

# Business Risk Management of China Joint-venture Gas Companies

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# 中國經濟成全球關注焦點

(上接A1版)在具體數據上,由於生產資料價格(PPI)已經連續上漲22個月,學者認為明年CPI價格走勢主要取決於PPI的傳導情況,而若明年糧價穩定,但住房和服務(如受電、煤及油直接影響的運輸成本)價格還會有所提高,則CPI價格升幅亦會對CPI造成較大影響,但由於CPI的波動可能拉動工資,而工資的波動又可能拉動CPI,因此CPI的波動可能控制在國家指標的4%內。

息口方面,券商預計2004年及2005年中國加息幅度合計1厘,但人行明顯步伐放慢,去年只有27點子,故預計息最多75點子,但一旦貨幣供應及信增長勢頭,可能可達50點子至100點子。

## 高姿態降人民幣升值預

除了宏調,人民幣匯率在2004年中是另一個吸引世人眼球的焦點。外指人民幣匯率並未反映中國經濟增長狀況,人民幣被大大低估,但增強了口競爭力,給西方國家造成了損害,年美國經常項目和財政出現巨額雙赤元兌歐元、日圓匯率持續大幅下跌,直希望以人民幣升值拯救美元頹勢,以百億計的熱錢湧入國門。

但中央以高姿態降低人民幣升值預種國際會議及公開場合,領導人表態硬。去年2月G7會議上,日本提出人動議,但由於中國並非G7成員,駁決。今年10月中國財政部部長金人慶行長周小川首次參與G7會議,人民幣動之聲再起。但結果當然仍是風平浪月,總理溫家寶首次明確表示,中國為其他國家的壓力而放鬆人民幣兌率。而國家外匯管理局多次發文,對出嚴正的警告。

與此同時,推動外匯流出的舉措來,包括調高中資金機構外匯存款率、允許合法私人財產轉移到海外、費留學人員購匯指導性限額、上調境外小額外幣存款利率等。

## 匯率已非單純經濟問題

事實上,調整人民幣匯率不僅有外力,亦有內力,中國自身亦不願死守固定匯率制度。周小川亦言,人民幣匯率制度的僵化可能給銀行和企業大的潛在風險,人行公告亦多次強調,彈性匯率

# 05年中國經濟增長仍

星展銀行財富專訊

無論是美國、歐洲或亞洲,油價高企對消費會有負面作用,預期○五年環球經濟增長的星展預期○五年美元受雙赤字困擾,弱勢依然,中長線仍將繼續疲軟,在擔心央行的干預陰影下,年內不排除會有較大的技術性調整,匯價波幅較大。

# 2001-2010 GDP: +7% p.a.

# Strong Economic Growth in China

改革的目標。不過,匯率並非單純的經濟問題,是一種政治籌碼,需要尋求內外經濟、政治衝突的平衡,熱錢湧入反而阻卻了匯率波動。皆因若現在調整,正中炒家下懷。市場應該汲取人行10月突然加息的經驗教訓,很可能升值整

強了宏觀調控,四月國際油價攀升、五月美元對主要貨幣下滑及六月美聯儲局啟動了加息周期,環球經濟因此基礎穩健,展現了韌性。世界經濟仍處於溫和。第二季及第三季表現不俗,素,令環境經濟逐漸放慢,特力。預期○四年全球經濟增長今年美國經濟增長不錯,值的政策似乎正在起作用,美動,美國的加息速度及幅度較影響不大,估計○四年美國經濟到頂回落的時間或早於○五期來下通膨的加息期則開減息周期下,經濟動力增長降至約3%。有跡象跟隨大勢溫和調升,在長應有6.4%;中國宏調措施將封口競爭力,預期出口及消費仍香港的出口表現較預期強勁,年增長可達5.2%。至於歐洲區,減息以刺激經濟,預期○四年

# 內地宏調見效 經濟穩步發展

大福資料研究高級分析員 王宏志

國實質國內生產總值繼今年首季及第二季同比增長9.8%及9.6%後,第三季再增長9.1%。前三季的同比增幅為9.5%。同期佔國內生產總值13.5%、55.4%及31.1%的第一、第二及第三產業,分別錄得5.5%、10.9%及8.5%的同比增幅。

對外環節依然是中國經濟增長的火車頭,今年首九個月,出口總貨值達4,160億美元,同比增長35.3%。在中國出口中,輕工業、重工業及加工貿易的增幅分別為41.4%、24.4%及34.4%。自7月以來,消費取銷亦有起息表現,今年首三季社會消費品零售總額同比增長13.0%。同期城鎮家庭人均可支配收入與農村家庭人均現金收入同比上升11.4%及17.1%,至7,072元人民幣及2,110元人民幣,反映自去年九月底以來,城鎮與農村的收入差距進一步拉闊。

