sit on Australian boards when pricing decisions are made. Chinese investors are told they must stand aside whenever the board considers pricing decisions.

Chinese board members have been required to sign formal documents agreeing to abide by Australian corporate governance rules. US board members, and other foreign board members are not required to sign this type of documentation.

There are many other examples of additional requirements applied to Chinese investment that are not applied to other foreign investors. This type of regulatory discrimination does not go unnoticed. It is perhaps a contributing factor to the stalling of Free Trade negotiations between Australia and China.

More importantly it isolates Australia from international capital flows. World capital markets mean that investment capital can flow freely. Capital flows around obstacles, bypassing them and moving onto more receptive areas. Australia is busy creating obstacles by increasing the level of sovereign regulatory risk. Investors cannot be certain the rules will not change, or be adjusted to penalize or hinder a specific group.

This approach is, in part, encouraged by a belief that Australia is an indispensable source of raw materials for China's growth. This belief is as erroneous as the OPEC belief in the 70's that the world was dependant upon Middle East oil. The jacking up of prices then simply encouraged the intensive exploration of new areas. The Gorgon gas field off Western Australia is one example of the results of this forced exploration.

There remain substantial areas of the world that are potentially resource rich. They remain less intensively explored for a variety of reasons. Chinese capital is funding increased levels of exploration and development in these areas. Funding that could go to Australia may now bypass Australia and flow elsewhere.

Australia aspires to be the financial hub of Asia Pacific. The ASX has been largely unsuccessful in attracting Chinese company listings in Australia. The tiny Singapore market has many more China company listings than Australia. Many Chinese companies do not want to list in Australia because they perceive the political environment as being hostile. Recent statements confirm these perceptions and Australia misses out on the opportunity for counter-balancing capital transfers.

High prices, duopolies, and sovereign regulatory risk simply divert capital to more attractive destinations. These are longer term consequences, beyond the next election cycle. Despite Government protestations to the contrary, many people believe the color of money clearly does make a difference and in the long run Australia will be the poorer for it.

In the short term these decisions create a more challenging environment for Australian businesses that are doing business in China, or business with China.

Daryl Guppy  
Vice president, NT Branch – Newsletter editor

## Events calendar

### ACBC 2009 AGM Results

The AGM was held on September 24. The new executive and committee members are:

#### Executive

Jennifer Xi - Randstad P/L (**President/Acting-Treasurer/National Board Member**)

Daryl Guppy - Guppytraders.com (**Vice President/National Board Member**)

John Carroll-John Carroll Consulting (**Vice President**)

Brad Batchler (**Proxy National Board Member**)

#### Committee members

Lisa Mutch - Dept. Regional Development, Primary Industry, Fisheries & Resources

Tracey Watts - St. John Ambulance Australia (NT) Inc

Duncan Dean - Cat Travel

Dominique Reeves - Clayton Utz

Christopher Darby - Minter Ellison

#### Ex-Officio members

Brendan Doran - Dept. of Chief Minister (Ex-Officio)

Debra Chapman - Dept. of Foreign Affairs and Trade (Ex-Officio)

David Knapton - Austrade (Ex-Officio)

## Members and associates China News

### ACBC Input into the Australian Pavilion Business Program: Shanghai World Expo 2010

Forming a key part of our cooperative arrangements with the DFAT World Expo Unit, we have been asked to solicit member input into the Australian Pavilion Business Program. This is a wider part of a major consultative process taking place around the Australian Government's efforts at profiling the business community and the strengths of corporate Australia in Shanghai.

I would ask that you send out an email to all Corporate Members with the following link to a brief online survey (<http://FreeOnlineSurveys.com/rendersurvey.asp?sid=ldvpf1qxm8yze4o633011> ). The survey has been developed with the full approval of the DFAT World Expo Unit.

The Australia China Business Council is delighted to announce that we have entered cooperative arrangements with the Shanghai World Expo Unit of the Department of Foreign Affairs and Trade (DFAT).

As part of these arrangements, ACBC is seeking feedback from our corporate members which will inform a set of recommendations from the ACBC to DFAT in relation to the development of the Australian pavilion's business program. The pavilion's VIP facility will host a comprehensive business program consisting of more than 200 events including targeted seminars, high level visits by senior government officials, business networking events and trade and investment promotion activities. These functions will provide a valuable platform for strengthening the bilateral relationship and profiling corporate Australia to key Chinese audiences.

