Hong Kong CFOs share lessons from financial crisis

Top Hong Kong accountants say ready cash and cost cutting key to getting through recession

Business leaders in Hong Kong steering their company’s finances through the financial crisis say they used both short- and long-term strategies, according to a survey released last month by the Institute.

The study, conducted by independent market researcher Cimigo, compiled in-depth views from 10 leading Institute members working as chief financial officers or other C-level officers for some of Hong Kong’s top companies.

Respondents said reducing headcount, calling in debt and accounts receivable, and controlling margins were vital short-term measures used to keep their companies afloat during the crisis.

Long-term moves included raising funds from equity markets, diversifying the business and forecasting conservatively.

All respondents agreed that liquidity was a core strategy for getting through the turmoil. “We have a huge cash reserve, which has proven very valuable and helped us stay in good shape,” said one respondent, the chief executive of a wealth management and investment firm.

As Hong Kong emerges from recession, Institute Chief Executive Winnie Cheung said it is especially useful to hear the views of some of Hong Kong’s most successful financial leaders.

“Hong Kong CPAs helm some of the city’s leading corporations and have a view from the top – they’re responsible for and privy to business decisions made at the most senior levels,” she said.

Respondents also said they learned a number of lessons, including the need for constant cost reduction, the need to know more about derivatives before investing, the ability to accurately predict the pace of asset realization, and the necessity of diversified revenue streams and cautious planning.

Audit practice manual well received

A recent survey by the Institute shows that the Audit Practice Manual and its recent updates have been well received.

An overwhelming majority of the 74 respondents gave good ratings to the format, content, adequacy of information, applicability and usefulness of the manual.

Eighty-three percent of the respondents rated the manual’s updated format and content as good, very good or excellent.

The manual has undergone two updates since it was first introduced in June 2007, with the latest being in May this year. Four updates will follow.

The manual serves as a reference guide for professional accountants in audit approach, methodology and documentation of the work in audit engagements. It also helps practitioners follow a unified auditing standard and maintain a reasonable quality of work.

More than 1,400 copies of the manual have been sold as of August.
Financial regulation on the rise
Lehman Brother’s bankruptcy anniversary spurs calls for change

World leaders marked the September anniversary of Lehman Brothers’ bankruptcy with calls to protect the global banking industry against another systemic shock.

Speaking in New York last month, U.S. President Barack Obama urged Wall Street to cooperate with the U.S. Congress to enact what he referred to as “the most ambitious overhaul of the financial system since the Great Depression.”

“We are calling on the financial industry to join us in a constructive effort to update the rules and regulatory structure to meet the challenges of this new century,” he said, emphasizing that “the old ways that led to this crisis cannot stand.”

Some of the proposed reforms, including those that would toughen rules for hedge funds and credit default swaps, have been met with strong opposition from the U.S. financial sector, which also hopes to kill a proposed new consumer products regulatory agency.

Other governments are also looking to push through regulatory reforms. Finance ministers from the G20 nations were reviewing proposals for stricter regulation of banks, including a requirement for them to hold more capital. As of this writing, G20 leaders have not reached a decision yet.

Josef Ackermann, chief executive of Deutsche Bank AG, said in Frankfurt last month that banks in the future would need to adhere to a minimum 8 percent tier-one capital ratio, consisting mainly of “core” equity capital at a level twice as high as the minimum required before the crisis, the Financial Times reported.

He cautioned, however, that any proposal for capital requirement had to consider its impact on banks’ lending ability.

Meanwhile, British Chancellor Alistair Darling said in an interview with the FT that he would introduce legislation next month requiring British banks to draw up “living wills” so that they could be dismantled in the case of another financial crisis.

U.K. Prime Minister Gordon Brown has also pledged tough action to reign in excessive remuneration for bankers. He told the FT that pay and bonuses should be based on long-term success instead of short-term speculative gains. Banks should “claw back” bankers’ rewards for poor performance in subsequent years and regulators should be able to impose higher capital requirements on financial institutions, he said.

J.P. Morgan, meanwhile, has released a study warning that global regulatory measures will cut long-term profitability at U.S. and European investment banks by nearly a third.

The report cited by the FT calculates that returns on equity at investment banks will fall from 15 percent to 11 percent in 2011, and that banks will respond to lower profitability with massive restructuring.