## 經濟目標大致實現

說,最新數據顯示,中央以○四○五(注:經濟目標)大致實現。是民價格指數,同比增長%的目標。筆者原本預測中國今年全年國內生產總值增長8.5%,現在看來這預測未免太過保守,全年經濟增長相信可達9.3%,相對○三年的9.3%及○二年的8.3%。

中央政府為了抑制去年開始火速上升的固定資產投資而採取的多項宏調措施已初見成效。固定資產投資的同比增幅,由今年首季的43.0%及上半年的28.6%放慢至首九個月的27.7%。以政府致力打壓的水泥、鋼鐵與電解鋁行業為例,前二者今年首九個月的按年計投資

增長步伐放緩至58.0%及41.7%,後者更錄得6.5%按年跌幅。同期房地產投資的按年增長率亦放緩至28.3%。

房地產市場的投資活動仍算健康。今年首九個月商品房竣工面積為1.69億平方米,同比增長9.5%。同期銷售面積的增長更加強勁,同比上升19.3%至1.82億平方米,產銷率由一年前的0.99上升至1.08。二○○三、○二與○一年此數字分別為0.82、0.77及0.76。反映物業價格走勢的全國房屋銷售價格指數,在今年第一季及第二季同比上升7.7%及10.4%後,第三季爬升9.9%。

## 房地產市場仍平穩

雖然個別城市如重慶、南京、寧波、青島、上海和瀋陽的樓價連續四季錄得雙位數增長,但總體趨勢顯示房地產市場的發展依然平穩。樓價、地價與租金的按年上升步伐由今年上半年的9.1%、9.5%及0.8%加速至首九個月的9.4%、10.2%及1.2%。房地產業過熱的跡象只在若干區域性市場出現。

中國人民銀行由十月二十九日起把儲蓄存款的一年期存、貸款基準利率上調27點子,至2.25%及5.58%,其他的檔次的存、貸利率亦向上調整1至81點子。中長期利率上調幅度比短期的為大。此外,人行又放寬人民幣貸款利率浮動上限,並允許人民幣存款利率下浮。

以市場手段調控經濟比行政手段更為可取,因為前者令資源得到最有效的分配。人行加息將加重企業借貸成本,從而抑制國內特別是房地產業的過度投資情況。在國內仍處於實質負利率的情況下,人行是次加息可能只是連串加息行動的開始。



# Side-effect of Economic Growth

- Energy Inadequacy
- Pollution





# Severe Air Pollution in China

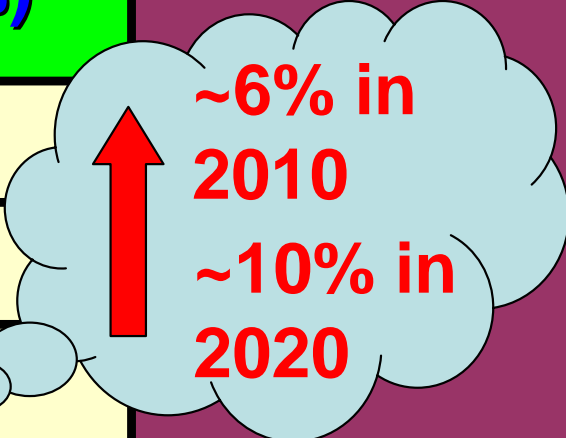
**CO<sub>2</sub> :** **3.94** (1980)  
( '00 Mn tons of carbon) **8.32** (2001)

**Acid Rain (pH value) :** **30% of the territory**  
**Annual pH below 5.6**  
**(2001)**


# Primary Energy Consumption of China

(2000年)

PEC	World Average (%)	China (%)
Coal	27	67
Oil	40	23
NG	23	2.8
Nuclear	7	0.2
Hydro	3	7



