

Strong opening
ZhongAn shares
surge up to 18pc
as the first major
fintech listing
in Hong Kong



Lengthy shifts
Almost one in five
drivers for city's
major bus firms
work at least
12-hour days

Dream's dark side
How inequality
is fuelling the
rampant spread of
pyramid schemes
on the mainland



That's the spirit
Chiefs trio bring
a slice of All
Blacks culture
to Hong Kong
rugby union



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CHINA GUARDIAN HONG KONG
5th Anniversary and 2017 Autumn Auctions
Hall 5BC, Hong Kong Convention and Exhibition Centre



Auctions
2/10 - 3/10
Previews
30/9 - 1/10

POLITICS

CONFIDENT XI REACHES OUT TO TRUSTED COLLEAGUES

Sources say Li Keqiang is almost certain to stay on as premier, while president cements his status alongside Mao Zedong and Deng Xiaoping

Staff Reporters

Premier Li Keqiang will stay on as head of government for another term while President Xi Jinping's name will be enshrined in the Communist Party's charter alongside those of late leaders Mao Zedong and Deng Xiaoping, sources familiar with the situation told the *South China Morning Post*.

With three weeks to go before an all-important national party congress that will decide China's leadership line-up for the next five

suggested that Li, who has a PhD in economics, might emerge from the power reshuffle with a new post. But sources said Xi, now confident of his command over economic and financial policy, had decided to retain Li as premier. Li would keep his seat on the Politburo Standing Committee, the nation's top political body.

Although Li differs from the president in political background and temperament, he has proved to be a loyal enforcer of Xi's decisions, taking great care not to upstage or contradict him in public. And after five years of working together, the two men had become used to each other's style, sources said.

Li's role would be to complement Xi's, a contrast to the relatively free economic policy rein held by past premiers, from Zhao Ziyang to Zhu Rongji and Wen Jiabao. This was in part due to changing political priorities, sources said.

After three decades of rapid expansion, China's economy is bottlenecked, with stiffer resistance to reforms dragging on growth. The country urgently needs to rebalance its economy, ease pressure on the environment and narrow the wealth gap. Global geopolitical uncertainties complicate the picture further.

Sources said that under such conditions, the government – with Li as head of the State Council, China's cabinet – would need to work in much tighter executive step with the party.

"The State Council will mainly focus on implementation when it comes to economic policies," a source said.

Even so, there would still be considerable opposition. "To help overcome the resistance, a strong and capable executive vice-premier in charge of financial policy would be helpful," the source said.

Having Li stay on as head of government reflects the firm grip the president has on all aspects of policymaking through the various working groups he set up in his first term.

Xi has also consolidated his position by being elevated to "core status", meaning he presides over other members of the Politburo Standing Committee

> CONTINUED ON A3



DEFENCE

HK featured in mainland military videos

Footage of the city's well-equipped garrison aims to lure young recruits

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The PLA's Hong Kong garrison has featured in military videos released in an apparent attempt to attract new recruits.

The People's Liberation Army also touted its advanced training and weapons in the two clips posted on the website of its television channel on Tuesday and yesterday.

But analysts said the show of military strength could also be a shot at Hong Kong and Taiwanese independence.

One of the videos showed live-fire drills in Hong Kong and on the mainland of advanced weapons that President Xi Jinping reviewed in a military parade in the city on June 30. The other showed a regular sea and air patrol in Hong Kong on Wednesday.

Military analysts said the footage of Hong Kong's well-equipped barracks and harbour views, along with the clips' conversational titles, were aimed at potential young recruits on the mainland.

"Hong Kong is always the bestselling point to attract young recruits," Macau-based military commentator Antony Wong Dong said.

"The popularity of the PLA's Hong Kong garrison has grown [on the mainland] since the Liaoning [aircraft carrier] was opened to the public for the first time during a visit to Hong Kong [in July]."

Beijing-based military analyst Zhou Chenming said Hong Kong's status as an international city and its well-equipped garrison also helped promote the PLA's public image and the country's defence industry abroad.

