



Recent Business Highlights

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 Sichuan business association leaders visit Canadian and US counterparts
 On-site training for EHS consultants helps SMEs improve environmental standards
 1st Business Edge Leaders' Dialogue encourages 200 SME owners to invest in staff

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Liu Min, the new local legal consultant with CPDF's Capacity Building team

News From The Region

Sichuan government plans 72bn RMB investment in power generating capacity
 German development agency DEG looks to invest in a local bank

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Foreign multinationals Ericsson and ADI turn Chengdu into a research hub
 SEPB will join forces with CPDF in improving SME environmental compliance
 SME Linkages Team to start a pilot assistance program with small Michelin distributors

Recent Business Highlights

Financial Sector (FS)

CPDF delivers workshop on IAS to a local financial institution and regulators...

From December 10-12, CPDF brought experts from Pricewaterhouse Coopers to Chengdu to deliver a three-day workshop on International Accounting Standards (IAS) to seven top executives and forty managers of Chengdu City Commercial Bank (CCCB). Funded by the Norwegian Agency for Development Cooperation (NORAD), the workshop highlighted the practical differences between IAS and Chinese Accounting Standards on bank management, and also included a 1-day introduction to the CAMELS framework for bank evaluation. 9 representatives of the local China Banking Regulatory Commission also attended the event, and specifically requested a stand-alone training event on CAMELS from CPDF. *(news contributed by Wenfang Chen, BDO with the FS team)*

CPDF holds an intensive, week-long workshop for credit guarantee organizations...



2004 began with a workshop (January 5-9, 2004) for around 80 managers and officers of credit guarantee operations from all over Sichuan, as well as representatives from banks and guarantee operations in other provinces. The week-long workshop featured 3 days in credit and financial analysis of SMEs led by a former Chase Manhattan manager, 1 day on "best practices" for credit guarantee organizations taught by an Austrian expert, and a final day covering the conceptual framework for secured transactions, taught jointly by an

American lawyer and a World Bank legal expert. 3 officials from the Research Institute of the PBOC, China's central bank, also attended the last two days of the event. (news contributed by Violaine Cousin, BDO with the FS team)

CCCB's New Risk-rating System Nears Implementation...

In November, Jaouad Barrada and Robert McBain, risk management specialists with CIF, a Canadian financial consultancy, spent 2 weeks working with CPDF's FS team and a work group from CCCB to finalize and improve the bank's new risk rating system. Particular effort was directed at providing recommendations for practical organizational changes to facilitate internalization of the system. A 1-week training session preparing the CCCB work group to serve as internal trainers on the system for all bank personnel was also conducted. (news contributed by Wenfang Chen, BDO with the FS team)

Business Enabling Environment (BEE)

CPDF helps Sichuan business association leaders forge ties with North American counterparts...

Organized by the Canadian Manufacturers and Exporters Association (CME) and CPDF, a delegation of senior representatives from Sichuan business associations conducted a study tour of the US and Canada in November 2004. 10 officials from different associations and government agencies participated, including leaders of the Sichuan Provincial Investment Promotion Bureau (SIPB), the Sichuan Chamber of Commerce, and the Sichuan Women's Federation. During the tour, the delegation received intensive training from CME in sustainable and successful business association management, and signed several MOUs with Canadian and US associations. The delegation also met with IFC and World Bank officials. (news contributed by Lin Huang, BDO with the BEE team)

CPDF and PBOC representatives hold focus group on secured transaction reform...

On January 12, 2004, CPDF organized a focus group discussion on secured transaction with policy researchers of the PBOC, executives of 10 local financial institutions and law firms, and Ms. Katarina Mathernova, a senior World Bank legal specialist on private sector development. The discussion centered on how to improve the laws and regulations dealing with the disposition of assets, both movable and intangible, used as collateral in financing. Currently, movable and intangible assets are rarely taken as collateral by Chinese lenders due to insufficient protection of lender's rights. In this respect, PBOC officials are expected to recommend to policy makers the need for reform, and will work with CPDF in implementing a joint project on Creditor Rights Protection. (news contributed by Wenfang Chen, BDO with the FS team)

Investment Service (IS)

CPDF represents a promising SME to local finance institutions.....

