



Newsletter from Danish-Chinese Business Forum - September 2006



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News from the Chairman

Chairman Nils Foss welcomes our new members, brings news from the Board and asks for continued help with the effort to build the Knowledge Sharing Database

Dear Members,

First of all I am pleased to announce that the Danish-Chinese Business Forum now has 79 members and I would like to welcome our new members:

Aarhus Business School
DEIF A/S
Federation of Danish Textile & Clothing
Flügger A/S
Heidrick & Struggles
ISS Management A/S
Keops Ejendomsholding A/S
MBCE
Nordic Industrial Park ApS
Pan Nordic Logistics A/S
Scandinavian Branding A/S
SAS

I would also like to bring you some news from the recent DCBF Board meeting.

The Board of DCBF has undergone some recent changes as three members have left and have been replaced by three new members. Due to changes in his areas of responsibility Jens Bødtker Hansen (Ministry of Economics and Business Affairs) had asked to have his colleague Lisbet Dyerberg accepted by the board in his place. Ambassador Anne Steffensen, who was unable to continue on the Board due to her promotion to Head of the Trade Council of Denmark, recommended that Svend Roed Nielsen, Ambassador, Under-Secretary for Trade Affairs in her place. Christian Jørgensen is leaving Coloplast A/S and Coloplast A/S requested that he be replaced by Lars Rasmussen, Executive Vice President of Coloplast A/S. The Board accepted the three new members.

DCBF has reached a size where a protector could be beneficial as it would reinforce the official recognition that DCBF has already achieved by having the Ministry of Foreign Affairs, the Ministry of Economic and Business Affairs and the Chinese embassy represented on the board. A royal protectorate would furthermore strengthen DCBF's position not least in modern China where this kind of blue stamp continues to be highly valued and respected. On this background, the Chairman suggested that HRH The Prince Consort be contacted and asked whether he would consider becoming protector for DCBF. The Prince Consort has an extremely good knowledge of China and also speaks some Mandarin. The Board agreed that it would be an excellent idea and it was decided that a formal letter be written to the Prince Consort requesting him to become protector for DCBF.

The Board also approved some changes to the statutes relating to mission and membership of DCBF. In addition a clause has been added to cover the topic of protector. The updated statutes can be found on the DCBF website.

The budget was then presented and discussed. The aim is to reach a total of 120 members in 2007. The budget includes provisions for one more student and one more academic staff. Within the 2007 budget provisions have also been made for a marketing brochure. The Board discussed ways of obtaining some sponsorships to help pay for the brochure. The budget which is tight was approved with the sponsoring of the brochure as a reserve.

During the period 1 to 12 November I shall be going to China on a private trip. The program will partly be Foss related but I also plan to do some work for DCBF. Meetings are planned with the Chinese Ministry of Commerce (China Investment Agency and European Department), Ministry of Science & Technology and CCPIT which corresponds to the Confederation of Danish Industry but has 70,000 members!). In addition there will be visit to DCCC (Danish-Chinese Chamber of Commerce) with which we have just entered a cooperation agreement as well as meetings with a number of DCBF members.

It is very encouraging that so many members have come forward to contribute to the work of building the Knowledge Sharing Database. It is important for the members to use the network and assist each other in relation to the problems that occur when doing business in China. Sharing of knowledge among members strengthens the network and ultimately the position of the members on the Chinese market. So I strongly urge those of you who have not yet given your feedback to do so as soon as possible.

It is also very positive to see the interest there has been for the recent DCBF members' meetings where the level of participation has been very high each time. We are currently working on the activity program for 2007. The topics are based on the input that we have received from members. More details on the proposed activity program will be given in the next Newsletter which comes out in December. We are looking forward to a good cooperation with the members on the planning and implementation of these activities.