"Many domestic military industrial enterprises want troops from the Hong Kong garrison to showcase their new products," he said.



The PLA conducts exercises in Hong Kong. Photo: Handout



Hey, big spenders

Sotheby's Hong Kong expects to reap more than HK\$2.1 billion from its autumn sale, which starts today at the Convention and Exhibition Centre. More than 3,000 items are on the market including a painting (left) by Chinese artist Wang Xingwei called *Recruit* that is estimated to fetch between HK\$2.5 million and HK\$3.5 million. Also being sold is an "extremely rare" brush washer (below) from the Northern Song dynasty that is estimated to be sold for more than HK\$100 million. Also on show is a Ferrari F1 car driven to victory by Michael Schumacher in the 2001 Monaco Grand Prix. It is expected to fetch up to HK\$39 million when it is sold in New York in November. Photos: Nora Tam



Playboy founder who seduced the world dies

Hugh Hefner who taught world including HK to be more open about sex dead at 91

Hugh Hefner
1926-2017

Hugh Hefner, the founder of *Playboy* magazine, helped changed the way the world viewed sex – and not even Hong Kong was immune.

Hefner, who turned his swinging lifestyle into a professional calling and taught the world to be more open about sex, died from natural causes surrounded by friends and family at his home, the Playboy Mansion, in Los Angeles. He was 91.

Hefner's wish was to be buried in a crypt he bought next to the grave of Marilyn Monroe in Los Angeles. Pictures of a nude Monroe catapulted *Playboy* to success.

Hefner shattered traditional attitudes towards sex in the 1950s and 60s with centrefold pictorials of semi-naked women and articles on gender relations.

More than three decades after its US debut, *Playboy* featured the first woman from Hong Kong – actress Olivia Cheng – who graced the cover of its Chinese-language edition in August 1986.

The 1979 Miss Hong Kong beauty queen appeared in a topless pictorial taken in the Philippines. The first issue virtually sold out its initial print run of 50,000 copies in two days. Editions in the 1990s featured Hong Kong actress Maggie Cheung on the cover and



Hugh Hefner celebrates his 75th birthday in 2001. Photo: Reuters

carried interviews with actors Eric Tsang and Tony Leung Ka-fai. But by 1993, the city's *Playboy* infatuation had ended and the Chinese-language edition closed.

Hefner's biggest foray into the Asian market came in 2010: the lavish Playboy Club in Macau. That, too, closed after three unremarkable years in business.

But the magazine that created a multimillion dollar empire had a profound impact on how society viewed sex. *Playboy's* celebration of the female body and redefinition of male pastimes transformed sex from a forbidden topic into dinner-table conversation.

But critics, including many feminists, disagreed, condemning him for objectifying women.

Hefner was married three times, the second time to Kimberly Conrad, with whom he had two sons, Cooper and Marston.

Hefner became a member of the 1970s zeitgeist, bedding many females half his age. In 1968, he met actress Barbi Benton. When Hefner, 42 at the time, asked her for a date, Benton, who was 18, said she had never been out with anyone older than 24. "That's all right," he said. "Neither have I." Bloomberg

DIGEST

Bike-share firms may merge

The mainland's two biggest bike-sharing companies – Mobike and Ofo – could be merged, as investors in each firm soften their stance on trying to outdo the other and slow heavy spending to strengthen their user bases in a market increasingly squeezed by regulatory policies. > BUSINESS B3



Tsang trial told of payments

Prosecutors yesterday told Donald Tsang Yam-kuen's corruption trial that Hong Kong's former chief executive had received hundreds of thousands of dollars from Bank of East Asia chairman David Li Kwok-po, which was used to help pay for a luxury mainland penthouse. > NEWS A3

China rejects sanctions fears

China yesterday dismissed concerns that it had violated United Nations sanctions against North Korea, after customs data showed that it imported coal from the reclusive state in August. Ministry of Commerce spokesman Gao Feng said China had comprehensively implemented the sanctions. > CHINA A6

