Star Business

International Business News

Hong Kong tycoon buys prime land for top dollar

AFP, *Hong Kong*

Hong Kong's richest man Li Ka-shing snapped up two prime residential sites Tuesday for prices well above market estimates, despite fresh government measures to cool the overheating property market.

Li's Cheung Kong (Holdings) first bought a 7,551-square-metre waterfront plot in the city's Kowloon district for 3.51 billion Hong Kong dollars (450 million US), with about 150 bids placed in just over an hour.

The final price was nearly twice the opening bid of 1.77 billion Hong Kong dollars, and translates into a per-square-foot price of 9,597 dollars, making it the most expensive land in the district.

The whopping price also largely exceeded estimates of 2.30 billion to 2.82 billion Hong Kong dollars from analysts polled by Dow Jones Newswires.

The blue-chip developer then bought another auctioned site, a 7,326-square-metre plot also in Kowloon, for 4.10 billion Hong Kong dollars.

The price was 43.5 percent higher than the opening bid and above the top end of market estimate of about 3.90 billion dollars.

AFP

Nozomi Sasaki, a model for Japan's Fujifilm, displays the company's new 3D digital camera called "FinePix Real 3D W3", which has two 10-megapixel CCD lenses that both have a 3x optical zoom, during a press preview at their headquarters in Tokyo yesterday. Fujifilm's second-generation of 3D digital cameras will be sold in the Japanese and overseas markets from September 4.

FDI in China up 20.7pc

AFP, *Beijing*

Foreign direct investment in China rose 20.7 percent on-year in the first seven months of 2010, the government said Tuesday, underlining growing confidence in the country's economic might.

Foreign companies pumped 58.4 billion dollars into China in the January-July period, commerce ministry spokesman Yao Jian told reporters at a regular briefing.

That marked an acceleration from the 19.6 percent growth logged in the first half of the year, and the 14.3 percent growth from January to May.

In July alone, foreign direct investment totalled 6.9 billion dollars, a jump of 29.2 percent over the same month in 2009, Yao said.

But Royal Bank of Scotland analyst Ben Simpfendorfer cautioned: "There's not a lot of transparency in what the figures do and don't include."

The data includes investment by overseas companies in industries such as manufacturing, real estate and agriculture but excludes money put into banks and other financial institutions.

Santander renews merger talks with M&T

REUTERS, *Madrid*

Spain's Banco Santander has renewed talks to merge its U.S. operations with New York regional lender M&T Bank Corp, the Financial Times reported on Tuesday, citing people familiar with the matter. Talks about merging Santander's Sovereign Bank into M&T stalled in May over who would control the enlarged business, sources told Reuters.

However, the two banks have again started exploring a deal and have sounded out the views of regulators, including the Federal Reserve, the FT said.

No one at Santander was immediately available for comment.

Santander has made a string of purchases this year, including the buyout of its Mexican division and Royal Bank of Scotland's UK branches, to bulk up its overseas markets and offset weak business in Spain after a severe recession.

Its ambitions in the United States are no secret.

Under the terms for the M&T deal discussed last spring, M&T would have acquired Sovereign in a stock-based transaction, creating a business with some $150 billion in assets and more than 1,500 branches in the north-east of the United States.

S Korean pension fund set to buy French shopping mall

AFP, *Seoul*

South Korea's state pension fund -- the world's fourth largest -- said Tuesday it would soon sign a deal to buy a controlling stake in a French shopping mall.

The National Pension Service (NPS) said negotiations were under way on its proposal to take a 51-percent stake in O'Parinor, a giant shopping mall north of Paris, for about 350 billion won (297.2 million dollars).

"We will soon sign the agreement" with Hammerson, a European real estate company, an NPS spokesman told AFP, declining to give details.

The two-storey shopping mall accommodates more than 220 stores including Zara, Mango, Tommy Hilfiger and Puma, according to Hammerson's web site.

The fund is also considering purchasing additional shares in the shopping mall, Yonhap news agency said.

