



## Launching the IACCT (China) in Beijing and reaching a milestone

**Beijing Roadshow  
20 September 2006**

Set in the historical 18<sup>th</sup> century venue of Jun Wang Fu, an exquisite Qing Dynasty Chinese Garden, the theme on financial reforms in China propelled us into the 21<sup>st</sup> century. Outside the walls of Jun Wang Fu, the modern skyscrapers helped confirm the new era of Beijing today.

**Peter Wong**, founding Chairman and President of the IACCT (China), opened the event by welcoming all the VIP guests and corporate participants from China and overseas, giving them an overview of the IACCT mission and what it seeks to accomplish with their support and synergies.

This was followed by an enthusiastic panel discussion, represented by industry practitioners and bankers, on *The development of M&As in China*.

In summary:

- China is a great story. It is a very challenging market but holds promise. Be patient, invest in the country, engage in continuous dialogue and stay long term. China is a strong and fast growing economy.
- There is a shortage of technical and professional workforce to bring back to China.
- There is a lack of corporate governance and a need for consolidation and structural solutions for companies. Private companies find it hard to raise loans from commercial banks. But there is still growth in foreign investment in smaller enterprises in the manufacturing and property sectors, which are market driven.
- Always check out details of the joint venture partner.
- With foreign education, opening of the Chinese economy and the Internet, Chinese leaders and managers are now very familiar with international projects and standards. Both foreign representatives and Chinese managers have to respect each other and value ROI and M&A in a proper way.
- It is essential to differentiate and co-operate, maintain mutual respect at all levels, adhere to policy change and have faith in the long-term prospects.

**Olin Wethington**, Chairman of AIG China, chaired the afternoon session on *The financial reforms in China and the development of the corporate sector*. Expert panellists included China's financial regulators and industry representatives who offered an insightful body of knowledge to the topic in discussion.

Keynote speaker was **Long Yongtu**, Secretary-General of Boao Forum for Asia and China's chief negotiator to its accession to the World Trade Organization. He attributed China's remarkable growth rate in the last 3 decades to 3 major forces:

1. Economic reforms
2. Globalization
3. Domestic consumption

- In the last 20 years China's economic structure had changed from total state ownership to private sector ownership contributing 60% of GDP, providing 66% employment and 50% tax revenue. This private sector will be the driving force for further economic reforms.

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- In the next 5 -10 years, the focus will be on enterprises, especially the State owned Enterprise (SOEs). Corporate governance and the role of the corporate treasurer is very important for these SOEs to remain competitive and sustain China's growth.
- With the force of globalization China needs relationships with the rest of the world and participation in a global economy. It currently attracts about USD600 billion from foreign investments, 10% from direct investments, and 50% from export earnings.
- Current savings rate is 50% of GDP. Traditionally Chinese people are good savers for their education, pensions and medical needs. To sustain 8-9% growth in the next 10-15 years, China needs to drive down its savings rate and drive up its domestic consumption.

Another keynote speaker, **Wei Benhua**, Deputy Director-General, State Administration of Foreign Exchange (SAFE) confirmed Long's point on the need to stimulate the domestic economy to sustain growth. He also highlighted the following points:

- Globalization will see the convergence of the People's Bank of China (PBOC) and SAFE as one entity.
- There is a surplus in the balance of payments, achieving a USD930billion reserve
- Of the 1.3 billion population the middleclass makes up 10% with disparity between the cities of Shanghai, Beijing, Shenzhen and the rural areas.
- Reforms in the education, housing and health systems are necessary to change from these previously State provided services.

Other expert panellists included industry experts who offered the following comments:

**Y K Choi**, Deputy Chief Executive of the Hong Kong Monetary Authority and Chairman of the Treasury Markets Association, focused on the banking sector. Whilst the large commercial banks have a rather robust corporate governance regime, many of the smaller banks are falling behind. He highlighted the need to maintain adequate capital ratio to sustain growth. On the recruitment of senior bank executives, many of them are appointed by the Central Administration rather than appointed through open recruitment processes. The latter approach would help ease the acute talent shortage of CFOs, corporate treasurers and risk managers. He sees an improvement in the service standards when China's WTO transition period ends in 2006. This will open the door to foreign banks coming into China, creating healthy competition and efficiencies. He cites the example of Hong Kong's very efficient payments and settlements infrastructure.