Abe calls October 22 poll

Japanese Prime Minister Shinzo Abe dissolved his country's lower house of parliament yesterday for an October 22 general election, in a bid to maintain his hold on power. But a reorganisation of opposition parties under the leadership of popular Tokyo Governor Yuriko Koike may complicate matters. > ASIA A9

POLITICS



Activists - some brandishing yellow umbrellas - gather outside the government headquarters in Admiralty yesterday to mark the Occupy protests' third anniversary. Photo: Sam Tsang

Banners and umbrellas reappear in Admiralty

Protesters rally at government HQ to mark third anniversary of Occupy

Tony Cheung and Kimmy Chung

Hundreds of protesters gathered in Hong Kong's financial district last night to mark the third anniversary of the Occupy pro-democracy protests, with street booths, banners and yellow umbrellas reappearing in scenes reminiscent of the street blockades of 2014.

The three co-founders of the civil disobedience movement - Benny Tai Yiu-ting, Dr Chan Kin-man and Reverend Chu Yiu-ming - returned to the site in Admiralty, outside government headquarters, that protesters occupied for almost 79 days.

It was their first visit to the site since public nuisance charges were brought against them over their roles in the protests.

It was also the first time the annual event was held without

any of the three student leaders of the campaign. Joshua Wong Chi-fung, Nathan Law Kwun-chung and Alex Chow Yong-kang were sentenced to jail last month for storming the forecourt of the government's office compound in the run-up to the Occupy sit-ins.

Law was also one of four lawmakers disqualified from the city's legislature by the High Court in July over improper oath-taking last year.

Participants at the rally included a group of third-year social work students from City University. One of them, C.Y. Ling, said he was there to remember what had driven people out into the streets three years ago.

"I'm here to support Hong Kong's values such as freedom and the right to universal suffrage," he said. "The recent jailing of the three young activists was part of the reason why I came,

but a bigger reason is that social and political injustice persists - we don't have a say in this society ... and a lot of people are still homeless."

The rally was held in front of the so-called "Lennon Wall" outside the government compound which had been plastered with pro-democracy messages during Occupy.

At 6pm, a crowd that organisers said was more than 1,000-strong, gathered to watch about 30 lawmakers and activists on stage observe three minutes of silence to mark the moment riot police fired tear gas at protesters. Steam was used in a re-enactment of the moment when Tim Mei Avenue was filled with choking fumes.

Addressing the crowd, Tai criticised the local administration as "an autocratic government which is trying to force the people to

obey it with intimidation and lies".

"Our hope is like a candle light and the autocracy will try to extinguish it. If we can defend this light, the day will come when Hong Kong enjoys democracy," Tai said. "Our belief in democracy, fairness, human rights and justice ... will be the anchor for a boat in a raging sea."

Chan urged Hong Kong people not to resort to hatred in the fight for democracy.

"We might be angry, but we

must not lose our rationality ... Then we will see the light of humanity amid darkness," he said.

Agnes Chow Ting, a member of political party Demosisto, said: "I wonder if Hong Kong people will get used to disqualifications and imprisonment of young people in the next three years."

"We have fear amid this fight, but for this city we love ... we must fight on or our next generation will suffer from more fear and more reluctance to seek democracy."

On a radio programme earlier yesterday, the Occupy co-founders also implored Hong-kongers to continue to fight for universal suffrage and defy what they saw as Beijing's repression of democracy in the city.

The trio, together with six other leading Occupy protesters, are facing public nuisance charges stemming from the movement. The three co-founders previously said they were prepared to go to jail. A four-day pretrial review of their case is expected in January.