~6% in  
2010  
~10% in  
2020



**Natural Gas:  
Leading Role in China's Energy  
Development in 21st Century**





# Towngas Business in China

# Towngas mainland JVs expansion

## Northern China

- Beijing Economic-Technological Development Area
- Jilin HKCG

## Central China

Wuhan NG

## Shangdong Province

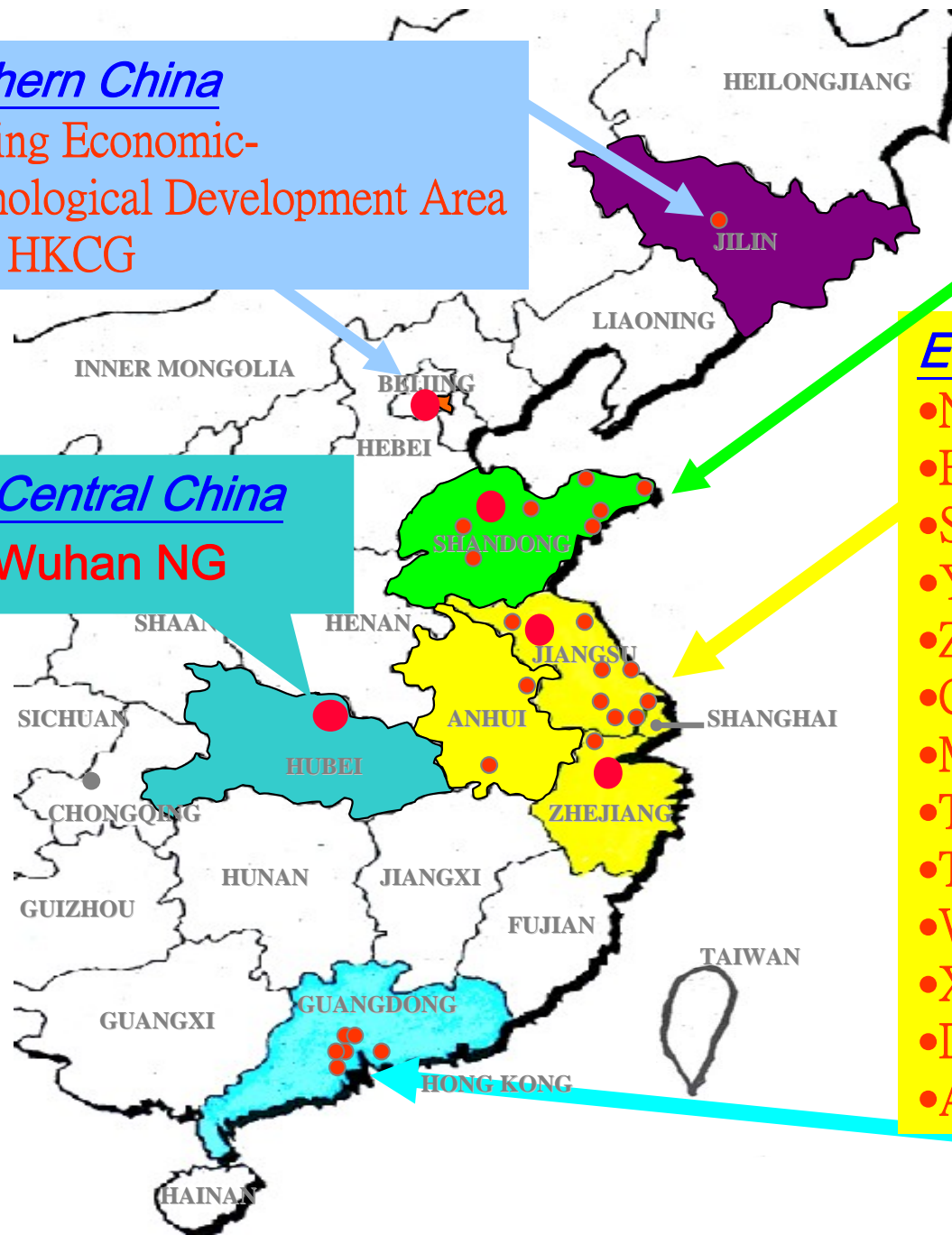
- Qingdao ZJ HKCG
- Qingdao DY HKCG
- Jinan HKCG
- Longkou HKCG
- Weifang HKCG
- Weihai HKCG
- Zibo HKCG
- Taian HKCG