U.S. companies expect mandatory move to IFRS

Fifty-nine percent of 245 U.S. financial executives polled by Deloitte & Touche in a survey released last month said they think a mandatory conversion to International Financial Reporting Standards in the U.S. is highly likely.

An additional 31 percent of respondents said they think the conversion is somewhat likely, while 80 percent said they are already preparing or planning to prepare for IFRS conversion.

D.J. Gannon, partner of Deloitte and national leader of its IFRS Centre of Excellence, said the convergence to IFRS was underway well before the financial crisis, but the “current focus on restructuring the financial industry puts increased pressure and immediacy on driving IFRS convergence.”

The survey showed that 40 percent of respondents have performed or are performing a high-level IFRS assessment, while another 40 percent said they plan to do so in the future.

PwC U.K. revenue slightly up

PricewaterhouseCoopers LLP reported a marginal increase in its U.K. turnover for the fiscal year ended 30 June 2009 to £2.25 billion from the previous year’s £2.24 billion. Underlying net revenue also rose 1 percent to £1.98 billion.

Revenue in its advisory unit, which includes restructuring and insolvency, grew 5 percent to £737 million, while turnover in its assurance business dropped 1 percent to £861 million and that of tax services fell 4 percent to £650 million.

“This year has been one of general economic turmoil and against this backdrop our results represent a solid financial performance as we held our nerve and stayed close to the market and our clients,” said Ian Powell, PwC’s U.K. chairman.

Earlier, Deloitte’s U.K. office reported £1.97 billion in gross revenue for the year ended 31 May, a 2 percent drop from the previous year. Ernst & Young and KPMG have not yet released their yearly earnings.
China turns to WTO in trade row
U.S. emergency tariffs on Chinese exports fuel dispute

The U.S. and China are at loggerheads in their latest trade row, after the Obama government’s imposition of emergency tariffs on Chinese tyres prompted Beijing to file a complaint with the World Trade Organization.

In a move to slow the growth of U.S. imports of Chinese tyres, U.S. President Barack Obama increased last month the tariffs on all car and light truck tyres from China from 4 percent to 35 percent for the first year, 30 percent for the second year and 25 percent for the third year.

The decision was made after the U.S. International Trade Commission, which advises the government on trade policy, ruled that an influx of Chinese tyres into the U.S. was hurting American producers. A U.S. steelworkers’ union also complained that surging imports were pushing U.S. workers out of jobs.

In response, China denounced the move and asked for formal consultations at the WTO, the first step in trying to have a complaint with the World Trade Organization declared illegal. Meanwhile, Obama allayed fears that the dispute will spark a cycle of retaliation. “We’re not going to see a trade war,” he told Bloomberg. “We’ve got to establish credibility and enforcement of the rules precisely because I want to further expand trade. And that is something that I think the Chinese government should understand.”

Yao Jian, a Chinese Ministry of Commerce spokesman, said in Beijing: “We don’t want to see individual trade remedy cases hurt the trade and economic relationship between China and the U.S.”

According to the U.S. Trade Representative’s Office, U.S. imports of Chinese tyres more than tripled from 2004 to 2008. The United Steelworkers union claimed that more than 5,000 tyre workers have lost their jobs since 2004, the Associated Press reported.

China’s commerce ministry, however, argued its U.S.-bound tyre exports actually declined this year, falling by more than 15 percent in the first six months compared to the same period last year.

The steelworkers union petition also did not receive support from Goodyear Tire & Rubber Co., the largest U.S. tyre-maker, and Cooper Tire & Rubber Co., the second-largest, which opposed the tariffs, Bloomberg reported.

China is the second largest U.S. trading partner after Canada, with imports and exports totalling US$409.2 billion last year.

U.K. pulls out of recession

Britain may be finally emerging from its worst recession in post-war history, with the National Institute of Economic and Social Research predicting growth in the economy for the first time since May last year.

The institute forecast a 0.2 percent rise in gross domestic product in the three months through August, following a 0.3 percent contraction in the three months ending July, according to the Financial Times.

Manufacturing output in July also grew at the fastest pace since January 2008, recording a 0.9 percent increase compared to June, which is three times the figure predicted by economists, MarketWatch reported, citing data released by the Office for National Statistics last month.

The growth was mainly boosted by an increase in car production after Britain introduced a programme where consumers could receive a £2,000 discount when they trade in a vehicle that is more than 10 years old, the report said.