If the contract with Hammerson is sealed, the fund will own overseas properties worth 3.5 trillion won, it said.

INTERVIEW

Small owners try harder

REFAYET ULLAH MIRDHA

K Mowla Chowdhury, managing director of Niponika Garments Ltd, pores over his workers' salary sheet in his cramped office at the city's Badda area, with piles up of documents all around.

A good number of shirt samples hang in racks inside his small office. He cannot afford a separate display room and the huge piles of documents also say how small his office is.

Every few minutes the white haired managing director, 55, must instruct the mid-level officers or deal with international buyers arriving without appointment. His factory and the administrative offices are at the sixth floor of the sprawling building.

He is adjusting the new pay scale to be implemented from November 1. But he says he can afford to pay his 420 shop-floor workers this amount. In fact, he says he could afford to pay some of the increase before November.

"I think the proposed salary of Tk 3,000 at the entry level is justified," he says. "But implementation of the new pay structure could be much earlier under a staggered payment system."

Chowdhury has already been quoting higher prices to buyers. "I have already started contacting the buyers to increase the prices of the garment items, so I can adjust the hike with my income."

Some buyers were agreeable, he says but some are yet to respond. "Anyways, I have to pay the workers in time as per the new pay structure formulated by the government. How small my factory is does not matter."

K Mowla Chowdhury

Niponika is not a big factory in the RMG sector. It mainly produces woven shirts for Li and Fung and YM Canada. He says the latest labour unrest was an avoidable communication gap between RMG out-of-touch management and unheard workers.

"Being an owner of a small factory, I know most workers personally. As a result, I can consult with them regularly, and I never faced any major unrest so far. When there is a problem, the workers can meet me directly and I will try to solve the problem," Chowdhury says.

In fiscal 2009-10, he exported garment items worth $2.1million. Like other manufacturers, but he has also been facing shortages of gas and power to run the factory.

Small factories face more difficulties than big ones, as they must either import or purchase fabrics from the local market. Bigger manufactures may have their own spinning and weaving mills or import in bulk from China.

Chowdhury, a chartered accountant turned entrepreneur, started his career as an assistant manager of finance at Desh Garments, one of the pioneering garment factories in Bangladesh in 1982. But he is happy running a small factory.

"I do not want to expand my business right at this moment, as I can hardly afford the costs," he says.

He says the woven manufacturers have to import the majority of their raw materials, mainly from China, because Bangladesh does not weave cloth in quantity. At present, the nation can supply only 20-35 percent of the needs for the woven sub-sector.

The knitwear sub-sector can purchase more than 70 percent from the local yarn spinners, he observes. (RMG factory owners' estimates are lower than those of weavers).

Company hoping workers are another problem for the small factories. Big factories can afford to lose a worker because three others might cover her or him.

But the small factories might not have another workers trained for that role. Even still, at least 20 percent of the capacity of big factories remains idle due to the shortage of skilled manpower in the garment sector, Chowdhury estimates.

As a result, many workers do not want to stay with a small factory for a long time, he says. He opposes foreign investment in the garment sector because the business already has too many entrepreneurs, he says.

"We may lose production of some high-quality garment items in the absence of foreign investment here, but at the end, the local investors will come up with the quality," says Chowdhury, who started his business in 1998.

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AUTO INDUSTRY

Carmakers move to drive China growth

REUTERS, *Beijing*

Shanghai resident Jiang Qinxia is just the kind of guy that global automakers like General Motors hope will jumpstart their foray into China's fledgling and potentially lucrative consumer auto financing business.

As an upwardly mobile junior manager, Jiang, 26, recently drove home a new 105,000 yuan ($15,500) Buick Excelle after taking out 50,000 yuan loan from GMAC-SAIC, a three-way tie between Ally Financial, a SAIC Motor affiliate and GM's car venture with SAIC.

"I don't mind paying a little bit more to get a car just as I need it," said Jiang. "I will recommend that to my friends as it's fast, easy, and most of all, I don't have to borrow money from my parents or friends."

