

CHINA IN TOUCH



An ACBC Northern Territory Newsletter

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NT President's observations

Restore, Repair, Revive, Resuscitate or Remodel? These 5 R's define business investment decisions and are a precondition for the big R – Recovery. Examination of China's economic and business response provides clues to how local businesses may survive, and to which businesses are better investments at current sell-down prices. Western economies can and must learn from China's experience.

Remodel is a major driver. The Chinese e-commerce site Taobao added 1 million new merchants during the China lockdown. They and other e-commerce platforms not surprisingly experienced more than 10% growth during this period. Ali-Health had a 7,000% growth rate so its clear business will need to Remodel to embrace e-commerce and social media links in ways that are integral to their business model. These models are no longer just an adjunct to business operations.

China's new Infrastructure Development in 2020 plan reflects this change and is focused on 5G Networks, AI, industrial internet, inter-city transit systems, vehicle charging stations and data centres. China's leadership in these areas meant that the COVID response was more internet sophisticated than is possible in Western countries where outdated 4G networks were overloaded making contact tracking, e-commerce, e-learning, e-health and even e-entertainment delivery more difficult.

For some businesses it will be necessary to Restore business connections and develop new networks and logistic chains. Some of their counterparties did not survive the lockdown. Chinese exporters may find previous business links have fallen victim to a western economic collapse. Foreign universities may have an uphill task to restore confidence in their support for students. Restoring business connections will take time and effort to rebuild the levels of trust that prevailed prior to the COVID crisis. Businesses that proved they were not just *Jiu Rou Peng You*, 酒肉朋友 (wine and meat friend) will find this Restoration process easier.

This Restoration may also be hindered by national policies, with some countries determined to reduce their dependence on China for political reasons. They are using the COVID crisis as an excuse to justify their narrative that the world is too dependent on China and that this must change. It's an irony that some of the strongest proponents of this policy have no hesitation in sourcing masks and medical supplies from China.

Of all the 5 R's, business repair is easiest. With the exception of airlines, these are business activities that slowed during the China lockdown, but did not come to a complete stop. These companies suffered some damage, but this is easily repaired. Demand for household goods, for everyday items and services are returning to normal fairly quickly. Some, like car sales and tourism, will take longer. These businesses were damaged by the lockdown, but not destroyed. Fiscal support measures including a suspension of Government fees and charges and capital injections into credit markets has helped them to quickly get up and running. They form the majority of business survivors.

Access to easy credit is a key requirement for those companies that need to Revive. For them, the lockdown was a near-death experience. These are the companies that almost went to the wall as cash-flow dried up. It's not that they were marginal businesses prior to COVID. For many the business model was based on just-in-time delivery and that's what kept the cash flowing. When orders and payments evaporated the weaknesses in the business model was exposed. This has continued beyond a resolution of the COVID crisis in China with the collapse or slowdown on Western economies. If the businesses can be revived, then they will need to remodel their business approach. This is not just a domestic economic issue in China. It's also an issue impacting global supply chains and Western business approaches.

These businesses can be revived but the question is to decide if revival of the old business model remains appropriate.

Those in need of Resuscitation are not necessarily in need of rescue from the scrapheap of outdated business practices. The NanShan, Shenzhen high-tech start-ups in the cash-burn phase of development, the business that was unfortunate enough to first open its doors in anticipation of Chinese New Year crowds and the airline industry all need resuscitating capital investment. There is the opportunity for investors to buy listed companies at bargain prices. For unlisted companies the priority is the search for new capital, domestic or foreign sourced.

Delivery companies like SF, medical suppliers, the online portals, e-commerce market places, and essential service providers all thrived during the lockdown. This expansion was due to exceptional circumstances and their growth will most likely slow and offer less opportunities for investment or business emulation. These changes in economic structure cannot be ignored but first-mover advantage has been dulled.

Just to talk of business Recovery is too simplistic. Every Chinese business emerging from lockdown was faced with at least one of the 5R's and these has to be resolved before any thought was given to business Recovery. How they were resolved is what business must learn from China.

Daryl Guppy,
President, NT Branch,
Newsletter editor

CHINA DIM SUM BUSINESS NOTES

Small bites of business notes

ACBC NT INDUSTRY COOPERATION

ACBC NT is working with the Chamber of Commerce and other industry groups to develop policy responses to the emerging economic crisis in the Northern Territory. A number of these policy options have been adopted, or have been consistent with national policy announcements.

ACBC members are invited to continue to contribute suggestions that can be included as new policy options are suggested and considered.