In August, the Nationwide Consumer Confidence Index also rose from 61 to 63, its highest level since May 2008. The future expectations index, which gauges peoples’ sentiment about the economy, jobs and their own finances over the next six months, rose from 91 to 94, the highest since September 2007, Reuters reported.

Meanwhile, a separate report by KPMG and the Recruitment and Employment Confederation shows the U.K. labour market may also be improving. Their measure of hiring for permanent jobs rose to 50.6 in August from 46.1 in July – going beyond the 50 mark, which indicates job expansion. This is the first time permanent jobs have risen in 17 months.
Steep drop in private equity exits in Europe

Exits fall 66 percent in 2008, further decline expected

- An Ernst & Young report predicts that sales of private equity stakes in European companies will continue to fall this year following a 66 percent slump last year from dwindling initial public offerings and the weak economy.

  Private equity stake sales, or exits, fell to 30 last year compared to 89 in 2007, figures from the report released last month showed. The total entry enterprise value also declined 77 percent, from around €54 billion to €12 billion.

  “In 2009, there are likely to be fewer exits than even 2008, and some of these we already know are bankruptcies,” Ernst & Young said. “The same macro-economic pressures being experienced by all businesses are also affecting private equity-owned businesses. We can expect the rate of profit growth to decline, as will job growth.”

  Harry Nicholson, private equity partner at the firm, said the decline in the value of exits was partly because of the difficulty in raising debt and the absence of IPOs – Europe recorded not even one IPO exit by private equity last year.

  “IPOs have typically accounted for 10 percent to 15 percent of exits and are a critical exit route for the largest private equity-owned businesses,” he said. Being denied this route has “led to a large number of €1 billion-plus companies in portfolios still to exit and poses a real challenge for the industry in the next few years.”

  “If the private equity industry does not exit existing investments or create strong cash flows to reduce debt levels, it will have trouble refinancing a significant amount of the debt used to acquire these businesses, much of whom matures in 2011-12,” added John Harley, the firm’s global private equity leader.

ICAEW fines Deloitte U.K. firm £10,000

- The Institute of Chartered Accountants in England and Wales has fined Deloitte £10,000 after three of its employees violated audit regulations by signing off audit reports despite having no authority to do so, Accountancy Age reported.

  The three former employees signed 95 audit reports between March 2003 and November 2007, the report said. The firm was reprimanded and ordered to pay £4,173 in costs.

  Deloitte issued a statement saying it had fully cooperated with the ICAEW’s investigation and is “disappointed that the individuals concerned failed to comply with the explicit policy that only those authorized to sign audit opinions may do so,” the report said.

  The firm has contacted all affected clients and conducted its own investigation to confirm that the audit work in question did support the opinions given, the statement read.
E&Y settles Akai negligence suit

Liquidators of Akai accuse E&Y of falsifying court documents

Ernst & Young settled a US$1 billion negligence suit brought against it by the liquidators of its insolvent former client, Akai Holdings Ltd., and has suspended a partner who was one of the auditors of the electronics company at the time. The firm did not disclose the settlement paid.

At the opening of the trial, the court heard that E&Y, which audited Akai from 1997 to 1999, allegedly doctored or falsified 80 audit documents after the company was wound up in 2000, according to the South China Morning Post. When Akai collapsed, it left creditors’ debts amounting to US$1.1 billion.

High Court Justice William Stone described the liquidator’s allegations as “bombshells” and put the trial on hold for several days to allow E&Y’s defence team to investigate.

E&Y then conducted an internal investigation, which found that “certain documents produced for the audits in 1998 and 1999 could no longer be relied on due to the action of the audit manager in early 2000.” The firm declined to name the manager, who is now a partner, but the Post said Leslie Kosmin, the lawyer representing the plaintiff, liquidator Borrelli Walsh, identified Akai’s audit manager as Edmund Dang during the trial. He was accused of lodging a misleading witness statement with the court.

The individual has been suspended from his duties pending completion of the internal disciplinary process, E&Y said in a statement, adding that it has informed the regulators.

The Institute said it has already held discussions with E&Y, which is fully cooperating. It is working with the firm and the Financial Reporting Council on the case.

In the firm’s post-settlement statement, David Sun, E&Y’s co-area managing partner for the Far East, said: “We are dismayed by the unexpected circumstances that have arisen,” adding that no global organization can be “totally insulated from the risk of one or more individuals not upholding [the firm’s] values.”

Jim Hassett, E&Y Far East co-area managing partner, said: “This settlement means that we can now put this old matter behind us.”