The members' meetings planned for the remainder of this year are:

- 30 October at 11.00 – Vestas Wind Systems A/S (Lem) – Production in China – Requirements for local production of 70%. Ditlev Engel (President & CEO) will talk about Vestas' experience in China. Includes tour of the wind mill factory and lunch.
- 28 November at 16.00 – Nordea – The Chinese Banking System – How can foreign companies use it – Limits and possibilities – Other windows (Hong Kong)

Finally I hope to see you at the Open House which will take place at DCBF's new address at Dantes Plads 1, 1556 København V. on Monday 9th October (from 4.00 pm to 6.00 pm). We are very pleased that the new Chinese Ambassador H.E. Xie Hangsheng has accepted our invitation to attend as he is very engaged in the work of DCBF.

We are looking forward to seeing you on the 9th October!

Nils Foss
Chairman, DCBF



Professional Executive Networking - Knowledge sharing Database and Members' Profiles by Tom Jensen, DCBF Secretary General

The purpose of DCBF is to facilitate sharing the years of valuable knowledge and experience each member brings to our Forum. Executives know a lot but cannot know everything and this is where the pooling of knowledge is so important

Dear Members,

As you know, knowledge and good ideas make the world go around and create growth. The question is: Where can you go for an honest, peer-to-peer exchange of knowledge and ideas - when you need it?

DCBF is an organization of high-level executives with good knowledge about Doing Business in China - executives who can give you the knowledge and coaching you need. Our members know best practises ... but also lessons learned.

The **DCBF Knowledge Sharing Database** gives you the direct connection by E-mail or telephone to the DCBF members with hands on the problems/challenges that you are facing!

Most of our members have replied to our request for contact persons within the various areas. However, we have still not received the information back from all members and strongly urge those of you who have not yet responded to let us have the info as soon as at all possible. The database will be much stronger if all members participate! If you have special subject apart from the above mentioned which you are willing to share with our members please don't hesitate to inform us. It would be a pleasure to expand knowledge base to the benefit of our members.

The Knowledge Sharing Database will only be available to DCBF members (i.e. it can only be accessed via the Members' section of the DCBF website). We plan to 'go live' mid-November.

Another large website project is near completion: We have just completed the Members' Profiles (we are working to get the last few profiles in house). It is the intention that these profiles will be on public view (i.e. anyone visiting our website will be able to see them). The profiles have not yet been linked to our website as we wanted to give you a chance to make comments/changes to your own profile. For the sake of expediency we request that you let us have your comments by 15 October. After that date we plan to link up the profiles to our website.

We would like to thank all members for their support with these projects. As we all know we need to lift together in order to make the DCBF a true network where all members can benefit.

Thank you for your positive co-operation

Tom Jensen
Secretary General, DCBF



Establishing a Sales and Service Subsidiary (WFOE) in China. By Michael Meulengracht, Group Director, FOSS A/S

FOSS has exported analytical instruments to China for more than 30 years. Only recently has FOSS established its own sales and service subsidiary, replacing a structure consisting of representative offices.

Background

FOSS is the world's leading manufacturer of dedicated analytical instrumentation for the food and agricultural industries. FOSS has a turnover of over USD 200 million and products are sold globally, partly through distributors and partly through own sales and service subsidiaries located in more than 20 countries across the world. The instruments are manufactured in Denmark and Sweden.

The historical development and structure of the FOSS organisation in China has to a very large degree been determined by Chinese regulations as well as the limitations imposed on foreign representation.

For instance, after-sales servicing of installed FOSS instruments was for many years carried out by an external partner because FOSS were not permitted to do such work. However, regulations have changed since China joined WTO, allowing FOSS to establish its own sales and service subsidiary.