## Eastern China

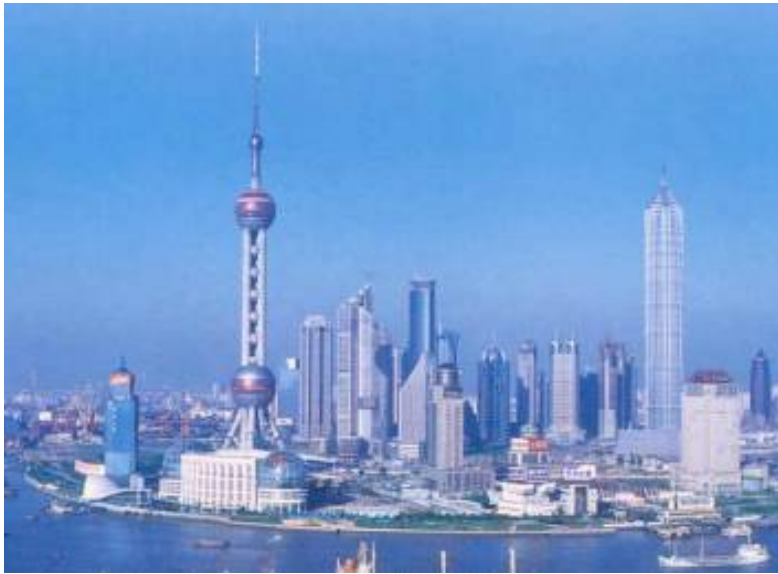
- Nanjing HKCG
- Huzhou HKCG
- Suzhou HKCG
- Yixing HKCG
- Zhangjiagang HKCG
- Changzhou HKCG
- Maanshan HKCG
- Taizhou HKCG
- Tongxiang HKCG
- Wujiang HKCG
- Xuzhou HKCG
- Danyang HKCG
- Anqing HKCG

## Guangdong Province

- Shenzhen groups
- Panyu HKCG
- Zhongshan HKCG
- Shunde HKCG
- Dongyong HKCG



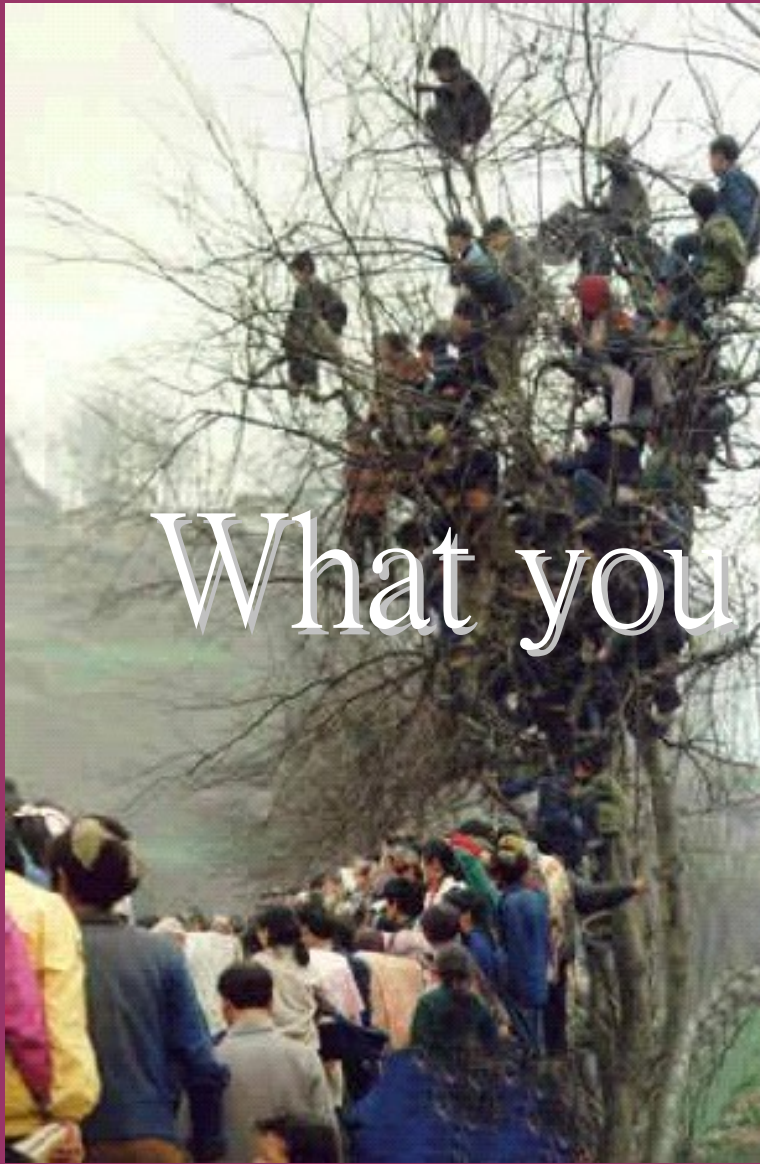




Are all things bright and beautiful  
as you seen at the moment?







What you may see there...





# Risks of Joint-venture

- Ever-changing Economic Situation
- Uncertainty of Investment and Political Policy
- Cultural Difference

Need for effective business risk management!

