# New CEPA supplement endorsed

## Hong Kong banks and securities firms gain easier access to mainland market

By Reggie Rathour

Hong Kong and China have signed the sixth supplement to the closer economic partnership arrangement, putting in place measures that will allow local securities and banking services to expand in Guangdong.

Under the new agreement, qualified Hong Kong and mainland brokerages would be able to set up joint venture investment advisory companies in the province, and Hong Kong securities firms can own up to a third of the advisory company.

A government spokesman said the move would allow local firms to participate in the development of the mainland's securities market.

Qualified mainland brokerages approved by the China Securities Regulatory Commission can also set up subsidiaries in Hong Kong. In addition, China will look into the possibility of establishing on the mainland an "index-tracking exchange-traded fund" with Hong Kong listed stocks.

The new measures, to take effect on 1 October, will permit branches of Hong Kong commercial banks in Guangdong to set up what has been described as "cross-location" sub-branches within the province. The move is expected to enhance the efficiency of services for enterprises including Hong Kong-invested companies in Guangdong.

# Mainland firms to seek Hong Kong listings

Three mainland firms are in line to make their debut on Hong Kong's stock exchange with the goal of raising a total of US$900 million within months, the *South China Morning Post* reported, quoting unidentified sources.

Beijing-based construction material maker BBMG Corp. plans to raise US$500 million in an initial public offering that UBS and Macquarie are arranging, the report said, while Chinese personal care product maker and distributor Bawang International Trade Co., is planning an IPO estimated at US$200 million in Hong Kong, which will be handled by Morgan Stanley and HSBC.

Sodium sulphate producer Lumena Resources Corp. has slated a share offering for mid-June, with BOC International, Credit Suisse and Macquarie as its bookrunners, *FinanceAsia.com* reported. It plans to raise US$200 million, *SCMP* said.

The three companies' share offerings follow the successful public listing of aluminium maker China Zhongwang Holdings, which raised HK$9.8 billion in April.

Meanwhile, Chongqing is set to spend up to US$8 billion on buying overseas assets, becoming the first Chinese municipality to follow the government's push for expansion abroad, *SCMP* reported.

Chongqing's executive vice-mayor, Huang Qifan, said the municipality is taking advantage of falling asset prices globally – assets valued at 10 yuan previously are now worth two yuan. "It will be foolish not to buy anything right now. However, it will be even more foolish to buy assets which do not help profitability," he told the *Post*.

The municipality is looking into acquiring more than 333,000 hectares of farmland, an iron ore mine, machinery and high-tech equipment, though no specific countries are mentioned.