Establishing a company in China

Setting up a company in China turned out to be a somewhat more complicated task than expected. Requirements were among others:

- Business Scope. The business scope submitted by FOSS submitted, however, was not approved in the first instance and had to be re-submitted.
- A short feasibility study.
- Articles of Association (AoA). The AoA turned out to be a rather lengthy document (actually the most comprehensive AoA of any subsidiary in the FOSS group) due to a number of requirements that had to be complied with.
- Cash capital infusion, which of course had to be documented.
- Patience – approval by the authorities took time.
- Good local advisors (recommended). FOSS used a local lawyer who knew the procedures. This was quite costly but well worth it, as it reduced the approval time. Many documents were typed up in both English and Chinese, and fortunately the English version can be the one used for interpretation of the content should the need arise.

Liberalisation of regulations took place step wise – resulting in the subsidiary being set up in two steps.

First, FOSS was allowed to set up a subsidiary for after-sales service and importation of spare parts. This was done by acquiring the external service partner whom FOSS has worked with for many years. Next, as further de-regulation took place, FOSS was permitted to change the Business Scope of the service company to also include import and sales of instruments, and a full sales and service subsidiary could thus finally be established.

Objectives of having a subsidiary in China

The primary objectives of setting up a WFOE in China were:

- Getting closer to the customers and better understanding customer needs.
- Reducing reaction times in the sales and delivery processes as well as in service.
- Obtaining own and full control of sales and service, ensuring that they are carried out according to FOSS standards and procedures.
- Making purchasing easier and simpler for customers (selling in RMB rather than in USD and direct sales rather than through Letters of Credit (L/Cs)).
- Increasing customer satisfaction.
- ...and of course increasing FOSS sales and competitiveness in China.

Challenges in establishing a WFOE

Even though FOSS had been established in China for a number of years through representative of-fices, FOSS was faced with a number of challenges in setting up the WFOE.

Easy challenges

- Setting up internal SOPs (Standard Operating Procedures). Headquarters had to assist, since experience locally in many SOPs was very limited.
- Moving staff from a representative office to a WFOE, including renewing employment con-tracts and conditions. Not difficult, but quite time-consuming because several employees feared that the new employment terms were inferior to the old terms and conditions.
- Closing the existing representative offices.
- Getting insurance coverage from local insurance companies for local transportation damages – they tended to rejects such claims.
- Managing uncertainly in import tariffs as rates levied on identical instruments depends on local authorities.

Tougher challenges

- Establishing local branch offices. It turned out that FOSS could not easily establish local branch offices to replace the representative offices – but that local authorities require that lo-cal companies are set up instead (and thus go through much of the lengthy process once again).
- Bridging cultural gaps and ensuring an understanding of the new company structure – the profit-center mind set, for instance, took some time for some employees to grasp.
- Managing VAT issues. Under the previous structure, most customers were VAT exempt be-cause they imported the instruments themselves and because they were on the government’s list of “favourable industries.” Under the new structure, customers of the local FOSS sub-sidiary have to pay 17% VAT, and this VAT amount is typically not refunded as the cus-tomer is the end-user of the instrument, even if the customer is in a “favourable industry.”

The result is that many customers experience that it is significantly more expensive to buy instruments from a local FOSS subsidiary than to import instruments from Denmark or Sweden.

- Controlling and increasing credit risk. Previously, all instrument sales took place using L/Cs. When selling locally, however, it is very difficult to obtain the same level of security, and on top of that, FOSS has no experience in managing credit risks locally.
- Operating with a very limited number of invoices. The local authorities grant a number of VAT invoices that FOSS can issue. Initially, FOSS was granted 25 VAT invoices per month (and by mistake, all 25 VAT invoices in the first month were printed out incorrectly and had to be scrapped). The number of invoices can be increased through higher turnover. This posed a challenge for FOSS, as many invoices were relative small service and spare parts invoices. At present, FOSS has been allocated 100 VAT invoices per month – somewhat fewer than needed.

Conclusion

Ironically, some customers are worse off than before FOSS established a WFOE. In addition, a WFOE requires a very different set of internal procedures and controls than a representative office.

As a consequence, with the current situation and regulations, not all of FOSS' objectives are obtain-able; and most instruments continue to be invoiced and delivered as before, i.e. imported from Den-mark or Sweden and paid in USD against a L/C.

