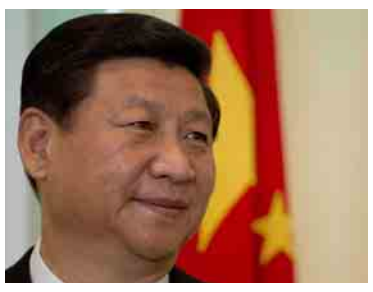
BUSINESS



Hidden treasure
Keeping an eye on how hot investment product is handled
> MONEY MATTERS B8

Hazard counter
GM joint venture issues recall of 1.5m Buicks and Chevrolets
> VEHICLES B2

Snapshot:
H-share index: 10,830.1 -4.33 points, 0.04%
Top blue-chip mover: Tencent Holdings +2.98%

Hang Seng Index
0.27%
• Close 23,243.24
• Up 63.69

Bad loans
Lawmakers query how Rafael Hui borrowed HK$75m
> LENDING B3

REGULATION

ACCOUNTING BODY FIGHTS CORNER

President of HK watchdog says reforms are necessary to bring city into line with international standards, but is against extreme change

Enoch Yiu
enoch.yiu@scmp.com

The new head of Hong Kong's accountancy watchdog says it is determined to remain the key oversight agency for the city's 36,000 accountants despite a government proposal to reassign its regulatory authority to a new body.

Clement Chan Kam-wing (pictured), the president of the Hong Kong Institute of Certified Public Accountants, said reforms were on the table and necessary to bring Hong Kong's accountancy regime into line with international standards, but that extreme reform could not be countenanced.

"We agree to reform our audit regulatory regime in a bid to match international practices," Chan told the *South China Morning Post*. "But we will not agree to extreme reforms that go as far as those in the United States where the accountancy body abandoned all its regulatory functions."

The government plans to canvas public opinion in the first quarter of next year about major accounting reform that could result in a law change in 2015 to scrap many of the institute's regulatory functions – including its role in maintaining a register of accountants, setting standards, surveillance of accounting firms, and discipline of accountants found by it to have been guilty of misconduct.

These powers may be transferred to the Financial Reporting Council that was set up in 2006 to investigate audit failures of listed companies.

The proposal is designed to strengthen oversight of a sector in the city's financial industry that critics say seriously lags international practice.

Chan said the institute would agree to give up the powers of making routine inspections of accounting firms and agree to shift those powers to the FRC.

The institute would also agree to give up its disciplinary powers, although it did not agree that these powers should be shifted to the FRC.

"The FRC is responsible for investigations. If it is also to decide how to punish the accountants, it is like playing the role of policeman and judge in one go. There would be conflict, and it would be better to have an independent member-formed panel or organisation to decide on penalties."

A report commissioned by the council and released in October found that Hong Kong's self-regulatory system was outdated and failed to match the standards of the European Union.

This led to Hong Kong failing to secure membership of the International Forum of Independent Audit Regulators – an organisation of audit regulators.

The report noted that in the 40 markets that were examined, one or more non-accountancy bodies were established to undertake the regulatory oversight of the sector.

"As an international financial centre, we agreed we needed to reform our system to match international standards," Chan said. "But we do not necessarily need to go for the US model. Rather, we think the British or German model would be more ideal," he said.

Chan said the institute also refused to give up its regulatory roles in training, licensing, and standard-setting for accountants. In the US these functions are handled by a non-accountant body, but he said he did not agree with this.

"We do not agree with the US model as registration and standard-setting are very much an industry issue. The HKICPA has the professionals to understand what the industry needs," he said.

In Britain and Germany accounting bodies retained these functions although they were exercised under independent oversight.

"The key is to allow independent oversight on how the HKICPA carries out these regulatory functions," he said.

Developers sniff out better deal at MTR site

Tin Shui Wai site draws 19 expressions of interest on hopes of reduced land premium

Sandy Li
sandy.li@scmp.com

MTR Corp's second attempt at tendering a large residential site near the Tin Wing Light Rail Station in Tin Shui Wai saw 19 developers submit expressions of interest yesterday, the second-biggest response since April.