The liquidators began suing E&Y in 2002, but the case dragged on for some time due to its complexities.

Ex-Morgan Stanley executive jailed for seven years

Former Morgan Stanley managing director Du Jun has been jailed for seven years, the harshest sentence ever imposed by a Hong Kong court on an insider trading conviction.

In the city’s biggest insider trading case, the Beijing-born investment banker was convicted of nine counts of insider dealing and one count of asking his wife, Li Xin, to deal in the shares of CITIC Resources Holdings Ltd. prior to the announcement of an acquisition deal. He was also fined HK$23.3 million and ordered to pay HK$933,340 to the Securities and Futures Commission in investigation costs.

During the 38-day trial, the court heard that Du purchased 26.7 million CITIC shares worth HK$86 million between February and April 2007 using insider information obtained while advising the company to acquire oil field assets.

The SFC said in a statement that the HK$23.3 million fine was equivalent to the profit Du would have earned had he sold 13 million of his CITIC shares immediately after he purchased them – though media reports earlier suggested he might have made up to HK$33.4 million from selling the shares.

“This sentence sends the strongest possible message that insider dealing is not tolerated in Hong Kong and those found guilty can expect lengthy terms of imprisonment,” said Martin Wheatley, the SFC’s chief executive.

During the trial, government prosecutor Charlotte Draycott sharply criticized the internal compliance system of Morgan Stanley’s office, describing it as “haphazard,” “inefficient” and “hopelessly inadequate,” according to media reports.

Morgan Stanley, which reported the case to the SFC in May 2007, said the wrongdoing by a former employee of the firm was an “egregious violation” of the company’s values and policies.

Du’s conviction is the 10th the SFC has secured in the past 14 months and he is the sixth person to be jailed for insider dealing since the first conviction in July 2008. The highest sentence previously imposed for insider trading, which was made a crime in Hong Kong in 2003, was 26 months, the Post said.
Preventing another Lehman minibonds debacle
SFC seeks changes to protect investors and boost disclosure rules

- The Securities and Futures Commission is proposing new guidelines for banks and market players to prevent a repeat of the Lehman Brothers’ minibonds disaster last September.

  The regulator published two consultation papers last month: One seeks views on the conduct of bankers and brokers who sell investment products, including a proposal to revamp the classification of different types of investors in the market and the kind of products they are allowed to buy; the other deals with ways to enhance disclosure of complex derivative products. If approved, the new rules could take effect next year.

  The move follows complaints from thousands of investors who lost billions of dollars from their investments in minibonds issued or guaranteed by Lehman Brothers after the U.S. investment bank collapsed. The investors accused banks and brokerages of misleading them about the risk levels of the minibonds.

  Under the SFC Ordinance, “professional investors” are defined as those with HK$8 million in assets and more than two years’ investment experience and “retail investors” are ordinary investors who invest in equities.

  These categories will be redefined under the new rules, which would still allow professional investors to buy the riskiest products but the threshold of their asset holdings will be set much higher than the current HK$8 million. They will also need to prove they have extensive investment knowledge, SFC Chief Executive Martin Wheatley told the South China Morning Post.

  A new category, “sophisticated investor,” would also be added to refer to those who have some wealth and investment experience but not enough to qualify as professional investors. They will be allowed to invest in medium-risk products and some derivatives under the proposal.

  The SFC also proposed setting up a cooling-off period, as is the case with some insurance contracts, where investors will be allowed to surrender the investment products within a period of up to two weeks. But some market players have already voiced their opposition, believing that the proposal is not workable because the tenure of investment products is much shorter than that of life insurance policies.

  Meanwhile, Secretary for Financial Services and the Treasury K.C. Chan has called on the banking industry to work out a system to classify the risk level of investment products. During a news conference last month, Chan said banks might have overreacted after the minibond debacle by making retail investors undergo long and tedious procedures to subscribe to yuan bonds, which he described as one of the simplest form of investment products, according to The Standard.

  In another development, accumulators – the derivative product that dented the fortunes of some of Hong Kong’s wealthiest tycoons last year and famously dubbed “I kill you later” – appears to be making a comeback following a rebound in Asian stock markets.

  The Wall Street Journal reported that private wealth managers at Citigroup Inc., UBS AG and HSBC Holdings PLC are selling the accumulators to affluent clients. Accumulators allow investors to purchase shares or currencies at a discount and reap profits from surging prices. But investors are often left badly burned when the market goes south because there is no floor for losses.