In spite of this, FOSS is satisfied with the establishment of a WFOE in China.

Based on the FOSS experience, the following advice can be given:

- Make sure to get competent, local advisors – the cost is well worth it.
- Be thorough and patient – things take time, and pay attention to details in the documents that are required to get a business license. Remember that things are not always as they appear.
- Be prepared to accept compromises in the business model compared to the “standard” busi-ness model applied in other locations.
- Ensure strong support to the local managers in setting up internal procedures etc. It may be easy to work out such procedures, but it is a different ball-game to have them implemented and embedded in the company.



Perspectives on Leading in Asia by Chris Traub, Group Managing Director, Strategic Executive Search

International companies competing in the world's most-populous and fastest-growing region must stay focused to stay ahead.

The world is becoming ever smaller – and the business world is leading the charge. Software is as global an industry as any, and in many ways, leads the charge to leverage new manufacturing centers and new product markets in emerging regions of the world.

Asia today is at the top of the list of global priorities for many companies across most business sectors. Leading companies generally have significant operations in multiple Asian nations, and emerging competitors are looking to Asia earlier than they used to.

More and more companies seek not only to send product development work offshore, but also to leverage a global development cycle – very often based or anchored in Asia. At the same time, new opportunities to market products to the burgeoning populations and unique markets in Asia continues to be a compelling avenue of growth for software vendors worldwide.

It is possible to succeed in Asia with a good understanding of its regional intricacies. In order to lead in Asia, however, it is critical to set forth strong leadership in a culturally-sensitive manner.

Opportunities by Region

Exploring the world as a whole, and looking not just in technology but in all markets, the last 4-5 years have been dominated by attention given to India and China. The supply chain opportunities are tremendous, due to the low costs and industrial drive into technology and manufacturing in the region, particularly in China.

But beyond that, companies are increasingly looking to both India and China as emerging end markets – although China generally receives more attention than India in this respect. One of the reasons for this could be around concentrations of targeted audiences. Of China's more than 1.2 billion people, the 300 million people living along the coast, are also those with the greatest economic leverage. In India, the addressable population is more evenly distributed across its large land area, with infrastructure still a big challenge.

But more than just an offshoring destination, India deserves attention as a significant consumer end market in its own right. Consumer & industrial products, banking, supply chain services, and many other vertical markets are all booming. These industries will continue to thrive as India continues to become wealthier, as it eventually overtakes China as the world's most populous country.

Everyone talks about China as "king" of manufacturing and supply chain to India's supremacy in offshoring supply and services. While China is rapidly becoming seen as up-and-coming in terms of IT offshoring, China's offerings today are a small fraction of what they can and will be, and in direct numbers, in comparison to India. It will be many years, if ever, before China comes close to challenging India's software development supremacy. I believe that ultimately, "hybrid" plays involving both China and India and utilizing the tremendous advantages of both, will dominate – not just in offshoring, but in overall market approaches that combine the two countries' combined supply chain strengths with their excitement as end markets. This is already happening now, albeit in a quiet way.

Industry Vertical Opportunities

Looking beyond geography alone, Asia's vertical markets are often borderless in their opportunities. Let us look at a few:

Manufacturing/Supply Chain - Manufacturing/supply chain is fundamentally driven by early stage product development and intellectual property creation driven largely by the U.S. Japan and Korea are very active in product development and creation – however there is a tendency to keep more of their operations vertically integrated (think Samsung and the major Japanese electronics manufacturers) than their Western counterparts do. There are also supply chain centers in Greater China and Singapore, supported by development in Malaysia, and to a lesser extent Thailand and Vietnam.

Semiconductor IP development is still heavily influenced by key areas in the U.S., primarily Silicon Valley, and secondarily, cities such as Austin, Boston, and Irvine. But Taiwan is running a relatively close second, and design work is growing rapidly in China.