On behalf of one of its clients, CPDF's IS team is in the middle of negotiations with both a guarantee company and a local bank in order to raise necessary capital for the client's continued business expansion. The investment plan CPDF is presenting includes a 15-month RMB 5m loan. (news contributed by William Beloe, BDO with the IS Team)

IS client turns to CPDF for help in sourcing local consulting assistance...

CPDF facilitated the signing of a management consulting contract between an IS client, Shiyun, and Sinowin, one of 5 local consulting firms that utilize CPDF's Business Process Improvement Program (BPIP) SME consulting methodology. Over the next 6 months, Sinowin will assist Shiyun in improving

its production and supply workflow, and formalizing and implementing a complete HR management, incentives and compensation system. (news contributed by Liu Hui, BDO with the IS team)

CPDF delivers two IEPs to SME clients.....

CPDF's IS team delivered 2 IEPs to clients in December, one to Golden Elephant, a Meishan-based producer of carbamide and ammonium nitrate, and a second to Jin Teng Special Steel Pipe, a Chengdu-based manufacturer of seamless steel pipes for the oil, gas, and petrochemical industries. Both companies will utilize the detailed recommendations in the IEPs to review their operations in preparation for seeking financing. (news contributed by Liu Hui, BDO with the IS team)

Capacity Building (CB)

Hands-on training for EHS consultants in environmental analysis completed...

The last of a series of on-the-job training sessions for 18 local Environmental, Health, and Safety (EHS) consultants participating in the Environmental Capacity Building program were completed. This training also included the creation of 12 comprehensive Environmental Assessment (EA) reports for local SMEs, such as Gurui Industrial, a local manufacturer of abrasive materials. According to Mr. Wang Dewu, Production Manager, the report and on-site discussions have helped the company to significantly increase EHS awareness among staff and management. He believes that with the implementation of CPDF recommendations, the company will improve its EHS performance more cost-effectively, particularly in dealing with chemicals and wastewater. (news contributed by Rong Chen, BDO with the CB team)

New Hope and Auchan suppliers receive Linkages team visits.....

In late November, CPDF and international dairy experts visited New Hope's major milk suppliers to evaluate their raw milk supply chain management and quality control practices. Specific measures to improve milk production and quality were provided in a report submitted by the consultants in December, and will be used as the basis of Phase 2 of the project.

In December CPDF's Linkages Team and 2 consultants from Accenture Development Partners, Rune Qvela and Janine Davies, undertook site visits and investigation of 7 Sichuan-based non-food suppliers of Auchan, a major French supermarket chain, and conducted "gap analysis" - pinpointing the practices these suppliers need to upgrade to meet Auchan's demanding standards. (news contributed by Qiyun Yi and Wei Lei, BDOs with the CB team)

1st Business Edge Leaders' Dialogue draws 200 SME leaders...

On December 14, in conjunction with the Sichuan General Chamber of Commerce, CPDF held the first Business Edge Leaders' Dialogue in Chengdu. The Dialogue is a quarterly event designed to encourage SME owners to invest in training and staff development, particularly through CPDF's Business Edge training courses. Over 200 SME GMs and owners, along with local media, attended the event,



which featured Savio Kwan, President and COO of Alibaba, Inc., speaking on Management Strategies for SMEs. Experts from ABN AMRO and Mercer HR Consulting also provided insights into trade finance techniques and incentives and compensation system design for SMEs, respectively.

Also on December 14, CPDF brought together 15 of its certified trainers to share knowledge and practical experience at a Trainers' Networking session. The event featured a detailed presentation on the state of the Training Industry in China provided by Keke Quei, CPDF's hired Master Trainer and consultant.

Finally, in early January, CPDF's MTP Team piloted its upcoming HR management module to an audience of 4 top-tier trainers and 8 SME owners, acquiring valuable feedback to improve the course. The improved version was then delivered to 15 local trainers in a HR Train-the-Trainer session held from January 8-10. Course delivery of the HR module by these newly certified HR trainers is expected to begin in April. (news contributed by Qiu Min, BDO with the CB team)

CPDF in the Region

CPDF shares SME development know-how with APEC economies.....