We are seeking input on a range of issues including:

- Priorities and key trade and investment messages among key current and emerging industry sectors.
- Suggestions of business program activities targeted at Chinese audiences to counter perceived weaknesses in knowledge and perceptions of Australia.
- Suggestions of business program activities to highlight Australian capabilities in the context of the Shanghai World Expo 2010 theme "Better City, Better Life".
- It would be greatly appreciated if you could take the time to complete a brief online survey by Monday 19 October 2009. Please contact the ACBC National Secretariat on (02) 9252 4277 or [national@acbc.com.au](mailto:national@acbc.com.au) with any queries.
- Further information on Australia's expo participation is available at [www.australianpavilion.com](http://www.australianpavilion.com)

### ACBC SIGNS MOU WITH SHANDONG

The national ACBC has signed a Memorandum of Understanding with the People's Government of Shandong Province. This is the result of ongoing communication and cooperation, which commenced at the Bo'ao Forum between the Vice-Governor of Shandong and the Council's delegation.

The MOU is an excellent initiative for the ACBC to be associated with at this point in the bilateral relationship.

## CHINA BUSINESS BRIEFINGS 2009

The Business Briefings will continue in 2009 and be provided free of charge for members only. Visitors are welcome to attend, but a small fee is payable.

Up coming topics include:

- Understanding expectations from business partners
- Marketing campaigns in China
- Creating and using business cards in China
- Working with media in China – building face

For more information, or requests for specific briefing topics, please contact [Lisa.Mutch@nt.gov.au](mailto:Lisa.Mutch@nt.gov.au)

## China tips- GETTING A COST EFFECTIVE OFFICE PRESENCE IN CHINA

Having an office presence in China is essential if you want to do business in China. Your Chinese customers like to deal with a local presence and prefer to deal with a native language speakers. They also want to do this for the cost of a local call and within their own time zone.

The solutions for large companies are easy because they have larger budgets to work with. The solution for smaller companies have also become easier. The serviced office concept provides an effective way to deal with client and customer enquires and establish a 'face' office presence in China. This is a serviced or virtual office.

These solutions are suitable for companies who want to do business with China but not establish a business in China. The distinction is important. A company doing business in China must use one of three structures.

The first is a Representative Office. This structure has been abused in the past. The Representative office is designed to investigate business opportunities, but the office cannot undertake transaction business in China. It cannot sell product, or receive money for the sales of products or services. A Representative Office is designed for product marketing. Prior to the 2008 Olympics this requirement was loosely observed. It is now more rigorously enforced and it is very unwise to use a Representative Office structure as a backdoor to doing business in China.

The second option is a joint venture. There are several variations of this and it is a common way of doing business in China. The third option is a WOFI, or Wholly Owned Foreign Enterprise. All of these require considerable time, effort and investment to establish. They are not suitable for a small company who wants to establish a convenient point of contact for clients and customers to purchase services or products which are sourced outside of China.

A virtual Office allows you to leverage their network of services and solutions without having to take a physical office. It provides everything you need to run your business professionally, effectively and without the costly overheads. A serviced office allows you to run your business from a CBD address. This includes access to secretarial team support and IT infrastructure without incurring the costs and financial commitment of long term leasing and staffing.

A serviced office usually includes a dedicated receptionist, professional meeting rooms with secretarial support on hand. Payment is usually on a flexible month-by-month basis. The serviced office concept gives the business access to an office address, usually well located in the CBD, and a local telephone number. The serviced office also provides dedicated staff who will answer the phone in your name, but using local language. Depending on the service level you select, this can be simply a message taking and relay service, or a limited product information line. Other services include translation of documents, use of office space, arranging interpreters and translators and a mail drop delivery point.

This one stop solution allows companies that are new to China to focus on core business activities because they can bypass the problems of finding an office, employing staff and dealing with the maze of regulations in this area. This is an effective way of developing an office presence with a prestigious address. This virtual office avoids the multitude of problems associated with leasing office space in China.

Service costs start around \$50 to \$200 per month. You pay only for the services you use, and staff are shared amongst other tenants of the serviced office. This is an effective and low cost way to establish a local presence in China.

There are local and foreign companies involved in this expanding area. From an Australian perspective it is the Australian listed company Servcorp. [www.servcorp.net](http://www.servcorp.net) It offers locations in Beijing, Shanghai, Chengdu and Hangzhou. The Beijing office is at China Central Place, Jianguo Road, Chaoyang district, and Oriental Plaza, Chang An Avenue, Dong Cheng district.