79

The number of days that activists occupied streets in Admiralty, Causeway Bay and Mong Kok

COURTS

CASH GIVEN TO TSANG'S WIFE 'USED TO BUY FLAT'

Prosecutor says David Li, a director of a radio station seeking licence, gave HK\$350,000 as part payment for a luxury penthouse in Shenzhen

Chris Lau
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Prosecutors told a high-profile corruption trial yesterday that Hong Kong's former leader, Donald Tsang Yam-kuen, had received hundreds of thousands of dollars from Bank of East Asia chairman David Li Kwok-po, which was used to help pay for a luxury mainland penthouse at the centre of the case.

The leading banker entered the picture on the second day of the prosecutors' opening speech, as top barristers for the Department of Justice continued their efforts to connect the dots for a panel of nine jurors at the High Court.

The trial centres on a corrupt deal that Tsang allegedly made with a local radio station and its owners.

Li, the prosecutors noted, was a shareholder and director of Wave Media, the broadcaster in question.

Tsang, who led the city from 2005 to 2012, has denied one count of accepting an advantage between 2010 and 2012 as the chief executive.

The 72-year-old former leader is accused of receiving at least HK\$3.8 million in refurbishment and design fees for the renovation of a luxury penthouse in Shenzhen he planned to retire in after he stepped down as chief executive.

The prosecutors said it was a reward for Tsang to become "favourably disposed" to Wave Media, of which the major shareholder was Bill Wong Cho-bau, the owner of the penthouse through his mainland company.

Tsang allegedly approved Wave Media's various applications, including a digital broadcasting licence, when he headed the city's top advisory body, the Executive Council.

Continuing his opening yesterday, prosecutor David Perry QC said although details of the arrangement emerged in 2012, when Tsang told the press that he had yet to reach an agreement on renting the Shenzhen penthouse,

the court should look into the matter two years before that to get the full story.

He said that on the morning of July 16, 2010 - when Exco was still considering whether to grant the digital radio licence - Tsang's wife Selina Tsang Pou Siu-mei had gone to the Bank of East Asia branch on Des Voeux Road.

"She was given HK\$350,000 in cash, not a cheque, not a bank transfer," Perry said.

"It came from David Li, the man, who ... just so happened to be a director of Wave Media, who just so happened to be a friend of Wong Cho-bau."

Perry alleged that the money, which Tsang never disclosed, went on to form part of the 800,000 yuan (HK\$940,000) his

It's a purchase ... [an] under-the-table deal [at an] undervalued price

DAVID PERRY, PROSECUTOR

wife paid to Wong's Shenzhen East Pacific Group months later in November. The group owned the penthouse.

"It's a purchase," he said, describing it as an "under-the-table deal" at an "undervalued price".

Perry argued that it could not have been a rental payment because the Tsangs would have not been paying rent in 2010, two years before they were supposed to move in.

The prosecutor also said that about he time Selina Tsang instructed her bank to make the payment on November 5, she, Wong and Li were all on the mainland, according to immigration records.

Perry noted that corruption crept around in secrecy with an insidious nature.

The case continues today before Mr Justice Andrew Chan Hing-wai.

JUDICIARY

Minister defends courts after judicial independence blow

Shirley Zhao and Xinqi Su

Justice minister Rimsky Yuen Kwok-keung put up a strong defence of the courts yesterday after the city slipped five places in the judicial independence category of the latest global competitiveness index compiled by the World Economic Forum.

Although the city rose three places overall to sixth, it dropped from eighth to 13th place in judicial independence - one of the factors used to define competitiveness. The city's ranking in this category has now fallen for three years in a row.

The report by the Geneva-based non-profit organisation did not give a reason for the drop, but it comes at a sensitive time with local courts facing accusations that they are being influenced by politics due to recent cases involving the jailing of democracy activists and the disqualification of opposition lawmakers.

"Although we fell from No 8 to No 13, I am still fully confident in Hong Kong's judicial independence," Yuen said.

The justice chief said while the government was concerned about the drop, he saw nothing that was undermining the independence of the legal system in the past year.

"Judges and judicial staff at all levels in Hong Kong have been handling every single case professionally and with dedication and independence," he said.

Yuen acknowledged that in the local and international

community, there were some "subjective perceptions" about the city's judicial independence.