Please send to abcnt@acbc.com.au

ACBC NT WEBINAR LINKS

National ACBC is developing a range of webinar delivery options for briefings. This gives NT members an opportunity to join briefing events whereas before we could not because they were held in Melbourne or Sydney. We will try to keep members informed in advance of webinars, but where short notice is given to us then we will update members via email.

ACBC MEMBER SURVEY

To help us better deliver services to members, both in these challenging times, and in the future, we ask all members to complete this 5 minute survey. This will help ACBC nationally and ACBC NT to better structure its services. The survey also includes some COVID questions and these responses will help shape ACBC NT policy recommendations to Government. Please go to <https://www.surveymonkey.com/r/VPQRC27> and complete this survey.

DELOITTE: MANAGING SUPPLY CHAIN RISK AND DISRUPTION

Could COVID-19 be the black swan event that finally forces many companies, and entire industries, to rethink and transform their global supply chain model?

This Canadian report is a useful summary of impacts on global supply chains including how to respond to the immediate challenge and a review of the current supply chain model.

Click to download report

https://mcusercontent.com/5581fbf3af8d51d22a6022681/files/e60a541b-2f5e-4c24-b10c-3a8843949880/gx_COVID_19_managing_supply_chain_risk_and_disruption.pdf?mc_cid=641fac94e8&mc_eid=afc16e3153

COVID LEGAL INSIGHTS FOR CHINA SUPPLY CHAINS

ACBC has just posted another blog with some very practical legal insights and solutions in response to COVID-19 which will undoubtedly be of interest to our members.

The topics covered include:

- COVID-19: Supply chains and the impact of Incoterms, what are your options?
- The next wave – COVID-19 impact on international supply chains
- COVID-19: Managing your insurance risk
- COVID-19: Steps you should be taking now for managing your business and workers

Here's the link to the blog article. http://acbc.com.au/blog-details_451

CHINA'S CLOUD GIANTS RESPONDED QUICKLY TO COMBAT CORONAVIRUS.

Alibaba Cloud, Tencent and Baidu all provided access to on-demand compute, AI and other services to support govt depts, businesses, research institutes and students.

Yih-Khai Wong, Senior Analyst at Canalsys, said: "They provided free access for research institutions to accelerate drug screening for potential vaccines. Students also benefited by accessing online learning tools setup on the platforms after schools were closed."

Alibaba Group offered US\$1,000 in credit for its Elastic Compute Service, cybersecurity and other services. It made its AI-powered platform available free to research institutions to accelerate work on coronavirus.

Tencent Cloud made its platform available to research teams from universities across the country. It launched Cloud Office Portfolio to support remote working, which includes Tencent Meeting and WeChat Work. Both audio and video chat tools were available for free during the epidemic.

Baidu, Inc. made its online doctor consultation platform free for any medical queries, which handled over 15 million interactions. Baidu AI Cloud opened its platform and AI algorithm for free to research institutions, while it developed mapping tools to track the initial spread of the virus.



Australia China Business Council
澳大利亚中国工商业委员会



It has been an unforgiving start to 2020 with the outbreak of the coronavirus / COVID-19 bringing

Links:

Podcast Homepage: <http://acbc.com.au/podcasts>

Apple Podcasts: <https://podcasts.apple.com/au/podcast/china-path-podcast/id1282254811>

Soundcloud: <https://soundcloud.com/australia-china-business>



Supporting each other. It's what friends do.

We are all concerned and saddened by the impact of the fires that have ravaged Australia and the outbreak of the coronavirus in China, and around the world.

Australia China relations are characterised by strong bonds and mutual cooperation in a multitude of sectors. We share a longstanding friendship that has remained steadfast despite challenges, supporting each other - that's what friends do.

Together we can endure any challenge.

同舟共济 - People in the same boat help each other in crisis.

Connect with us at www.acbc.com.au



ACBC NT WELCOMES NEW AND CONTINUING MEMBERS

Have your member business profile included in the newsletter. Send details to acbcnt@acbc.com.au

NT ACBC Branch Meeting

Meeting venue is kindly provided by Deloitte NT.

Meetings are open to all members of the ACBC, not just the committee members. Most matters discussed at the meeting are passed by general agreement. All members are encouraged to contribute ideas to the discussions.