Headed by Eric Siew, a CPDF delegation participated in the first APEC Finance and Development Workshop on SME Financing from November 24 -27, 2003 in Seoul, Korea. The Workshop aims to enhance policy measures and efforts for SME financing in the Asia Pacific Region. Eric Siew and Jinchang Lai gave keynote speeches, respectively, on "Promoting SME Development Through Improving SME Governance" and "Strategies and Policies Promoting SME Financing." A case study on a CPDF technical assistance recipient prepared by Wenfang Chen also provided a practical illustration of how guarantee schemes adopted in China in recent years have played a critical role in promoting SME's access to finance. Through this contribution, CPDF's experience in promoting SME financing were widely and intensively shared with workshop participants from 8 APEC economies. (news contributed by Wenfang Chen, BDO with the FS team)

Visitors To CPDF

- ③ **Rune Qvale**, Manager, along with **Janine Davies** and **Timothy Wilcox**, Consultants, from Accenture Development Partners arrived in Chengdu in December to assist CPDF implement its SME Linkages projects.
- ③ In early January, **Mehrdad E. Etemad** of SEED, IFC's managed SME facility in the Balkans, came to Chengdu to share SEED's Linkages methodology and local experience.
- ③ **Jaouad Berrada** and **Robert McBain**, CIF risk management consultants, were in Chengdu for 3 weeks in November, helping Chengdu City Commercial Bank's and CPD's work on a new risk rating system.

People Among Us



Another recent addition to CPDF, Ms. **Liu Min** brings strong local legal expertise to CPDF's CB Team. After graduating from Overseas Chinese University with a degree in law in 1996, she attended 2 more years of advanced studies at Sichuan University before passing the Chinese Bar Examination in 1998 and obtaining her lawyer's license in 1999. She then worked at Sichuan Dingxi Law Firm for 4 years, dealing with numerous major clients, before joining CPDF in November 2003. Besides being a volleyball pro,

accomplished gardener, and mother of a 2-year old son, Liu Min somehow finds the time to host eagerly anticipated barbeque cookouts in her rooftop garden.

News From The Region

Government – Provincial government moves to meet rising energy needs...

In response to rapidly increasing energy demand in Sichuan, the provincial government has made urgent readjustments to its tenth “5-Year Plan” for energy. According to the revised plan, some 72bn RMB will be poured into constructing new power plants in Sichuan, raising the province’s generating power from 20 million kilowatts at present to 32.6 kilowatts by the end of 2005. 4 jumbo-sized hydropower stations will be built on the Daduhe, Yalongjiang, and Jinshajiang rivers, along with a number of large and mid-sized hydropower stations on other rivers, and ten thermal plants situated in Sichuan’s coal-producing regions.

Business - DEG looks to take stake in local bank...

German development-finance group DEG is considering a possible investment in Nanchong City Commercial Bank, a small Sichuan-based bank. DEG, part of the German government-owned KfW Group, hopes to conduct its due diligence of the bank’s operations in early 2004, and has also approached other commercial banks with regard to this deal.

Business - Foreign multinationals turn Chengdu into research base...

Jan Malm, president of Ericsson (China) Co., revealed on a recent visit to Chengdu that the Swedish telecommunications giant is planning to set up an R & D center and a procurement center in the city. This will supplement Ericsson’s existing open lab with Sichuan University. As well, Analog Devices, Inc., a major integrated circuit producer, has joined hands with the University of Electronic Science and Technology to establish a digital signals processing research lab in the university.

Coming Up Soon

- ③ Co-operation with local environmental enforcement agencies will be stepped up through the addition of the Sichuan Environmental Protection Bureau (SEPB) to CPDF’s environmental capacity building project.
- ③ CPDF’s Linkages Team and consultants from Accenture Development Partners will work with local Michelin tire distributors to improve their business processes. CPDF expects to build on this pilot initiative to develop its own capacity in Linkages and, as a result, be ready to work with another major tire manufacturer and an IFC client – Nanjing Kumho - to support a larger number of small distributors.

All of us at CPDF wish you a happy and prosperous Chinese New Year.