"We can't solely rely on subjective feelings but have to look at the facts," he said.

Yuen promised to put more effort into explaining the independence of the legal system to people at home and abroad "so that they will have a more objective, comprehensive and accurate understanding of the situation".

Last week, Chief Executive Carrie Lam Cheng Yuet-ngor hit out at "disrespectful" and "disturbing" remarks by British politicians and commentators who objected to the jailing of three pro-democracy activists last month.

The three former student leaders were jailed over an illegal protest in the run-up to the Occupy campaign in 2014.

A group of 25 foreign politicians and activists condemned the sentences.

The jail terms were prompted by a successful push by Yuen for a sentencing review after the activists were initially handed more lenient punishments.

Law Society president Thomas So Shiu-tung said he could not figure out why the city's judicial independence ranking had been downgraded, and urged the public to remain confident about the rule of law.

Asked if the fact that local courts had to follow Beijing's interpretations of the Basic Law had affected the judicial ranking, So said it was the right of the National People's Congress Standing Committee to issue rulings.

CONTINUED FROM A1

Xi reaches out to trusted colleagues

instead of just being first among equals.

His power will be cemented at the party congress when a new body of thought bearing his name is incorporated into the party's charter. This will elevate Xi to the same status as Mao and Deng, the only other leaders to have their name associated with a doctrine in the charter.

Xi's predecessors Jiang Zemin and Hu Jintao also had their own political theories written into the party charter, but the additions did not refer to them by name.

While this kind of political manoeuvring may seem rarefied, Xi's elevation would give him unmatched prestige and authority over the ruling political elite.

With his hand strengthened, Xi could afford to take a more relaxed view over other issues, such as the size of the Politburo Standing Committee.

There had been suggestions the committee would be cut from seven to five members, further centralising power and minimising potential resistance. But sources said the number was unlikely to change because the president's firmer hold made a

membership reduction less urgent.

One addition to the Standing Committee is likely to be Li Zhanshu, the president's right-hand man.

But the inclusion of powerful anti-corruption tsar Wang Qishan is less certain.

At 69, Wang - nicknamed the party's "fire chief" for his political crisis management - has reached the unofficial retirement age but he is also the galvanising force behind Xi's popular anti-corruption campaign and an influential presidential ally.

Even if he did not make it to the final seven, sources said it was unlikely Wang would go into full retirement and Xi could carve out a new position for him.

Other likely candidates for the Politburo Standing Committee include Vice-Premier Wang Yang and Shanghai party boss Han Zheng.

Wang Yang is a seasoned politician with a wealth of regional experience.

He leads China's finance and trade talks with the United States and spearheads the country's poverty alleviation drive - a key

element in Xi's "Chinese dream" cause.

Wang Yang is also said to be the front runner for the executive vice-premier position overseeing finance policy. Other possible candidates for the job include Han Zheng and Guangdong party boss Hu Chunhua - the man some see as going further up the leadership ladder.

Hu Chunhua will compete with party organisation chief Zhao Leji and Chongqing party boss Chen Miner for the remaining Standing Committee seats.

Chen, who turns 57 today, is widely seen as Xi's protégé and has been fast-tracked for promotion. He came to the president's attention when he worked for Xi in Zhejiang between 2002 and 2007.

In 2012, Chen was transferred to Guizhou, one of the country's poorest provinces, overseeing its emergence as a leading data centre with a narrower wealth gap.

He was appointed party chief of Chongqing in July after the shock downfall of Sun Zhengcai, once seen as among the next generation of leaders.

> STABILITY PROMISED A6



Donald Tsang leaves the High Court after the hearing. Photo: David Wong

How Hong Kong ranks

Judicial and governance factors in Hong Kong's competitiveness

	2015-2016	change	2016-2017	change	2017-2018
Judicial independence	4	▼4	8	▼5	13
Favoritism in decisions of government officials	16	▲1	15	▲1	14
Public trust in politicians	19	▼2	21	▲3	18
Overall ranking	7	▼2	9	▲3	6

Source: World Economic Forum SCMP

CHINA

Closure order for N Korean firms, joint ventures

Liu Zhen and Kristin Huang

Beijing announced yesterday that all North Korean firms and joint ventures in China would be closed, as part of the latest sanctions imposed on Pyongyang over its nuclear weapons programme.