Other organisations include:

The Executive Centre [www.executivecentre.com](http://www.executivecentre.com)

Regus [www.regus.com](http://www.regus.com)

Plaza business Centre [www.kerryprops.com](http://www.kerryprops.com)

Ortus Premier Serviced Office [www.ortus.biz](http://www.ortus.biz)

Office General [www.officegeneral.com](http://www.officegeneral.com)

The range of structure of services is the same, although many people feel more comfortable working through the Australian office.

Do you have a travel tip, or observations or China related information or experience you want to share with members. Please email us details at [china@guppytraders.com](mailto:china@guppytraders.com)

## CHINA REGIONS GUIDE - SHAN DONG 山东

A delegation arrives from Shandong. You are pleasantly surprised, and impressed, that they already know some things about Darwin and the Northern Territory. It helps to break the ice and makes for easier conversation. But what do you know about Shandong? Can you reciprocate? This series is designed to give some basic background information on some of the provinces and cities in China. Its not an exhaustive list but a starting point for conversation.



Map from [www.wikipedia.org](http://www.wikipedia.org)

### General background

Shandong is the home of TsingTao beer, famous in the West, but Confucian history is much more important from a Chinese perspective.

South east of Beijing this is one of China most balanced provincial economies and one of the richest provinces. It is the second most populous province. It is a powerhouse of China but Westerners tend to think this title belongs to Shanghai. Shandong Province is situated in the eastern part of China on the lower reaches of the Yellow River. It overlooks the Korean Peninsula and the Japan Archipelago across a vast stretch of sea. The province has a population of over 90 million. Tsingtao beer comes from Shandong. This is northern China and the people have a reputation as good drinkers.

### History

Shandong history goes back more than 5,000 years.

This is the birthplace of Confucius.

This was a German Treaty port, and TsingTao (QingDao) beer was brewed here. There are many examples of German architecture.

The earliest dynasties (the Shang dynasty and Zhou dynasty) exerted varying degrees of control over western Shandong

The Qin Dynasty founded the first centralized Chinese state in 221 BC. During the division of the Three Kingdoms Shandong belonged to the Kingdom of Wei, which ruled over northern China.

After the China Republic in 1911 this area was controlled by many warlords. Shandong was occupied by Japan during the war.

## **Industry**

Shandong ranks first in the production of cotton and wheat as well as precious metals such as gold and diamonds. It also has one of the biggest sapphire deposits in the world. Other important crops include sorghum and maize. Shandong has extensive petroleum deposits as well and is one of the major oilfields of China.

Its economic development includes large enterprises with well-known brand names. Shandong is the biggest industrial producer and one of the top manufacturing provinces in China. Shandong has also benefited from South Korean and Japanese investment, due to its geographical proximity to those countries. The richest part of the province is the Shandong Peninsula, where the city of Qingdao is home to two of the most well-known brand names of China: Tsingtao Beer and Haier. In addition, Dongying's oil fields and petroleum industries are an important component of Shandong's economy.

## **Food**

Shandong Cuisine is one of the four well-known schools of culinary arts in China. Of the eight culinary styles of China, it is the most popular one, especially favoured in Beijing, Tianjin, Tanggu and the three provinces in the northern China. Shandong cuisine is representative of northern China's cooking and its technique is widely used in northeast China

Shandong Cuisine emphasizes natural flavour. The taste tends to be a little salty but fresh and well-known for its freshness, tenderness, rich in taste, and crispness. It is characterized by seafood cooking, with light tastes. Shandong cuisine is famous for its wide selection of material and use of different cooking methods. The raw materials are mainly domestic animals and birds, seafood and vegetables. The cooking techniques include Bao (quick frying), Liu (quick frying with corn flour), Pa (stewing), roasting, boiling, using sugar to make fruit, crystallizing with honey. Sauce paste, onion and garlic are freely used, so Shandong dishes usually taste pungent.

## **Attractions**

The Confucius Temple, Confucius Mansion and Confucius Cemetery in Qufu.

Shandong is mostly flat in terrain. The northwestern, western, and southwestern parts of the province are all part of the vast North China Plain. The center of the province is more mountainous, with the Taishan Mountains, Lushan Mountains, and Mengshan Mountains.

The Yellow River passes through Shandong's western areas, entering the sea along Shandong's northern coast. The Grand Canal of China enters Shandong from the northwest and leaves on the southwest.