Current proposed meeting dates for 2020. Meetings start at 8.00 am and end at 9.00 am

Dates	Day
29-Apr-20	Wednesday
10-Jun-20	Wednesday
22-Jul-20	Wednesday
2-Sep-20	Wednesday
14-Oct-20	Wednesday
25-Nov-20	Wednesday

2010-2020 NT ACBC Executive

Daryl Guppy - Guppytraders.com (**President / National Board Member**) China@guppytraders.com

Justin Gill – Adobe Homes (**Vice President**) jg@newabode.com.au

Joseph Aladin - Deloitte Touche Tohmatsu (**Vice President**) jaladin@deloitte.com.au

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Gloria Chang - Nidus Innovation and Enterprise Pty Ltd gloria.chang@nidus-aus.com

Mark Faulkner, TreeTi mark@treeTi.com.au

Ex-Officio members

Chris Mouat – Department of Business

Cecila Brennan - Dept. of Foreign Affairs and Trade

Austrade - Martin Ferreyra

NT Tourism – Daryl Hudson

Lisa O'Donoghue – South Australia Liaison

We are keen to hear your success stories

Are you enjoying success in China?

If so, please share with us your success in the Australia China business space. Your story could inform and inspire others.

We are happy to highlight your success stories in our newsletter. Enquiries at acbcnt@acbc.com.au

China News reports that did not make it into the local media.

Falling pork prices set to take a slice out of inflation in China

Falling pork prices are expected to lead to a slowdown in China's consumer inflation later this year as hog production gains momentum after the devastating impact of African swine fever, reported Caixin. Peng Shaozong, a National Development and Reform Commission (NDRC) official, said a press conference last Thursday that prices for this major driver of consumer price index (CPI) growth had already started to decline.

He said the average price of lean pork meat in 36 large and medium-sized cities fell to RMB 64.4 (\$9) per kilogram on Wednesday, down from the highest price in February of RMB 69.3 per kilogram.

China's CPI, which measures the prices of a basket of consumer goods and services, rose by 5.2% year-on-year in February. The relatively high inflation was driven largely by surging pork prices, which contributed 3.2 percentage points of the CPI increase, according to the National Bureau of Statistics.

Chinese companies delay fundraising plans after watchdog tightens rules

At least 10 Chinese firms have said they could delay or change plans to raise funds via private share sales after regulators closed a loophole in recently loosened rules designed to help companies battling the economic impact of the coronavirus, reported Reuters.

The China Securities Regulatory Commission (CSRC) eased conditions for private placements last month, allowing bigger sales at deeper discounts and tripling the maximum number of participating investors.

Only investors classified as "strategic" can take full advantage of the relaxed rules. However, without an accompanying definition, a number of firms designated key executives and unrelated fund managers as strategic investors.

This led to fear among lawyers and analysts of insiders buying cheap shares to sell later at a higher price without contributing to a company's value. Frank Qu, senior partner at law firm Dentons, welcomed the clarification, saying private equity funds, mutual funds, trust plans and insurance products are unlikely strategic investors. "They should belong to the category of financial investors."

Chinese airlines have lost \$3.1 billion this year

China may be recovering from the worst of its coronavirus outbreak but the gradual resumption of business and production has not helped domestic airlines make ends meet, reported Caixin.

This year, the country's six listed mainland airlines had lost a combined RMB 22.3 billion (\$3.14 billion) as of Tuesday, according to analysis by the NUAU-VariFlight Joint Research Centre for Transportation Big Data based on past financial reports.

The calculations included Air China, China Southern Airlines, China Eastern Airlines, Hainan Airlines, Spring Airlines, and Juneyao Airlines.

The Civil Aviation Administration of China (CAAC) disclosed on March 12 that mainland flight volumes had only recovered to about 40% of their normal levels. About two-fifths of flights scheduled by China Eastern Airlines actually flew, while about half of those for Air China and China Southern Airlines did, according to VariFlight's data.

Chinese banks pump money into consumer loans

Chinese banks have lowered rates and boosted the amounts they will lend to consumers, even though there has been a surge in defaults, as Beijing turns to credit to help boost domestic consumption hit by the coronavirus, reported the Financial Times.

More than a dozen state-owned lenders have started offering promotions, such as halving borrowing costs and doubling the amount consumers are allowed to borrow, since the banking regulator relaxed credit controls last month.

An official at the risk management department of a major bank said lenders were participating even if they knew that some loans were unlikely to be repaid. "We have to take part in the operation because the government wants to support the real economy with cheap credit," said the official, adding: "These loans may go under if the economy continues to weaken."

Official data show that retail sales — an important growth engine for the economy — fell a record 21% in the first two months of this year from a year earlier. Meanwhile, multiple local banks told the FT their overdue personal loan ratio had surged by as much as 60% from January, when the disease broke out.

Shanghai says global financial giants investing despite virus

Some of the world's top financial institutions, including BlackRock and JPMorgan, are increasing investments in China's financial hub Shanghai, undeterred by the novel coronavirus outbreak, the city government said on Friday, reported Reuters.

