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China looks to curb SOE losses through staff ownership

DATE: 2008/10/10

BEIJING, Oct. 9 (Xinhua) -- China's state assets watchdog is set to ban state-owned enterprise (SOE) employees, particularly management staff, from owning shares in SOE affiliates and subsidiaries, in a move seen as an attempt to stop state assets ending up in private hands.

The measure was a crackdown on speculation by SOE management on SOE reform, through irregularities in management buyouts, and would prevent losses of state assets, Zuo Daguang, director of the watchdog's Liaoning branch, told Xinhua on Thursday.

"Staff, particularly middle and senior management, are forbidden to invest in companies that provide the SOEs with fuel, raw and auxiliary materials, equipment and spare parts," said the State-owned Assets Supervision and Management Commission (SASAC).

The prohibition extended to companies that provided design, construction, maintenance, sales and intermediary services for SOEs.

Staff investment is also banned in companies involved in business similar to that of the SOEs, according to the proposals on regulating SOE employees' shareholding and investment, published by SASAC on Wednesday.

The SASAC also highlighted in the new rules that the SOE staff could in principle only hold equities of their own companies, not subsidiaries or other SOE-invested businesses.

The regulations did not apply to listed companies mainly held by the State.

In order to contain insider-control and state-owned assets losses, SASAC and the Ministry of Finance jointly issued a document in April 2005, forbidding management buyouts of large SOEs.

SOE management ownership of equities in affiliates, subsidiaries and SOE-invested companies has led to problems, such as executives procuring products or services of those businesses at prices un-

reasonably higher than the market price, resulting in "state-owned assets losses in disguise", said Zuo Daguang.

Public discontent with state assets losses and privatization has been in rumbling on since the SOE reforms were launched three decades ago.

Last March, the SASAC issued similar proposals specifically designed to regulate employee shareholdings in power generating SOEs. The proposals said such SOEs were to be the first to buy shares transferred by their staff.

But uncertainties over the enforcement of the regulations and the definition of senior and middle management could continue to puzzle state assets supervisors, said a SASAC research center expert who declined to be named.

According to the new document, SOE senior and middle management are required to transfer such shares or resign from the posts within a year of the publication of the new rules, but the new rules prescribe no penalties for failing to comply.

The proposals encouraged employees of small and medium-sized SOEs to own shares of the SOEs, a move that has been contemplated for more than a decade to help smaller firms out of debt and push them into competition.

But they stipulate that employee stakes in large SOEs should be minority shareholdings to maintain their nature of state ownership. Large SOEs, particularly the 147 giants reporting to the central government, include industries crucial to state security and national economy, including petroleum and petrochemical, power and telecommunications.

CNTEX

Shandong Spinners Extend Payment - Slow Procurement

DATE: 2008/10/10

Shandong Province is home to the largest cotton-spinning mills in China and is also the second largest cotton-growing province. The recent decision by Shandong's largest cotton spinner to extend credit terms and slow procurement surprised merchants and ginners. First, procurement prices paid by the spinning group are generally unchanged from the level that prevailed prior to the Nation Day Holiday despite the overall weakness in prices. The Grade 3 procurement price remains at 12,600 yuan per ton and Grade 2 at 12,800 yuan per ton; however, the requirement for BIE packaging is much stricter. In addition, some spinning plants within the group temporarily suspended procurement on October 7. Also, payment terms have been extended from 7 days to 20 days. These changes are being attributed to slow yarn sales, tight credit and spinner orders requiring the use of imported cotton for quality reasons.

Source: Globecotnews

Industrial Profit Shot up From January to August

DATE: 2008/10/09

From January to August, the total volume of profits made by the industrial enterprises above designated size (all state-owned enterprises and non-state-owned enterprises with an annual sales over 5 million yuan, same as follow) reached 1868.5 billion yuan, rose by 19.4 percent over the same period of the previous year.

Among the industrial enterprises that above designated size, the profits made by state-owned and state-controlled enterprises achieved 677.0 billion yuan, increased 0.7 percent year-on-year; that of collective-owned enterprises was 50.2 billion yuan, up by 36.0 percent; that of joint-stock cooperative enterprises reached 11.7 billion yuan, jumping 18.9 percent; that of share-holding enterprises gained 1051.5 billion yuan, up by 25.9 percent; that of foreign funded enterprises, and enterprises funded from Hong Kong, Macao and Taiwan achieved 499.3 billion yuan, increased 14.3 percent; and that of private enterprises reached 389.2 billion yuan, rose by 48.6 percent.

Within 39 branches of industry, the profits of extraction of petroleum and natural gas up by 54.7 percent, that of coal mining industry, steel industry, chemical industry, architectural materials industry, manufacture of special purpose machinery industry, manufacture of transport equipment, manufacture of electronic communication equipment grew by 142.8, 31.5, 32.0, 40.3, 20.2, 35.1 and 18.2 percent respectively, year-on-year. While that of the profits of electric power industry, smelting and pressing of nonferrous metals industry, manufacture of chemical fibers declined 81.6, 7.4 and 47.1 percent respectively, processing of petroleum and coking industry turned to get net loss of 96.1 billion yuan from profits gains of 32.3 billion yuan from of last year.

The total volume of tax contributed by industrial enterprises above designated size was 1329.6 billion yuan, a year-on-year increase of 26.7 percent.