China sells sovereign bonds in Hong Kong

- In its latest efforts to boost the yuan’s international status, China started offering six billion yuan of government bonds in Hong Kong late last month, the first sovereign bond sale outside of the mainland.

  A joint statement issued by China’s Ministry of Finance and the Hong Kong government said the bond sale was “a new milestone for the development of the yuan business in Hong Kong.”

  Since June 2007, mainland banks such as Bank of China and China Development Bank, and the mainland units of HSBC Holdings and The Bank of East Asia have been involved in 10 yuan bond issues worth about 32 billion yuan in the territory, SCMP reported.

  Hong Kong’s yuan deposits stood at 55.89 billion yuan at the end of July, the Hong Kong Monetary Authority said.
CNPC gets US$30 billion for acquisitions
Deal marks China’s latest move to boost overseas oil acquisitions

- China National Petroleum Corp., the country’s largest oil and gas producer, has received a US$30 billion loan from China Development Bank to finance its overseas expansion as part of its efforts to accelerate oil assets acquisitions.

  Under the agreement signed on 8 September, the bank will provide CNPC with the funds at a discounted interest rate over the next five years, CNPC said in a statement.

  China Development Bank has helped CNPC’s many overseas projects, including oil-for-loan deals with Russia and Venezuela, the construction of a central Asia natural gas pipeline and the 2005 takeover of PetroKazakhstan, according to China Daily.

  A growing domestic demand for oil has prompted Chinese oil companies to snap up overseas assets aggressively in the past few years. Companies in other industries have followed suit, encouraged by the government’s “going out” policy.

  The latest KPMG report showed that China has overtaken India for the first time as the biggest buyer of assets in developed countries. Despite the financial crisis, deals involving Chinese buyers have remained “remarkably constant” since 2007, while acquisitions by companies from other emerging markets have dramatically slowed down, the report said.

  Out of 70 deals involving emerging market companies buying assets in developed countries in the first six months, China topped the list with 16 deals, followed by Central and Eastern Europe with 12 deals, Russia with 11 deals and India with 10. But the total number of deals was 50 percent lower compared to the second half of 2008.

  “We continue to observe resilient M&A activities in [the] natural resources and telecom sectors,” said Paul Chau, head of M&A advisory for KPMG Corporate Finance in Hong Kong. “We are [also] seeing some good signs of consumer and industrial sector deals.

  “Many Chinese corporates have now developed useful overseas market knowledge and some have substantial target databases. More of them have also learned the benefit of working with specialists in cross-border deals.”

Beijing to lower caps on foreign investments

- China’s Commerce Minister Chen Deming said the nation is pushing ahead to open its services sector to foreigners and will gradually ease restrictions on their equity stakes in Chinese ventures.

  Chen told a trade forum in Xiamen last month that China would like to see more foreign investment in clean energy and in the relatively underdeveloped central and western parts of the country, Reuters reported.

  His comments followed concerns voiced by foreign business groups, which are frustrated about limits on access to industries such as logistics and insurance. Many can’t hold a majority stake in joint ventures due to government restrictions.

  The commerce minister reiterated that Beijing was planning to allow foreign firms to list on Chinese stock exchanges, but did not say when.

  Earlier, Catherine Ashton, the European Union commissioner for external trade attending the same forum, urged China to remove foreign investment restrictions that hampered bilateral trade. “Foreign direct investment shouldn’t be curtailed by equity caps, unnecessary joint-venture obligations or restrictions in sectors considered strategic,” Dow Jones Newswires quoted her as saying.

  Ashton described drops in bilateral investment last year as “warning signs” in Sino-E.U. investment ties.

More mainland companies make Hong Kong debut

- One of China’s biggest engineering groups and the mainland’s largest pharmaceutical distributor began their debut trading last month on the Hong Kong bourse after raising a combined HK$26.95 billion in initial public offerings.

  Metallugical Corp. of China, which raised HK$18.22 billion, debuted in Hong Kong’s weakest IPO so far this year. It closed at HK$5.61 on its first trading day, 11.65 percent lower than its offer price of HK$6.35. The company also raised 18.97 billion yuan in Shanghai last month. The dual listings were the world’s second-largest IPO so far this year.