Market observers said the strong initial response indicated developers held high expectations that the Lands Department would soften its stand on the land premium payable after the site failed to attract any bids in February. In light of market sentiment, they said they believed the department would have to cut the original HK$2.69 billion land premium for the site by 10 per cent to 25 per cent in order to encourage bidding.

"The initial response is much better than what the market expected," said Alvin Lam, a director at Midland Surveyors. "It shows big and small developers wanted to enter first as this round is only for expressions of interest.

"They don't want to miss any chance in case the government lowers the land premium."

Developers lining up before yesterday's noon deadline to submit tenders to develop the site included Cheung Kong, Sun Hung Kai Properties, Henderson Land, Sino Land, Nan Fung, Chinachem, Lai Sun Development, Asia Standard and Wheelock & Co. The site will yield a gross floor area of 982,280 square feet, or 1,500 units.

MTR Corp withdrew the residential site in Tin Shui Wai from tendering in February when no developer submitted a bid due to the high land premium to be charged by the Lands Department.

The tendering of an MTR site at Long Ping Station (South) in Yuen Long in April saw 20 developers submit expressions of interest, making it the most popular offering this year.

Ringo Lam, a director of valuation at AG Wilkinson & Associates, said the Lands Department would have to reduce the land premium by 10 per cent in order to attract bidders.

Market observers forecast the land premium for the Tin Shui Wai site could be lowered to between HK$2 billion and HK$2.42 billion, or HK$2,000 to HK$2,463 per square foot.

Excluding interest expenses, the land and construction cost for the site could reach HK$5 billion to HK$5.8 billion, they said.

Beijing wants pilot carbon exchanges be set up in seven municipalities and provinces. Photo: Reuters

CARBON TRADING

Li urges young entrepreneurs to make an impact

Tianjin speech comes after city becomes fifth region to launch trade in carbon emission rights

Eric Ng and **Kwong Man-ki** in Beijing

Premier Li Keqiang urged young mainland entrepreneurs to innovate and make a global impact as he toured Tianjin yesterday, a day after the city became the nation's latest region to use market forces to curb air pollution through the trading of carbon dioxide emission rights.

Li said young people should merge innovation and entrepreneurialism, citing Microsoft founder Bill Gates and late Apple co-founder Steve Jobs as examples of successful people who turned innovation in small ventures into global empires.

While visiting a state bank in the northeastern port, he also pledged support for the mainland's nascent financial leasing industry, adding that financial innovations should match the needs of the real economy.

Tianjin has become the fifth mainland region to launch the trading of carbon emission rights, an experiment with using market forces to reach emission reduction goals for the pollutant linked to global warming.

Some 1.25 million yuan (HK$1.58 million) worth of carbon dioxide emission rights changed hands on Thursday, the Tianjin Climate Exchange said yesterday.

The exchange's trading debut follows that of Guangdong on December 19, Beijing and Shanghai late last month and Shenzhen in June. Chongqing is expected to open for business next month, followed closely by Hubei province.

In late 2011 Beijing ordered pilot carbon exchanges be set up in seven municipalities and provinces by the end of this year.

David Tang Yue-tan, secretary of the board of the Tianjin Climate Exchange, said: "Starting with regional pilots to gain experience is similar to the approach to set up special economic zones and free-trade zones in China."

Just published trading regulations are valid until May 31, 2016. Tang said that was because it was uncertain whether Beijing would want the regional exchanges to continue after that, or be replaced by a national exchange.

¥1.25m
The value, in yuan, of carbon dioxide emission rights traded on exchange's first day

Five deals were conducted on the Tianjin exchange's debut day, at 26 to 28 yuan a tonne. This compares with first day trades at 60 yuan in Guangdong, 50 yuan in Beijing, 28 yuan in Shanghai and 80 yuan in Shenzhen.