Even as China's auto sales sizzled last year at the height of the global meltdown, just 10 percent Chinese car buyers used loans for their purchases, industry executives say. That compares with over 80 percent in the United States -- a huge gap that has foreign automakers seeing the retail auto financing business as a way to turbocharge sales.

China's strong "cash culture" and lack of comprehensive credit rating tools are seen as major hurdles for the 35 billion yuan ($5.2 billion) a year industry, according to Sheng Ye, associate research director at industry consultancy Ipsos' Greater China region.

Massive defaults that resulted in credit crunches like ones that hit Taiwan and South Korea remain another risk.

Still, foreign names like GM, PSA Peugeot Citroen and Toyota are hoping to sell vehicle financing services to a new generation of young, upwardly mobile Chinese who, unlike their parents, don't feel a need to pay for everything with cash and aren't afraid to borrow.

AFP

The worldwide headquarters of General Motors is pictured in Detroit, Michigan. Foreign names like GM, PSA Peugeot Citroen and Toyota are hoping to sell vehicle financing services to a new generation of young, upwardly mobile Chinese.

"These people are very different from their parents' generation. They work hard, play hard and have no qualms about snatching up the latest iPhones or other fancy gadgets on credit," said Ipsos's Ye.

"As more and more youngsters get behind the wheel, the size of retail financing could easily double in as soon as five years."

OPTIMISTIC

Vehicle financing began in China's affluent big cities, but has been expanding slowly into smaller ones and rural areas lately as China's wealth trickles down.

The interest charge for buyers of selected Buick models in China is zero for a one-year loan, but rises to 7.69 percent for three years and 8.33 percent for four, according to GMAC-SAIC. That compares with the country benchmark-lending rate of 5.31 percent for loans with duration of one to three years.

"Going forward, we expect financing to play an increasing role in making automotive purchase more affordable for consumers," Frederick Livingood, general manager of 6-year old GMAC-SAIC, told Reuters.

Other automakers are equally optimistic.

PSA Peugeot Citroen's Chinese auto financing arm started its retail business in September 2008 and expects 10-12 percent of its buyers to use financing service in five years, up sharply from 4 percent now, said Michel Arnaud, head of the unit.

Warren Buffett-backed Chinese battery and car maker BYD recently set up a consumer financing venture with a Societe Generale affiliate.

Other homegrown players like Beijing Automotive Industry Holding and Guangzhou Automobile have also set their eyes on auto financing.

The stakes are significant in a market that passed the United States last year to become the world's largest, with over 13 million vehicles sold. Sales are on track to rise another 15 percent this year, even as most other global markets remain depressed.

As business from cash-rich buyers starts to slow, credit could be an important tool to keep the industry's growth humming, said Klaus Paur, director at industry consultancy TNS's North Asia automotive division.

"At the moment, it's easy for car manufacturers to sell cars and they don't need that yet," he said. "But over the time this will change and it won't be as easy as it is today."

The trend would follow another fast growing market, India, where auto financing has long been a convenient a tool. Industry players -- from homegrown Tata Motors and Mahindra & Mahindra, to multinationals like Volkswagen AG -- all have their own captive financing arms.

RISKS

Like anything else involving credit, auto financing will carry risks for the new players in China.

In the early 2000s, many banks pulled out of the business on record defaults due to lack of national credit databases and lax lending practices, industry executives and observers recalled.

Lack of comprehensive credit rating tools could hamper the industry in its early stages, as lenders are forced to do costly and time-consuming background checks.

"The system for finding those who decided not to pay and for reposing the vehicles to get any kind of residual value is still premature," said John Bonnell, a senior director of strategic advisory services for J.D. Power Asia Pacific.

Recent signs indicate Beijing may be moving to promote the business, including possibly allowing GMAC-SAIC to become the first car-financing firm to issue bonds in China. Others, including Toyota's financing unit, hope to follow.