# Murphy's Laws

- If anything can go wrong, it will ◦
- Let to themselves, things tend to go from bad to worse

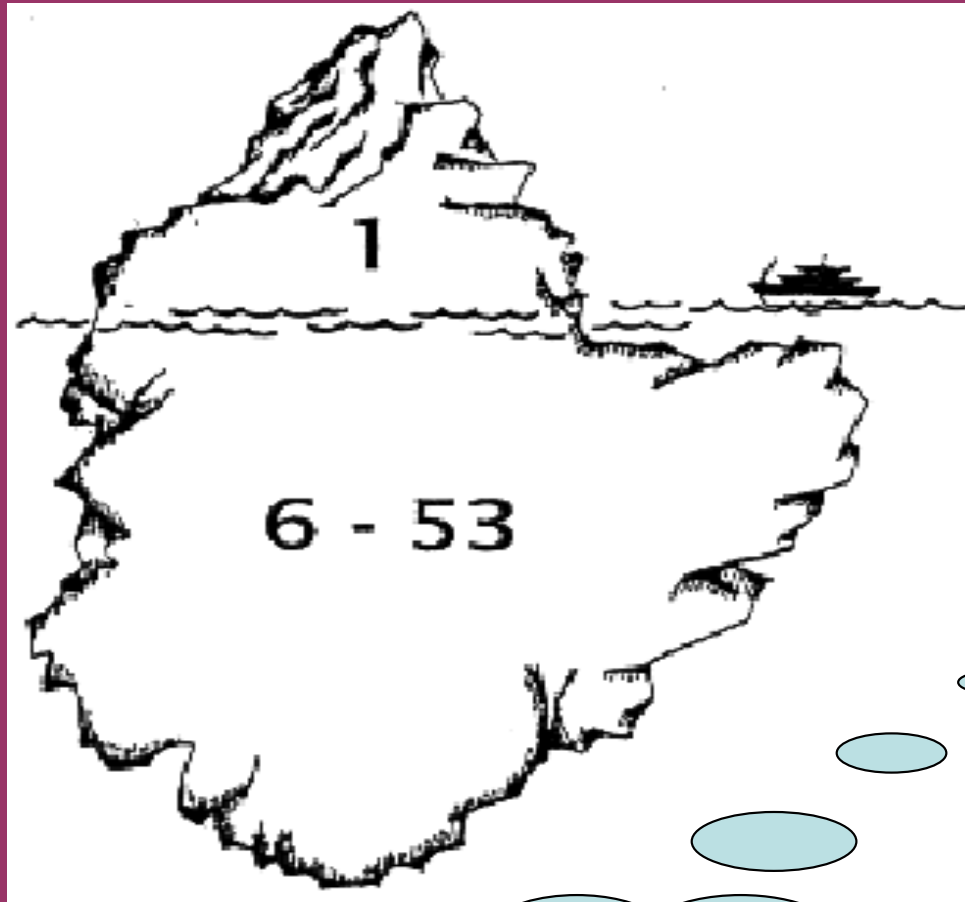
“The first duty of business is to survive and the guiding principle of business economics is not the maximization of profit – it is the minimization of loss”

Peter Drucker



## Compensation and medical expenses (Direct cost: a small portion!)

- Medical
- Working man-hour loss
- Compensation



## Indirect cost

(ranged from 1:6-53)

## Loss of operation licenses

- Loss of production capacities
- Loss of building properties
- Loss of production equipment
- Legal expenses
- Materials for emergency
- Administration cost
- Investigation cost