Each market has different trading rules and thresholds for polluters to be subject to emission quotas, based on local economic and industrial structure.

ECONOMY

Price rises put Japan halfway towards inflation goal

Reuters in Tokyo

Japan has passed the halfway mark towards its inflation goal as new data showed prices rose last month by the most in five years, while regular wages halted 17 months of declines, underlining progress under Abenomics on key fronts to revive the economy.

Factory output rose for a third consecutive month, retail sales jumped and job availability hit a six-year high, other data showed yesterday, adding to growing signs that the recovery is gathering momentum.

Prime Minister Shinzo Abe, who took office a year ago, is leading a push to conquer years of growth-sapping deflation.

The data showed progress towards the central bank's target of 2 per cent inflation by about 2015. But achieving that goal could prove challenging if the yen strengthens.

"Consumer prices show signs of being pushed up by the weak yen, so we're still looking at cost-push inflation," said Yasuo Yamamoto, senior economist at Mizuho Research Institute.

The core consumer price index, which includes oil products but excludes volatile costs of fresh food, rose 1.2 per cent in November from a year earlier. It was the fastest pace of growth since a 1.9 per cent gain in October 2008, when a spike in global commodity prices pushed up import costs.

And in a sign of broadening inflation, the so-called core-core inflation index – which excludes food and energy prices – rose 0.6 per cent in the year to November. That marked the second consecutive month of gains and the biggest increase since August 1998.

Factory output rose 0.1 per cent last month, less than a median market forecast for a 0.4 per cent increase, although manufacturers surveyed by the government expect production to rise this month and the next. The Bank of Japan launched a burst of monetary stimulus in April, pledging to accelerate inflation to 2 per cent in roughly two years via aggressive asset purchases.

In the pay data, wage earners' total cash earnings rose 0.5 per cent year on year last month, up for the first time in five months. Regular pay, which excludes overtime and bonuses, was flat – the first time it has stopped falling in 18 months – amid signs of a tightening job market.

Retail sales climbed 4 per cent last month from a year earlier, partly due to demand before sales tax increases next year.

Japanese consumers' greater willingness to spend is reflected in a 4 per cent rise in November sales from a year earlier. Photo: Reuters

BUSINESS DIGEST

4G investment set to hit 100b yuan next year

Investment in the mainland's 4G mobile phone network could reach 100 billion yuan (HK$127 billion) next year, with the number of users topping 30 million in more than 300 cities, Industry and Information Technology Minister Miao Wei said yesterday. He told the ministry's annual work conference that investment in 4G would make up almost a third of the mainland's total investment in mobile communications next year, Xinhua reported. Reuters

Mainland trade growth expected to miss target

The mainland's exports and imports this year are expected to reach US$4.14 trillion, Commerce Minister Gao Hucheng said yesterday, a figure that indicates an annual trade growth rate of 7 per cent, lower than the official target of 8 per cent. The ministry would step up efforts to maintain steady trade growth next year and further balance trade by increasing imports of raw materials and energy products, Gao told the ministry's national work conference. Reuters

Extra US$450m of QFII quotas granted

Beijing granted US$450 million in fresh combined quotas to licensed overseas institutional investors this month, according to data released by the State Administration of Foreign Exchange yesterday. That takes the total quotas issued under the qualified foreign institutional investor (QFII) programme to US$49.7 billion. Reuters

Spring Airlines cleared for Japanese take-off

Mainland budget carrier Spring Airlines has gained approval for a Japanese joint venture set to begin flying in May. The new carrier is planning flights from Tokyo's Narita airport to Saga, Takamatsu and Hiroshima. Shanghai-based Spring Airlines currently flies to the Japanese cities of Ibaraki, Saga and Takamatsu. It holds 33 per cent of the Japanese joint venture, with the remainder controlled by Japanese funds and other domestic interests. The new airline could face some headwinds, as tensions between the two neighbours have recently heated up. Reuters