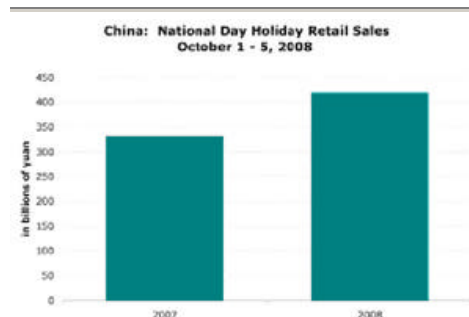
The main income for industrial enterprises above designated size reached 31645.4 billion yuan, increased 29.0 percent over the same period of the previous year.

By the end of August, the total volume of net receivable for industrial enterprises above designated size amounted to 4315.4 billion yuan, a year-on-year increase of 16.0 percent. The total value of finished products for industrial enterprises was 2207.1 billion yuan, rose by 28.5 percent.

Source: CNTEX

Global Retail Sales Weaken - China is Exception

DATE: 2008/10/08



American and European consumers have been adversely affected by the global financial crisis of the past ten days, with news media on both continents reporting how it has spread to Main Street. On Monday, October 6, European equity markets plunged from 6.06 to 9.14% on Monday, followed by additional losses in the U.S. European and U.S. retailers are reporting a sizeable reduction in foot traffic in stores and a loss in sales, with all sales of major retailers anticipated to sharply decline in October. Trillions of USD and euro value has been taken from household net worth.

China was the lone survivor in this calamity and was on holiday last week when the world markets

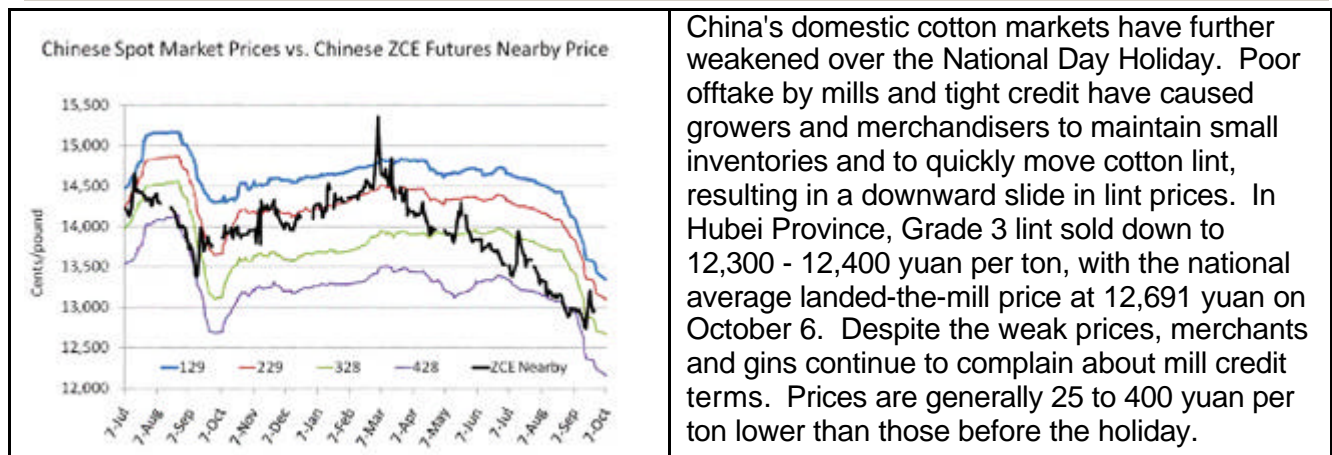
Source: China Textile Network Company

had a meltdown. The country's consumers continue to spend, with National Day Holiday retail sales surging 21% from a year ago to a new record of 420 billion yuan or approximately 61.3 billion USD. Travel and sales throughout the China were very brisk.

Source: Globecotnews

Domestic Cotton Markets Re-Open Rather Weak

DATE: 2008/10/08



Source: Globecotnews

China May Not Increase Cotton Imports This Year, Group Says

DATE: 2008/10/08

Sept. 22 (Bloomberg) -- China, the world's largest cotton grower and consumer, may not boost imports in the new marketing year because domestic supplies are ample and demand for textile products is sluggish, the China Cotton Association said.

A "considerable" amount of the crop harvested in the year that ended Aug. 31, including 350,000 tons from Xinjiang, the country's biggest producing province, will be added to this year's stockpiles, the association said today in a report posted on its Web site. With the bulk of the new crop hitting the market soon, textile mills are "more cautious" with buying and domestic cotton prices will fall further, the group said.

China's production and exports of textile products grew at a slower pace this year than last year, even as international fiber prices tumbled, according to the group, which is made up of farmers, textile mills and industry researchers. Mills bought 1.64 million tons of cotton from foreign producers in the first eight months this year, 1.3 percent less than the same period a year earlier, according to data from the General Administration of Customs agency in Beijing.

China's cotton crop may total 7.75 million tons this year, compared with 7.62 million last year, the group said, citing data from the National Bureau of Statistics. Last month, the country imported 186,900 tons of cotton, down 28 percent from a year earlier, the cotton association said.

The U.S. is the biggest cotton exporter.

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Source: bloomberg

China becomes the major sporting goods market

DATE: 2008/10/08

Nowadays, China holds 65% of the sporting goods production in the world. Many famous international sporting goods brands chose to focus on China in the year of Beijing Olympics, not only because China is the global manufacturing center for the sporting goods, but also the major market.

Since then, some companies have opened large stores and offered good services in big cities like Shanghai and Beijing. They seem to reach a consensus to invest in the Chinese market.

It is forecasted by the China Stationery & Sporting Goods Association that as the Olympics motivate the interest of purchasing sporting goods among Chinese, the national sales of such goods will reach 80 billion in 2008 and China may become the second largest consuming market other than the States. Therefore, no one wants to miss the chance.

Source: Apparel World