Taiwanese ODM's (original design manufacturers) control more than \$100 billion in notebooks, PC's, handsets, LCD screens, and peripherals, amongst others. Another trail of U.S. semiconductor development leads from the Silicon Valley to Singapore and Malaysia, with a greater focus on back-end packaging and testing. Asia is now largest end market for semiconductors and other electronics manufacturing services. For any software that supports manufacturing, Asia is arguably one of the two most important markets in the world (along with the US).

Financial Services - The biggest Asian market today for financial services is Japan. It is huge, established and mature. Korea is also significant but very self-contained. Hong Kong and Singapore are more open to offerings from other countries and are the main focus of most marketing efforts in this area. A new financial center emerging on the global market is Shanghai. It aspires to be as big as the other financial centers, and unofficially aspires to eventually replace Hong Kong as the financial services hub of Greater China.

Open Source - China loves open source. As a nation, it wants to get away from proprietary standards. That makes free software a very appealing idea. China is always looking to break away from – or at least question - standards for which it must depend on others. Other regional markets are rapidly evolving to open source standards as well.

Challenges Remain

Intellectual Property Theft – This remains a problem – much more so in China than India. It is a legitimate concern. The light at the end of the tunnel could be the fact that more and more Asian countries are developing their own IP. As they begin to have financial interests in their IP, there is a commensurate increase in IP standards and protections. With India, the prevalence of the IT services industry has ensured stronger protection for IP in that nation than it has in China.

Geographic and Cultural Diversity - Think about the number of languages you encounter when covering Asia Pacific: If you start in Japan and run west to Pakistan, and south to New Zealand, you enter more than a dozen primary languages, let alone many more regional dialects. In addition to languages, there are dozens of different regulatory environments, logistical setups and infrastructure concerns – managing Asia Pacific is much more difficult than managing the U.S. as one market. Each nation is different from selling to managing to marketing – it is very complex. Software vendors entering the region need to choose their markets very carefully. Finally, the reality of travel in Asia is that one can fly for 14 hours and still be in the same region.

Industry Consolidation – Although industry consolidation is most visibly a U.S. phenomenon, it has ripple effects which impact Asia. When setting up an early stage company, you end up competing against giants – many of whom have pretty significant infrastructure in Asia, not to mention big head starts. Startups have to be really smart about how, where and when to go to market in Asia. It is entirely possible to view one of the global industry leaders– or a leading, Asian solution provider - as a “distributor” of

your product or solution, and leverage their connections and infrastructure to get your products into Asian markets rapidly, through either collaborative ventures, or (of course) trade sale.

Government Regulations – Companies must assume that the regulatory environment in most Asian countries is complex (with the exception of Hong Kong and Singapore.) Japan, Korea, China, Taiwan and India all create very confusing circumstances with their diversity. There is significant favoritism which encourages local dominant players. There are non-tariff barriers in some nations – witness the security industry in China. It all boils down to entering markets in a very different way: you can't impose your way in. Look at the experience of leading firms like Google & eBay in China – it hasn't been as easy as many people expected it to be.

Leadership Strategies

There are several must-haves for international companies looking to move ahead in Asia.

Local Leadership. Regardless of country or strategy, the key to success in Asia is identifying, recruiting, developing and retaining very strong global leaders in each nation. The reality is that these leaders should be locals: Japanese for Japan, Koreans for Korea, Indians for India, etc....

China is a different story. In this case, it should be Chinese for China, or more specifically, Mandarin speakers for China. In China, there is particularly great demand for the "Tier 1" executives - the best Chinese national to lead their organizations. This elite group is generally born in China, educated at the best schools in China and then graduates of Ivy League schools in the U.S. However, most companies can't get these "Tier 1," native PRC Chinese, though there are a few exceptions, such as private equity firms, leading venture capital firms, investment banks, and strategic consulting firms like McKinsey. Are they a bargain? No. They're rapidly becoming amongst the most well-paid professionals on the planet. And the very significant demand for these people and a big shortage of them that will continue for a foreseeable future.