**A matter of business  
sustainability!**

# Explosion of Jilin Benzene Manufacturing Plant (13/11/05)



**Direct Consequence**

**Local news reported that:**

**Injury: ~70 people**

**Missing: 6 people**



# Log-on Consequences



**Contamination of Songhua River**



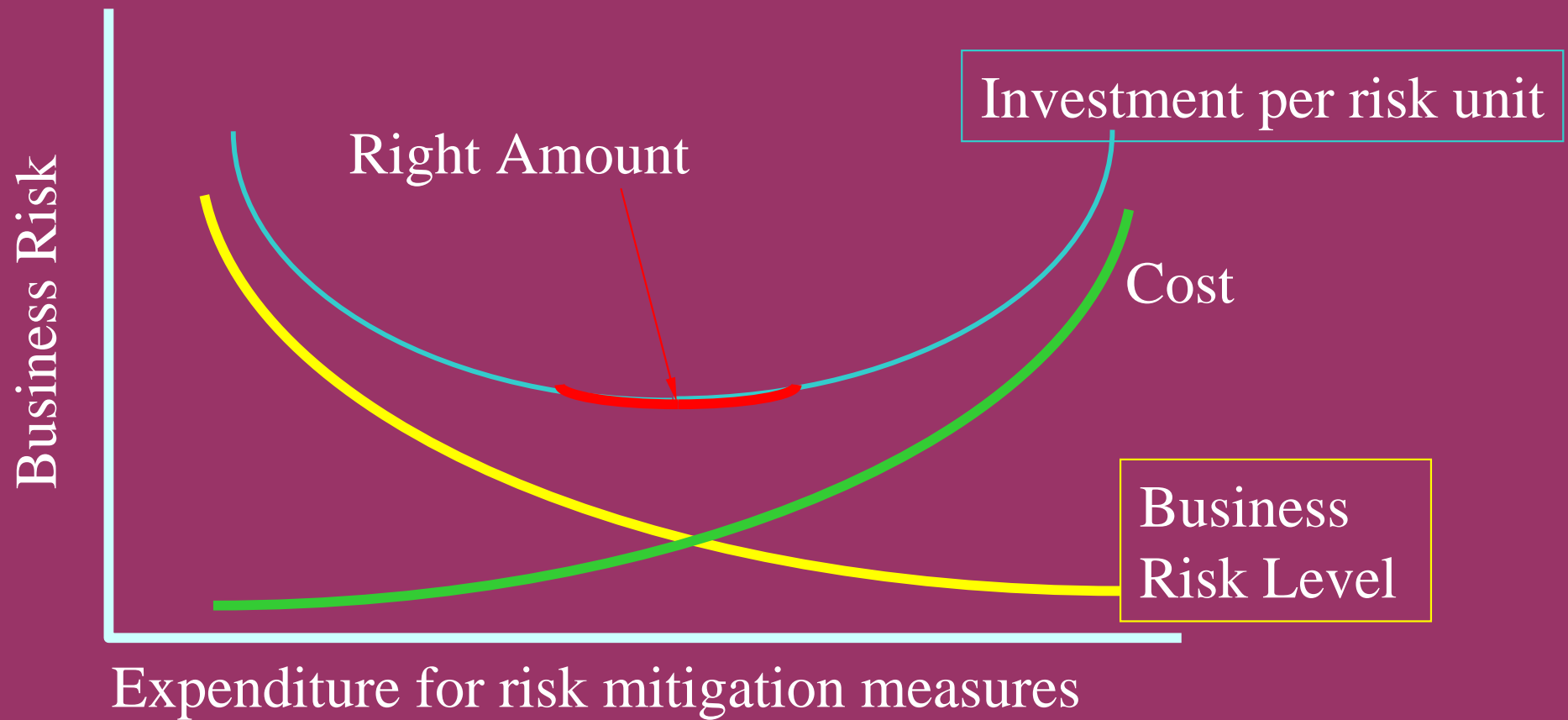
**Interruption of town water supply in Harbin city affecting millions of citizen**