All existing joint ventures with North Korean firms in China, as well as entities solely owned by North Korean companies or individuals, were to be closed within 120 days from September 11, when the sanctions were adopted, the Ministry of Commerce said.

Joint ventures set up overseas by Chinese firms and North Korean entities or individuals should also be closed, its notice said.

But companies approved by

the UN Security Council sanctions committee - including non-profit and non-commercial infrastructure projects - would be exempted, it said.

The Security Council voted unanimously on September 11 to impose tougher sanctions on North Korea - including a ban on textile exports and restrictions on its oil supply - in response to its sixth and largest nuclear test earlier this month.

The sanctions were described as the harshest yet against North Korea and could result in Pyongyang losing about US\$800 million a year from textile exports and another US\$500 million a year from its overseas workers.

The amount invested by North Koreans in China is small - direct investment totalled US\$22 million from 2006 to 2015 according to the statistics bureau - and it has declined in recent years. It fell from US\$11.2 million in 2010 to US\$290,000 in 2014, according to commerce ministry data.

And it was just US\$70,000 in

2015 - the lowest level since 1997, according to the Korea International Trade Association in Seoul.

Investments were mainly in restaurants - North Koreans run more than 100 across China, including 26 in Beijing, the trade association said in a report last year.

Zhang Huizhi, a North Korean affairs expert at Jilin University in Changchun, said: "The number of restaurants has been declining since last year, when South Korea asked its citizens not to visit North Korean restaurants in foreign countries."

"Those restaurants don't generate a huge amount of revenue for the Kim [Jong-un] regime, so this ban won't fundamentally hurt the North Korean economy."

But she said the ban would fur-

ther damage relations between Beijing and Pyongyang.

News of the ban had yet to reach some businesses, however. At one North Korean restaurant near the embassy in Beijing yesterday, an employee told the *South China Morning Post* it was business as usual and they had not heard about the shutdown.

Sun Xingjie, another specialist in North Korean affairs at Jilin University, said the ban would also affect the North's textile industry.

Of the 188,300 North Koreans who travelled to China in 2015, 25,900 said they were in the country for business, while 94,200 were there for work, according to the National Tourism Administration.

> CHINA DISMISSES CONCERNS A6

100

The approximate number of restaurants in China run by North Koreans, of which 26 are in Beijing

19th PARTY CONGRESS

Anti-graft tsar to step down from the party leadership

Trusted Xi ally Wang Qishan is likely to 'bow out on a high note', but not to retire completely

Staff Reporters

Wang Qishan, the feared anti-graft tsar billed as "China's second most powerful man", is likely to step down from the ruling Communist Party's supreme Politburo Standing Committee on Wednesday, sources told the *Sunday Morning Post*.

But the trusted ally of President Xi Jinping is unlikely to go into full retirement. Nicknamed the party's "fire chief" for his ability to manage political crises, Wang could still help Xi in some other capacity, sources familiar with the top-level discussion said.

Speculation about Wang's future dominated overseas media discussion of the party's national

congress – which will usher in sweeping leadership changes – ahead of its opening on Wednesday. That is a reflection of the weight Wang carries as the galvanising force behind Xi's popular anti-corruption campaign, a role that made him widely respected and feared within the party.

It is understood that Xi has carefully weighed his options and consulted Wang. In the end, the president decided to let Wang retire from the Politburo Standing Committee, the party's highest decision making body, largely because he had reached the unofficial retirement age.

An unwritten party rule dictates that all members of its top decision-making body aged 68 or older at the time of a party

congress should step down. Wang turned 69 in July.