The reality is that most businesses don't need (and generally can't afford) this caliber of person. They need strategic, yet tactical, "block & tackle", executives for China. They need to be able to manage upwards effectively (many Chinese nationals still face this challenge); manage across their peers, and manage their direct reports. The good news is that there are many capable Mandarin speaking professionals in Greater China today, coming from Taiwan, Hong Kong, and Singapore, as well as returning PRC Chinese or Mandarin-speakers from Western countries.

Savvy Asia Leadership – There is no perfect configuration for managing Asia. Very often, nationals want to be managed independently, particularly Japan and Korea. China is increasingly becoming such an important focus nation, that the country manager can capture a higher level of CXO mindshare. Often you'll hear about an Asia Pacific region that is really Asia Pacific excluding Japan, India, and increasingly, China. The region is massive and intricate – like managing north & South America.

It is a unique skill to be an Asia Pacific manager. On a regional basis, the Asian manager needs to be above all else, a human "cultural systems integrator". This person must integrate the needs and vagaries of all of Asia's diverse markets. They must integrate the wide-ranging capabilities of professionals and managers with capabilities that are frequently immature relative to U.S. standards.

Strong Recruiting & Retention Strategies - These are very human issues and therefore, very personal. All professionals, regardless of where in the world they are, want to feel respected, honored and challenged. All high-level managers are driven by career opportunities and will be incentivized by them. Title matters, and can change by region – a president in Korea might be a Director in Singapore. More importantly, however, is how each is treated by their Asian peers, which considerably adds to the complexity of selecting local managers. Local executives are very conscious of this.

In terms of compensation, high-potential leaders are not only driven by money; however, they will negotiate aggressively on their own behalf in any part of the world – tigers are still tigers. Asian managers must be mindful of compensation equity. If one executive is a non-Asian expatriate and one is local, they need to be provided fundamentally the same opportunities and benefits, or the company risks losing one of them.

Strategic Use of Expats & Locals - There are often cases to be made for hiring an expatriate leader. By definition, the Asia leader will be an expat in some locations; and in most cases, the manager will not be from the countries they are running.

Determining how to choose the right leader to run Asia is a very challenging question. Many companies today choose Mandarin speakers because of the importance of China and because Mandarin is spoken in most Asian countries. People who don't speak Mandarin often lose out to Mandarin speakers. Yet this ability doesn't necessarily translate to doing a better job when running the overall region. In the enterprise software industry, the vast majority of Asia Pacific leaders are not ethnically Asian. They tend to be American, British or Australian, and secondarily Mandarin speakers. You rarely have a Japanese or Korean running Asia.

In the end, the right way to run Asia is a matter of personal style and experience. The people who know Asia best will do best.

After investing in and leading businesses in Asia for two decades, across multiple markets and thousands of executive search engagements, I've developed a personal operating principle that may be of use to companies as they think of managing in Asia: P&P. "We live by our Principles and we live with our Precedents."

If you want to keep consistency in your business across diverse areas, you have to have shared values and principles, and do your best to keep the application of these principles consistent – with as few exceptions as possible. Every exception makes it easier for the exception to become the rule. This happens particularly easily in Asia.

A commitment to consistency, a strategic understanding of regional intricacies, and strong, culturally-sensitive leadership will combine to push savvy companies ahead in Asia.