  Meanwhile, Sinopharm Group Co. sold 545.68 million shares and raised HK$8.73 billion in its Hong Kong listing. The share price closed 16 percent higher at HK$18.52 on its first trading day. The IPO generated intense interest because China plans to spend 850 billion yuan on healthcare reforms in the next three years.

  The two IPOs fetched more than the total value of the 14 new listings in Hong Kong in the first six months and came as another 23 enterprises seek to list in Hong Kong in the coming months, the Financial Times reported.
Chinese banks face pressure from crisis, PwC survey shows

Bankers say there is room to improve corporate governance

A majority of Chinese banking executives polled in a survey released last month said the economic downturn has created tremendous pressure on their banks’ operations and a gap still exists between the current corporate governance practices in China and the best ones that should be in place.

The survey by PricewaterhouseCoopers China and the China Banking Association received 732 effective questionnaires from bankers at all domestic financial institutions in China and involved in-depth interviews with 81 senior banking executives in China.

Eighty-five percent of respondents said the biggest impact of the financial crisis on the banking industry is the expected tightening of regulations over financial innovation such as derivative products.

Around 90 percent of bankers polled said contracting interest margin is their biggest challenge for the rest of the year. They attributed the squeeze to lower-than-normal interest rate loans for government infrastructure projects and for large-sized state-owned enterprises, which tended to have stronger pricing negotiation power.

Conventional business lending, a key revenue source for Chinese banks, has suffered as a result, the survey found. The respondents admitted they are facing unprecedented pressure on managing credit risk. Still, more than half of the bankers expect the non-performing loan ratio to drop between 1 percent and 5 percent over the next three years.

David Wu, PwC China’s partner and financial services domestic market leader, said corporate governance in China has improved significantly in recent years and Chinese bankers believed the financial crisis has offered them a “rare learning opportunity.”

“They have been paying more attention to the areas of risk management and corporate governance, resulting in bankers having a realistic understanding of their banks’ capability in management and control,” Wu said.

Despite the progress, improvement is still sorely needed. About 39 percent of surveyed bankers believe the roles and responsibilities of shareholders, the board of directors, the supervisory board and management are not clearly defined and 44 percent said the board did not provide a comprehensive incentive system to senior management.

FRC closes probe on two listed companies

The Financial Reporting Council has closed enquiries into two listed companies following complaints regarding their accounting practices.

The first case involved Core Healthcare Investment Holdings Ltd.’s accounting treatment of convertible bonds with anti-dilutive provisions and whether the company should be issuing the conversion element of the bonds as an equity instrument. The FRC, however, ruled that the company is entitled to interpret the bonds’ conversion element as financial liability because current financial reporting standards have no provisions for anti-dilutive clauses in convertible bonds agreements.

In the second case, the FRC ruled that Magician Industries (Holdings) Ltd. did not measure the value of the property, plant and equipment used in accordance with the relevant financial reporting standards. The manufacturer has since reissued its financial statements for the year ended 31 March 2008, recognizing an extra reversal of impairment loss of HK$6.34 million on the property, plant and equipment concerned.

CIC buys stake in Noble Group

China’s sovereign wealth fund, China Investment Corp., has paid US$850 million for a 12.91 percent stake in commodity supply chain manager Noble Group to broaden its investment portfolio. Noble, which is based in Hong Kong and listed in Singapore, said it is selling 573 million shares in a private placement to CIC at SG$2.11 per share. The placement comprises 135 million existing shares owned by Noble Chief Executive Richard Elman and 438 million new shares, which would give Noble extra funds to “pursue strategic investments in key agricultural markets globally.” The deal requires approval from the companies’ boards.

GM, FAW in joint China venture

General Motors China and state-owned automaker FAW Group Corp. have launched a two billion yuan joint venture to make light-duty trucks and vans for China’s domestic market. The U.S. automaker said the 50-50 joint venture will be based in Changchun, where FAW is also based, and will make FAW-branded vehicles, The Associated Press reported. The venture will use the two existing FAW factories, which have a capacity of over 100,000 vehicles. That is expected to double by the end of next year.

Hang Fung to be wound up

A Hong Kong court has issued a winding up order on Hang Fung Jewellery, a unit of 3D-GOLD Jewellery Holdings, the South China Morning Post reported. The proceeding was brought against the jewellery company last October by Hongkong and Shanghai Banking Corp. and provisional liquidator Deloitte over two bank debts of HK$4.2 million and US$62.4 million, the Post said. The court issued the order after being told that the company was hopelessly insolvent and incapable of restructuring.