Shandong's coastline is 3000 km long. Shandong Peninsula has a rocky coastline with cliffs, bays, and islands.

The ruins of ancient Longshan City which is considered the earliest city in China.

Portions of the Great Wall built during the Qi State period which is believed to be the most ancient great wall in the country.

The most famous scenic spots are Mount Taishan, Mt. Laoshan and the seaside of the Jiaodong peninsula. Mount Taishan, the Temple and Cemetery of Confucius and the Confucius Mansion in Qufu are part of the China World Cultural and Natural Heritage List by UNESCO.

Jinan, Shandong's provincial capital is one of China's most famous historical and cultural cities. It has numerous natural springs, hence its name 'Spring City'.

Shandong Province is also considered the birthplace of China's pottery, porcelain and silk.

## **Capital city – Qing Dao**

Population 7 million. This is one of the top commercial ports and a leading marine science centre. It is the headquarters for the northern command of the Chinese Navy. It has a high population of Japanese and South Korean expats. The standard and quality of life is considered to be excellent. It is also host to some good beaches which are popular with Chinese tourists.

## **Weather**

July/August 22 to 27. Jan/Feb -3 to 3

## **Additional Resources**

<http://www.travelshandong.us/>

Compiled by Daryl Guppy. If you have a province you would like reviewed please send your request to [china@guppytraders.com](mailto:china@guppytraders.com)

## **China News reports that did not make it into the local media.**

### **Bright International in \$1b gold mine deal**

A Hong Kong lighting manufacturer will buy eight Chinese gold mines at a cost of almost US\$1 billion, the Wall Street Journal reported. Bright International claims that strong competition in the lighting industry has prompted its diversification into gold, the demand for which has remained stable during the financial crisis. After rumors of the deal - worth US\$956.1 million - surfaced on Monday the Hong Kong-listed company's shares rose by 29%, although not all market analysts were convinced. Francis Lun, general manager of Fulbright Securities, branded the move "ridiculous", and suggested that it could be an attempt to boost share prices before shareholders cash out of the company. Bright International entered the gold industry just six months after entering the forestry business, buying a timber mill in China's Guangdong province.

### **China to launch emissions trading plan**

China will include an emissions trading plan in its next five year plan from 2011-2015, Reuters reported, citing the Ministry of the Environment. The government has already implemented small scale plans to reduce sulfur dioxide and other pollutants using market mechanisms. Up until now has been reluctant to add greenhouse gases, including carbon dioxide, to the list of those pollutants that can be controlled and traded. Though the details of the plan are still unclear, carbon traders are already hoping to get a foothold in what could be a lucrative market. The Chicago Climate Exchange will set up a Chinese emissions exchange, but has not yet released details as to how much it will invest or when trading will start.

### **China domestic air traffic to grow 8.2% over next 20 years**

China's domestic air traffic is expected to expand an annual growth rate of 8.2% over the next 20 years, state media reported, citing the Aviation Industry Corporation of China (AVIC), the country's biggest aircraft maker. AVIC said China will need 3,798 new aircraft over the next two decades, including 2,922 jumbo jets and 874 regional jets. "As some air routes already run flights every 30 minutes to handle the huge passenger traffic, we expect more 200-seat planes will be used on these routes to expand transport capacity," said Liao Quanwang, executive president of AVIC Development Research Center. AVIC is currently in the planning stage of producing the domestically-made C919 which is expected to compete with Boeing's 737 and Airbus' A320 models.

### **Applied Materials: China to become world's biggest solar consumer**

China will become the world's largest consumer of solar energy within two years, Applied Materials solar unit head Mark Pinto told the Wall Street Journal. Pinto said government support for solar power at both a local and national level will present a significant opportunity for solar panel manufacturers. Although China made around 40% of the world's solar panels last year, its domestic consumption was very low. But Pinto believes that with the Chinese authorities' commitment to sustainable energy, the country is set to overtake Germany as the largest consumer of solar power in the world by 2011.

### **Ping An Securities to launch US-dollar equity fund**

Ping An Securities is preparing to launch its first US dollar-denominated equity fund, the Wall Street Journal reported, citing sources familiar with the situation. Still in the initial planning stages, the fund plans to raise US\$200-400 million to invest in Chinese companies that have the potential to be listed in three years. Ping An Bright Fortune Investment management, a wholly-owned unit of Ping An Securities, will manage the fund, which will make investments alongside the firm's renminbi-denominated funds. While Chinese firms look outside of China foreign firms such as Blackstone Group, CLSA and Hong Kong's First Eastern Investment Group are looking inward. They are interested in raising renminbi-denominated funds so they can classify as local investors.