Shanghai also held an online opening ceremony for local branches of five global institutions including JPMorgan, Invesco and Russell Investment.

"In such a special situation where the city is making all efforts to combat the coronavirus, the ceremony shows the world Shanghai's determination to further open its financial industry," the Shanghai Municipal Office of Finance Service said in a statement.

In the brokerage sector, the Singaporean bank DBS has applied to set up a majority-owned securities venture in the city, while Morgan Stanley plans to raise its stake in its Chinese brokerage venture to 51% from 49% now. In addition, several financial institutions plan to set up wholly-owned brokerage units in Shanghai as soon as ownership restrictions are scrapped.

For more China business news and information, visit www.chinaeconomicreview.com



PROPOSED NT BRANCH CHINA BUSINESS BRIEFINGS 2020

The Business Briefings in 2020 and be provided free of charge for members only. Visitors are welcome to attend, but a small \$20 fee is payable. (Free if you join ACBC at the briefing) . Briefings run for about 60 minutes. Business Briefing sponsorship options are also available. For more information, or requests for specific briefing topics, please contact ACBC Secretariat on 89270061 or acbcnt@acbc.com.au

ACBC NT OBJECTIVES

We aim for these services for ACBC NT members:

- To assist members to understand the nature of the business environment in China and where relevant opportunities lie.
- To raise the profile of ACBC NT members within the NT and Chinese business environment
- To share information regarding industry issues in the China market.
- To assist in generating business between member businesses.
- To facilitate co-operation with the China Council for the Promotion of International Trade in relation to business issues.
- To present the views of NT SMEs operating in China to government authorities and other business groups where appropriate.
- To share market and economic intelligence and insights on critical industry issues.
- To create and maintain a collaborative community of business owners that can draw on each other for support in their engagement with China.
- To work in a collaborative community of Chinese business, cultural and friendship organisations to expand the networking capacity of NT members.

These objectives are achieved with networking events, workshops, conferences, briefing, newsletter communication and participation in creation of NT and national Government strategies.

AUSTRALIA CHINA FRIENDSHIP SOCIETY

The Darwin branch of the ACFS is a co-operative partner with ACBC NT. ACBC NT members are encouraged to attend ACFS events.

ACFS has completed their first NewsLetter, a website and facebook. The web address is: www.acfsnt.org.au The facebook address is <https://www.facebook.com/acfs.nt>

UPDATED CHINA RESOURCES FOR NT MEMBERS

ACBC NT has an updated list of China resources available for NT members. This includes translators, interpreters, graphic artists and design teams. Some are based in Darwin and some in China. Please contact ACBC Secretariat on 89270061 or acbcnt@acbc.com.au for details



FORWARD THE NEWSLETTER TO A FRIEND
NEWSLETTER CONTRIBUTIONS ARE WELCOME. Keep other members informed about China experiences. Please email notes or comments to acbcnt@acbc.com.au . Please use email header ACBC NOTE. Information received up to the day prior to publication will be included.

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Australia China Business Council
 澳大利亚中国工商业委员会
 Northern Territory

MEMBERSHIP APPLICATION

Please complete this Membership Form with your details if you are applying to join the Australia China Business Council for the first time.

BASIC DETAILS

Company Name	
Company name in Chinese	
Industry sector	
Branch membership	NT Branch
Member Type - This is based on the annual turnover.	
Company email address	
Company web site http://	
Date of application	

CONTACT DETAILS

Title	
First name	
Last name	
Job title	
Personal email address	

LOCATION DETAILS

Street address	
City	
State	Northern Territory
Post code	
Postal address	
Please cross out if you do not want your contact details to be given to third parties who issue event invitations to ACBC members	I agree to be included in all associated ACBC and appropriate third-party event notifications
Country	Australia

PAYMENT METHOD

Cheque	Please post to: GPO Box 2769, Darwin NT 0801
Cash Deposit	ANZ Darwin, BSB: 015901, A/C: 487 379 699
Credit Card	Card type / VISA / Mastercard
Card number	
Name on card	
Expiry date	CCV#
Amount paid (See member type)	\$

PLEASE RETURN COMPLETED FORM TO ACBC NT GPO BOX 2769, Darwin NT 0801

Or Email: acbcnt@acbc.com.au

Membership

TOTAL

NT Government Departments

1024.87

Companies

Annual turnover:

More than \$ 50 million *
\$ 15 million to \$ 50 million
\$ 5 million to \$ 15 million
Less than \$ 5 million

3492.50
1831.50
1024.87
532.40