There were earlier indications the rule might be relaxed, paving the way for Wang to remain a Politburo Standing Committee member. But sources said that Xi ultimately leaned towards maintaining political continuity and stability when deciding the leadership line-up.

"The age limit and seniority still matter in deciding a candidate," a source said. "Such norms are important to forge consensus [among party factions] and maintain stability."

China watcher Trey McArver, co-founder of Beijing-based research firm Trivium China, said Xi valued the importance of established political norms.

"Xi first and foremost is a party man, and his main goal is to strengthen the party," he said. "As a child of the Cultural Revolution, he understands the importance of the political norms ... he definitely does not want to do anything that would be destabilising to the system that has been created and has been very successful and stable over the past 40 years."

McArver said Xi could change or negotiate some sort of exception to the norms if necessary, but he would back off if he felt it risked undermining party stability.

"Part of the reason Xi is so powerful is because he has a broad range of support at the top of the party," he said. "He would seek consensus if he wanted to retain Wang ... if he did perceive



Anti-graft tsar Wang Qishan

Xi is so powerful is because he has a broad range support at the top of the party

TREY MCARVER, TRIVIUM CHINA

there would be a political cost, or there was no buy in from other members of the political elite, I think he might back off."

Another factor is Wang's own preference. Having enjoyed a successful career, a source said Wang wanted to "bow out on a high note". He is understood to have asked people close to him whether he should stay, and in the end decided it would be better to take a more back-seat role rather than stay on the front line.

With his wealth of political experience and influence, it is unlikely Wang will go into full retirement. A source said Xi would find a new role for his trusted ally.

It is not immediately clear what that new role might be. One suggestion is that Wang might take up a position at the powerful National Security Commission. Established in 2014, the NSC

provides a unified leadership for the various security bodies and is headed by Xi himself. Photos from its first publicised meeting – on April 15, 2014 – showed its members included 12 Politburo members and eight top officials from the government and military.

Some of them, such as former Chongqing party boss Sun Zhengcai, have since fallen from grace. Others are due to retire at the end of the party congress on Tuesday, opening up the opportunity for sweeping changes.

Just weeks before the opening of the party congress, Wang met Singaporean Prime Minister Lee Hsien Loong in Beijing at the latter's request. A few days later he met Steven Bannon, US President Donald Trump's former chief strategist, who stepped down from the US National Security Council in April.

Beijing and Pyongyang to meet 'at right time'

Chinese official says 'mutual willingness' will determine timing of future contact

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A senior Communist Party official said yesterday that a meeting between Chinese and North Korean leaders depended on "mutual willingness", at a time when relations are strained over Pyongyang's nuclear ambitions.

Guo Yezhou, vice-minister of the party's international department, said communication channels were open but would not say when department head Song Tao last met the North Korean side.

"We have maintained our traditional friendly and cooperative relations," Guo said on the sidelines of the party congress in Beijing. "Both sides understand that maintaining good relations ... not only serves the interest of both countries, but also influences peace and stability in the region."

"As for when and at what level the two sides have exchanges, it depends on the needs and convenience of both sides," Guo said, without elaborating.

Since he took office in 2012, President Xi Jinping has yet to meet North Korean leader Kim Jong-un.

According to the department website, Song's last meeting with asenior North Korean official took place in Beijing in May last year with Ri Su-yong, vice-chairman of the Central Committee of the ruling Workers' Party and former foreign minister.

Relations between the two sides have deteriorated as US President Donald Trump continues to apply pressure on China – North Korea's closest ally – to help rein in Pyongyang's nuclear weapons programme.

Pyongyang reportedly did not respond to requests from Foreign Minister Wang Yi and nuclear envoy Wu Dawei to meet their North Korean counterparts in April after Xi met Trump in Florida.

Guo's department sits directly under the party's powerful Central Committee and has long played a low-key but active role in China's foreign policy.

Analysts said relations between Beijing and Pyongyang – even at a party-to-party level – were worsening because of a widening gap over North Korea's nuclear ambitions.