### **Bombardier Sifang receives train contract**

Canadian plane and train manufacturer Bombardier's Chinese joint venture Bombardier Sifang received a US\$4 billion contract to build 80 high-speed trains for China's Ministry of Railways, the Wall Street Journal reported. The manufacturer will provide 80 next-generation ZEFIRO high-speed trains that can reach speeds of up to 380 kilometers per hour. A total of 1,120 rail cars will be built for China's 6,000 km of new high speed railways, one the best high-speed railway systems in the world. Bombardier Sifang's share of the contract is estimated at US\$2 billion. The first train is due 2012 and the remainder should be completed by 2014.

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# MEMBER PROFILES - Minter Ellison

Minter Ellison, represented by Christopher Darby/Partner, Minter Ellison is also a National Corporate Member of ACBC.



Minter Ellison has a long-term vision to grow its legal practice in the Northern Territory with a strong local commitment to the economic and social development of the Northern Territory. This has led Minter Ellison to undertake a range of initiatives to support clients doing business in the Territory. Those initiatives continue to include support for Australian companies doing business in China, both in Darwin and on the ground through our people in China, and for Chinese businesses exploring opportunities to invest in the Territory. Minter Ellison is looking forward to building on its already strong relationship with the ACBC in the Northern Territory and to continuing the development and realisation of these opportunities for the Territory.

Have your member profile included in the newsletter. Send details to [china@guppytraders.com](mailto:china@guppytraders.com)

## ACBC National Sponsors



RioTinto



## FORWARD THE NEWSLETTER TO A FRIEND

NEWSLETTER CONTRIBUTIONS ARE WELCOME. Keep other members informed about China experiences. Please email notes or comments to [china@guppytraders.com](mailto:china@guppytraders.com). Please use email header ACBC NOTE. Information received up to the day prior to publication will be included.

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Australia China Business Council  
 澳大利亚中国工商业委员会

Northern Territory

## MEMBERSHIP APPLICATION (2 pages)

Please complete this Membership Form with your details if you are applying to join the Australia China Business Council for the first time. Please see over for additional details

### BASIC DETAILS

Company Name	
Company name in Chinese	
Industry sector	
Branch membership	<b>NT Branch</b>
Member Type - This is based on the annual turnover (See page 2 for details).	
Company email address	
Company web site http://	
Date of application	

### PERSONAL DETAILS

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Title	
First name	
Last name	
Job title	
Personal email address	

**CONTACT DETAILS**

Company phone	
Company fax	
Direct phone	
Direct fax	
Mobile phone	

**LOCATION DETAILS**

Street address	
City	
State	<b>Northern Territory</b>
Post code	
Postal address	
Country	<b>Australia</b>

**PAYMENT METHOD**

Cheque	Please post to: GPO Box 2769, Darwin NT 0801
Cash Deposit	ANZ Darwin, BSB: 015901, A/C: 487 379 699
Credit Card	Card type / VISA / Mastercard
Card number	
Name on card	
Expiry date	
Amount paid (See member type)	\$

**PLEASE RETURN COMPLETED FORM TO ACBC NT GPO BOX 2769, Darwin NT 0801**  
**Or Email: [acbcnt@acbc.com.au](mailto:acbcnt@acbc.com.au)**

<b>Membership</b>	<b>AUD</b>	<b>GST</b>	<b>TOTAL</b>
<b>NT Government Departments</b>	550.00	55.00	605.00
<b>Companies</b>			
Annual turnover:			
More than \$ 50 million *	1,500.00	150.00	1,650.00
\$ 15 million to \$ 50 million	825.00	82.50	907.50
\$ 5 million to \$ 15 million	550.00	55.00	605.00
Less than \$ 5 million	300.00	30.00	330.00
<b>Individual membership</b>	300.00	30.00	330.00
<b>Associate membership ** (non-voting)</b>	200.00	20.00	220.00
<b>Student member (non-voting)</b>	60.00	6.00	66.00

\* Companies with turnovers greater than \$50m are entitled to nominate a representative from each of the other states in which they have a business presence. For additional nominees, please provide contact details on a separate sheet, giving title, given name, surname, postal and street address, telephone and facsimile numbers, and email address.

\*\* Associate members are academics or retired business people

Thank you for joining Australia China Business Council NT Branch!