Standard Chartered's **Louise Vogler**, Director, Head of Transaction Banking China, Client Relationships, Wholesale Banking, saw great improvements in the banking sector on the Mainland over the last 5 years. Geographically, financial products and services are available not just to the coastal areas but in the inland regions as well, with niche banks providing agricultural finance. She sees a trend in product expansion and financial innovation offered to corporate and private clients. With increased foreign investment in Chinese banks, improved corporate governance, better technology and infrastructure, better credit risk management standards and Internet banking, Chinese banks can become very competitive going into 2007 and onwards.

**Axel Strotbek**, Volkswagen China CFO, sees a growing market for all participants including finance providers in his industry. He still has many questions in regards to capital outflow and risk-oriented management.

**Larry Lee**, Managing Director China, Fitch Ratings, commented on the impact of reform on the SOEs and the capital markets. He cited the introduction of short-term commercial papers being issued. With the development of a credit culture, there needs to be greater transparency. Further development in the capital markets will lead to further liberalization of interest rates and greater choice for investors. He sees the development of credible credit rating agencies in China. As for China' sovereign outlook it has been upgraded from stable to positive.

Closing remarks were presented by:

**James Kaitz**, President and CEO of the Association of Finance Professionals [AFP] of the USA who spoke about *The body of knowledge on corporate treasury and its importance to corporate governance and business success*. He emphasized the critical role of the corporate treasurer and the value of the treasurer enhancing corporate values. The CFO and corporate treasurer are the custodians of a company's assets, charged with the company's cash flow and risk protection. Their skills sets and qualifications are essential to meet domestic and international standards. In the USA the Certified Treasury Profession (CTP) examination is the standard credential for the finance profession and its qualification is recognized internationally.

**Olivier Brissaud**, General Manager, Volkswagen Group Services, Brussels and Board Member of the International Group of Treasury Associations (IGTA), spoke about *The globalization and sharing of corporate treasury*. He stressed on the importance of sharing best treasury practices by communicating effectively. This can be achieved, not necessarily through a common language, but by sharing common references and concepts, whilst maintaining a mutual respect for cultural differences and rules.

**Olin Wethington** concluded the day's event by thanking all participants and summarized the following points:

- Economic reforms and enterprises go hand in hand. If China goes well all its market participants will go well.
- There is a need to collaborate with government authorities and regulators.
- China's economy and the world economy are inter-dependent and their interests are interwoven.
- There needs to be a convergence in international practice and a greater interest in collaboration driving towards diplomacy, growing transparency and a moderation in methods.
- Financial reforms, a more balanced growth policy and a more efficient internal allocation of capital will sustain China's growth.
- There needs to be a shift from administrative measures to market-oriented principles.
- The IACCT (China) has the ability to play an important role and be a positive influence.

A gala dinner at the Jun Wang Fu Banquet Hall, toasted by some 100 VIP guests and delegates from China and overseas, signalled another successful launch. More importantly, it consolidated the Chinese and international co-operation in supporting financial reforms in China through the IACCT (China) platform in promoting dialogue between its members, its strategic partners and China's financial regulators who backed the development of Chinese language treasury qualifications and accreditation.

The Beijing Roadshow marked an important milestone in the evolution of the IACCT (China).



**Guests at the Beijing Roadshow at Jun Wang Fu**

Included in photos above are:

- Wen Benhua, Deputy Director-General, State Administration of Foreign Exchange (SAFE)
- Long Yongtu, Secretary-General of Boao Forum for Asia
- Olin Wethington, Chairman of AIG China
- Peter Wong, Regional Director and Treasurer, Asia Pacific, AIG;
- Founding Chairman and President of IACCT (China)
- James Kaitz, President and CEO of the Association of Finance Professionals, USA
- Larry Lee, Managing Director China, Fitch Ratings
- Stephen Leung, Head of Corporate Treasury and Finance, Hysan Development;
- Secretary of IACCT (China)
- Professor Chen Gang, Governor, The Peoples' Government of Chaoyang District, Beijing