**Huge Amount of Compensation & Cleanup Cost!**

**Adverse effect in Russia's downstream cities**

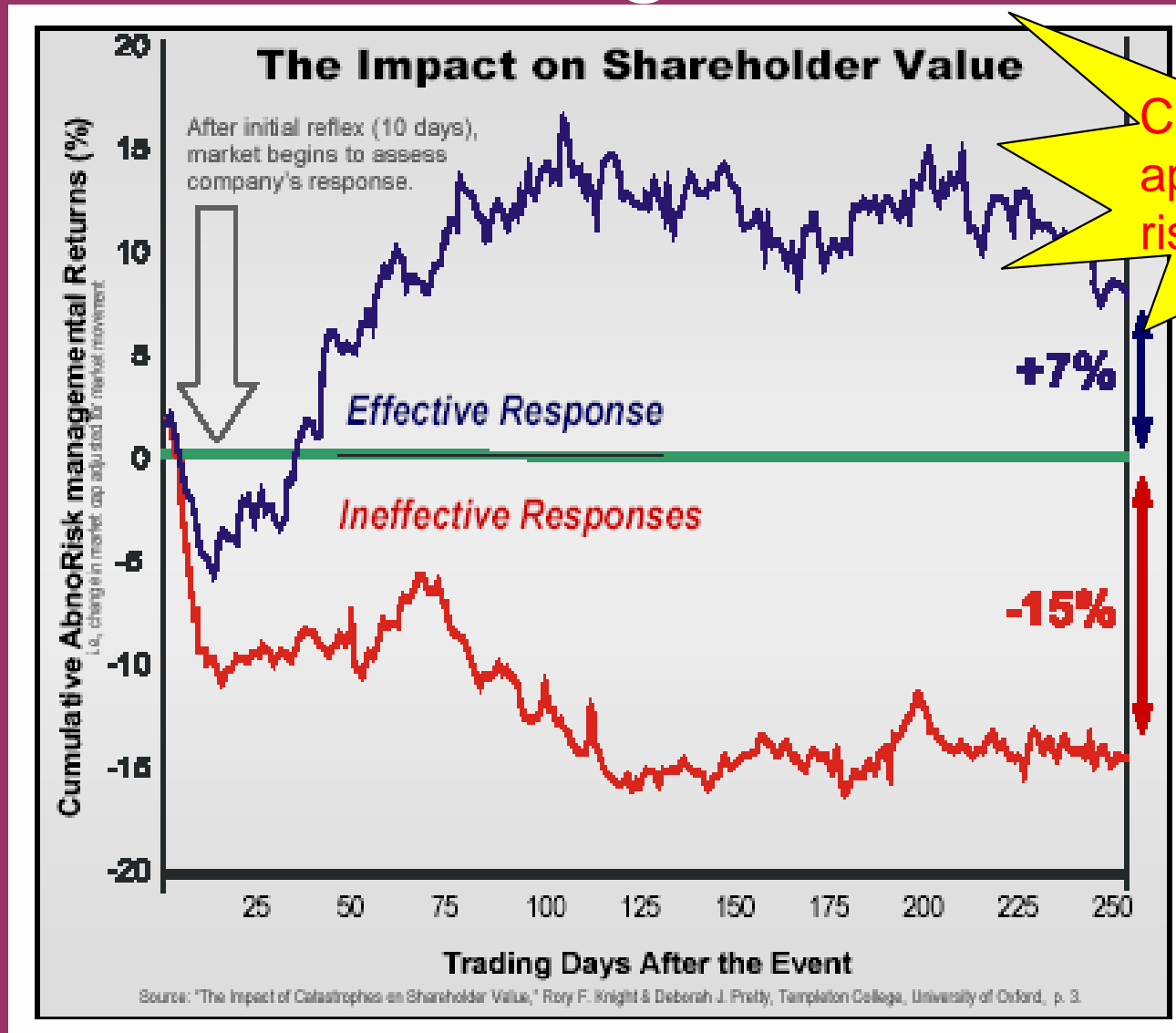


# Cost-effectiveness of Risk Management Investment





# Benefit of Business Risk Management



Corporate which applied effective risk management

Sources from: The impact of catastrophes on shareholder value by Rory F. Knight & Deborah J. Pretty. Templeton College, University of Oxford

# The Case For Business Risk Management

In order to be successful and maintain their strategic advantage, companies should demonstrate to shareholders, stakeholders, government and the public at large that :

- They have identified and assessed their critical risks.
- They have the ability to promptly & swiftly react to crisis.
- They have tools, systems and methodologies in place for managing their risks.
- They have a “culture of risk” (e.g. common language, vision statement, etc).
- No hidden risks could severely impede the company’s success going forward.



# Towngas Business Risk Management System



# Towngas Risk Matrix

## (5 categories of consequence)

- Loss of life
- Loss of operation capabilities and/or equipment
- Loss of equivalent capital investment and/or operation income
- Influence on customers / loss of market share
- Magnitude of legal impact and/or public criticism



# Business Risk Assessment Process

## Stage 1

Assess the Current Risk Level

No.	Risk	Responsible Department	Consequence	Causes	Existing Conditions						Priority
					Consequence	Probability	Adequacy of Existing Control Measures	Consequence (a)	Probability (b)	Existing Risk Level (axb)	
					1-5	1-5		1-5	1-5		

Risk owners take care of the risk

Evaluate the risk consequence and its causes

Standardize risk number

Specific risk items under the six risk categories



No.	Risk	Responsible Department	Consequence	Causes	Existing Conditions						Priority
					Consequence	Probability	Adequacy of Existing Control Measures	Consequence (a)	Probability (b)	Existing Risk Level (axb)	
					1-5	1-5		1-5	1-5		

Evaluate the consequence and probability based on Towngas risk matrix

Take into account the adequacy of existing control measures

Assess the current risk level and risk ranking

# Business Risk Assessment Process

## Stage 2

Cost-effectiveness of Risk Mitigation  
Measures and Monitoring Strategies

Mitigation Measures								Priority	Residue Risk	Risk Monitoring Procedure	Responsible Department	Action Plan
Possible Mitigation Measures	Consequence (a)	Probability (b)	Risk Level (axb)	Cost of investment	Reduction of Risk Unit	Cost per Unit Risk Reduced	Cost and Benefit Analysis					
	1-5	1-5	1 - 25									