Chris Traub is Group Managing Director & Technology Practice Head of the Strategic Executive Search Group, the Asia-based, boutique alternative to the leading global search firms. Chris can be reached at ctraub@sesasia.com. <http://www.sesasia.com>



Testimonial: How we benefit from being a member of the DCBF network by Henrik Jeppesen, Vice President, International Business Affairs, CBD A/S

Interview with Henrik Jeppesen, Vice President, International Business Affairs, CBD A/S (CBD A/S is an international design company with offices in China and Vietnam; www.cbd.dk)

- We joined DCBF in 2005 and have been quite active in the Forum. Our conclusion is that our membership so far has been of great benefit to us in many respects. DCBF has managed to create a good network where all members can meet on equal footing and on 'neutral' ground to discuss common problems and learn from each other. We have been impressed by the informality, openness and honesty by which we have been met by other members of the network. There is a will to share experiences, good as well as bad, which we have found extraordinary. In addition we have learned a lot from some extremely interesting guest speakers. We like the fact that the many of the speakers are external speakers with great expertise and that they are usually not directly involved with the member company hosting the event.

As a relatively small company (CBD has 60 employees), we were surprised – and even somewhat relieved – to find that even the heavy weights among Danish companies in China seem to have experienced pretty much the same problems as we have, when it comes to setting up and running a business in China. Many of these problems of course relate to the very different business cultures in Denmark and in China. Meeting other members and exchanging information and experience is thus very valuable and is a good way of minimizing the mistakes.

At the same time, it seems that the DCBF has great influence on the official political scene in both countries which provides a small company like CBD with a more powerful platform.

So to put it in a few words: This membership has really helped us to help ourselves!! And we have even managed to get some useful contacts for our business.

Henrik Jeppesen

Vice President, CBD A/S

Quick News

A brief overview of interesting news from China. If you are unable to access the full article please contact DCBF. To view the full article please contact info@dcbf.dk for relevant links.

Economy

Top 500 Enterprises account for 78% of GDP

Companies on the list of the China Top 500 Enterprises in 2006 posted total operating revenues of 14.14 trillion yuan (1.77 trillion U.S. dollars) last year, accounting for 77.6 percent of the gross domestic product.

The China Top 500 Enterprises 2006 Analysis Report said here Saturday that the Top 500 reaped combined profits of 642.8 billion yuan (80.4 billion U.S. dollars) in 2005, up 22 percent year on year. [Read more](#)

Source: Xinhua, Sep 2nd 2006

Industrial sector sees soaring profits in Jan-Aug

China's industrial firms scored 1.1327 trillion yuan (143 billion U.S. dollars) of profits in the first eight months, up 29.1 percent from a year earlier, according to the National Bureau of Statistics (NBS). [Read more](#)

Source: Xinhua, Sep 23rd 2006

China's economy is powered by leading firms

The top 500 Chinese companies accounted for more than three-fourths of the national economy last year, but have a long way to go to catch up with the Fortune 500 in terms of competitiveness, investment in R&D and energy efficiency.

A report released by the Chinese Enterprise Confederation (CEC) on Saturday said the top players generated 14.1 trillion yuan (US\$1.8 trillion) in revenues, which made up 77.6 per cent of the gross domestic product. [Read more](#)

Source: Xinhua, Sep 4th 2006

Finance

China to further forex reform, willing to solve global economic imbalance

China is willing and ready to pursue stronger foreign exchange reform, and to deal with international economic imbalances caused by globalization and different macro policies of different countries, Chinese Finance Minister Jin Renqing said in Hanoi Friday. [Read more](#)

Source: GOV.cn, Sep 8th 2006

Regulators may relax bank rules

Banking regulators may further loosen rules on foreign lenders dealing with renminbi business in response to claims by overseas players that the draft rule is too restrictive. [Read more](#)

Source: China Daily, Sep 21st 2006

RMB value against U.S. dollar hits new high

At the first session of China-France financial and economic forums in Beijing, Zhou Xiaochuan, governor of the People's Bank of China said there would be no timetable for

a further widening of the daily floating band between the RMB and the U.S. dollar. [Read more](#)

Source: *China Daily*, Sep 19th 2006

□ **MOU paves way for Chinese firms to be listed in Europe**

The Shanghai Stock Exchange, one of China's two bourses, on Wednesday signed a memorandum of understanding (MOU) with its European counterpart, Euronext, pledging to enhance cooperation on capital markets. [Read more](#)