Mitigation measures for those high risk areas

Evaluate the risk level after implementing the mitigation measures

Investigate the cost-effectiveness of the mitigation measures and allocate resources effectively



Mitigation Measures								Priority	Residual Risk	Risk Monitoring Procedure	Responsible Department	Action Plan
Possible Mitigation Measures	Consequence (a)	Probability (b)	Risk Level (axb)	Cost of investment	Reduction of Risk Unit	Cost per Unit Risk Reduced	Cost and Benefit Analysis					
	1-5	1-5	1 - 25									

Assess the residue risk level of the organization and define risk monitoring procedures and action plans



**Regular feedback and report of the current status are essential!**

# Key factors of success

JVs must be:

- be fully aware of key business risks associated with their operations
- fully understand and accept the recommended approach to treat their risks cost-effectively and systematically
- acknowledge benefits of gaining a competitive advantage in reducing their key business risks and possible consequences of failing to do so




# Towngas's Experience



# Roadmap for Implementation of BRM

- Establish BRM policy, structure and organization,
- BRM knowledge and technology transfer including workshops,
- Establish inventory of existing risk profiles of various JVs,
- JVs to carry out business risk assessment and management,
- BRM Implementation
- BRM monitoring and review.

# Guidelines and Procedures

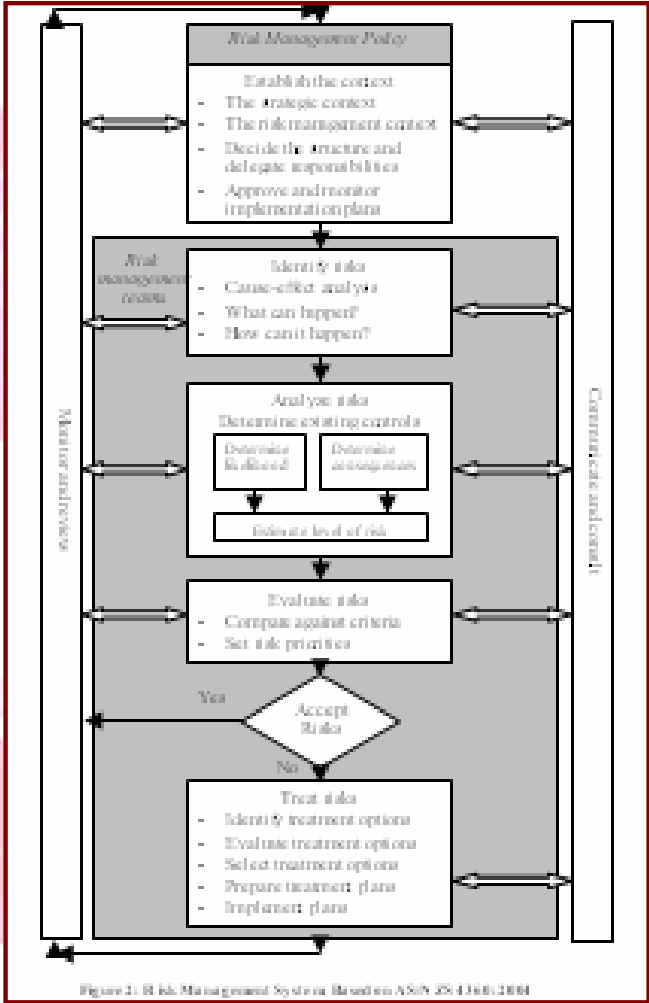


香港中華煤氣有限公司  
 港華投資有限公司

國內合資公司

**【商業風險自評指引】**

企業風險管理指南  
 2015年3月24日



# Generate reference case

- Pilot business risk assessments in a typical JV with the guidance of steering committee





# Training and Workshop

- Organize training, workshops with hand-on exercises
- Introduce the concept and benefit of business risk management
- Acquire the buy-in of JVs management
- Transfer the knowledge and technology about the business risk assessments



# Conclusions

- **Improve business sustainability of the mainland JVs**
- **A culture of proactive risk management has been successfully instilled among all JVs.**
- **Risk management knowledge and technology has been transferred to JVs management through workshops.**
- **JVs management applied the risk management strategies and techniques to solve problems.**
- **Each JV has compiled its risk register for monitoring its overall risk profile.**

# Conclusions

- **A standard methodology for identifying, assessing, managing and monitoring risks has been established for all JVs.**
- **Business risks have been identified and a specific risk owner has been appointed for reporting and monitoring each risk.**
- **A great reduction in the chance that risk management lessons are learned through major accidents or incidents. Furthermore, the JVs will have greater confidence to manage their own risks effectively.**