Source: *Xinhua*, Sep 21st 2006

□ **Future trading volume in China up by 39% in August**

China's futures trading volume in August was 1.67 trillion yuan (208 billion U.S. dollars), up 39 percent over the same month last year and down 6.7 percent over July, according to the China Futures Association. [Read more](#)

Source: *Xinhua*, Sep 2nd 2006

Industries

□ **China maps out ambitious goal for shipbuilding industry**

China is the world's third biggest shipbuilder in terms of output, after shipbuilding giants Japan and the Republic of Korea (ROK). In 2005, Japan and ROK accounted for about 70 percent of the global shipbuilding market, while China sailed into third place with 18 percent. [Read more](#)

Source: *Xinhua*, Sep 24th 2006

□ **China's vacant property surges**

The vacancy rate in China's commercial property sector surged 13.1 percent year on year to reach 121.69 million square meters of floor space by the end of August, the National Bureau of Statistics said Friday. [Read more](#)

Source: *Xinhua*, Sep 15th 2006

□ **China eyes coalmine gas for new energy source**

As China speeds up exploitation of coal mines to satisfy increasingly thirsty demand for energy, the country's gas emissions keep growing. In 2004, China's coal mines pumped out 14 billion cubic meters of gas and experts say that will increase to 17 billion by 2020. [Read more](#)

Source: *Xinhua*, Sep 2nd 2006

□ **Revenue of information industry up 26%**

Data from the Ministry of Information Industry showed the sales income of the manufacturing sector grew 26.6 percent to two trillion yuan, and that of the software industry was up 26.2 percent to 190 trillion yuan. [Read more](#)

Source: *Xinhua*, Sep 2nd 2006

Trade & Investment

☐ Minister: China to honor WTO commitments

Minister of Commerce Bo Xilai promised Monday that China will fulfil its World Trade Organization (WTO) commitments.

At a ceremony to mark China's five-year WTO partnership, Bo said all market sectors would be opened in time, referring especially to banking and telecommunications. [Read more](#)

Source: China Daily, Sep 5th 2006

☐ China, EU sign agreement on trade security

China and the European Union (EU) vowed on Tuesday to enhance their cooperation on trade security and facilitation by signing a deal to establish "smart and safe trade lanes" in a bid to boost trade while countering the threats of piracy and terrorism. [Read more](#)

Source: Xinhua, Sep 20th 2006

☐ Official: Nation still needs large sums of FDI

China still requires large quantities of foreign direct investment in coming years in order to sustain its rapid economic growth, a high-ranking foreign trade official said Wednesday. [Read more](#)

Source: Xinhua, Sep 21st 2006

☐ Top areas of foreign investment spelled out

China encourages foreign investment that helps upgrade the country's agriculture, service and traditional manufacturing industries

The government plans to adjust its Industry Guide for Foreign Investors, aiming to channel more investment into research and development centres, new high-tech industries, advanced manufacturing, energy conservation and environmentally friendly sectors. [Read more](#)

Source: China Daily, Sep 9th 2006

☐ Textile export profits to shrink as yuan appreciates

China's textile industry will start to lose money if the yuan continues to appreciate, according to a report by the National Development and Reform Commission (NDRC). [Read more](#)

Source: Xinhua, Sep 4th 2006

☐ Overseas investment in 2005 hits new high

China's direct investment overseas hit a new high of 12.26 billion U.S. dollars in 2005, exceeding 10 billion dollars for the first time, the Ministry of Commerce said Monday. [Read more](#)

Source: Xinhua, Sep 4th 2006

☐ China to encourage new investment in central region

The MOC plans to attract 10,000 enterprises from overseas and the coastal region of China to invest in central and west China in three years. [Read more](#)

Source: Xinhua, Sep 26th 2006