"Sino-North Korean relations have sunk to their lowest point in history," said Lu Chao, an expert on relations between the two countries at the Liaoning Academy of Social Sciences.

"Even regular communication between mid-level officials of the two sides' ruling parties has stalled," he said. The situation was unlikely to improve unless Pyongyang changed course and abandoned its nuclear programme.

Trump is expected to push Beijing to put more pressure on North Korea during his trip to China next month.

Undivided attention



Tourists pose yesterday in front of the Forbidden City while the Communist Party's 19th congress continues in Beijing. Security has been tightened in the capital for the duration of the five-yearly gathering that will conclude on Tuesday night with

the deciding of the party leadership line-up for the second term under President Xi Jinping. Some 2,300 delegates from around the mainland as well as Hong Kong, Macau and Taiwan are attending the meeting. Photo: AFP

State-owned giants eye overseas markets again

Head of assets watchdog insists 'strength must come from competition'

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Beijing is seeking to amplify the role of state firms in domestic and international markets, the head of the mainland's regulator of state-owned assets has said.

During his keynote speech to the Communist Party congress, President Xi Jinping highlighted the goal of building world-class

The party's leadership will do nothing but good for small shareholders

XIAO YAQING, SASAC DIRECTOR

enterprises. The task has been largely given to the State-owned Assets Supervision and Administration Commission (SASAC), which described how it would attempt to build more national champions, participate in international competition and improve corporate governance.

SASAC director Xiao Yaqing insisted that market competition would be key, despite lingering

questions about the competitiveness of companies overseen by the Communist Party leadership.

"State-owned enterprises [SOEs] must serve a leading role," Xiao told the *South China Morning Post* on Friday.

"That strength must be gained through market competition. We don't simply emphasise the company size ... but improved management including flexible, effective and internally checked corporate governance, and a rapid response to market demand."

The state assets watchdog was created by the State Council in 2003 and now oversees 98 central government-owned enterprises with 54 trillion yuan (HK\$64 trillion) in assets.

State firms have long been the backbone of the national economy, concentrating on upstream and monopoly sectors such as crude oil and telecoms.

As part of its latest endeavour to create national champions, Beijing has merged many state firms in the same industries.

For example, Baosteel Group and Wuhan Iron and Steel Group merged earlier this year to create the world's second-largest producer, while similar mergers have occurred in train manufacturing and other sectors.

Although many mainland firms are among the world's top 500 companies in terms of sales

revenue, their profitability often lags far behind their international competitors, with heavy reliance on their government-granted dominance in the domestic market.

Xiao highlighted the prospect of cooperation with private and foreign companies in tapping international markets.

"We are also committed to opening up and cooperation ... with others in terms of products, projects and even equity," he said.

However, previous attempts to diversify abroad have resulted in huge losses for some state players. Following the 2008 global financial crisis, Sinosteel Group suffered financial strife after buying its Australian mining assets.

Xiao said such investments were necessary and functioned "well overall" to ensure the supply of much needed energy and materials as China's self-sufficiency ratio remained very low.

"There are lots of reasons [for the loss of outbound investment], such as unfamiliarity with the market, hasty feasibility research, corruption, management and sudden market changes overseas," he said, pledging to improve oversight of operations.

However, Beijing will also have to ease overseas suspicions about the role of the Communist Party in running state firms – something that has been written into mainland company law and was also stressed in Xi's latest speech.

"The Communist Party represents the interest of all the people



SASAC chief Xiao Yaqing takes questions in Beijing. Photo: Simon Song

Beijing pulls out stops for 'Bay Area' blueprint

Agency had been expected to release Guangdong megacity plan in September

Wendy Wu, Sidney Leng and He Hui Feng

Beijing was "losing no time" to seek feedback on a draft plan to develop the "Greater Bay Area" connecting Hong Kong, Macau and southern Guangdong and is looking into the details, including a customs policy, a senior official said yesterday.

He Lifeng, chairman of the National Development and Reform Commission (NDRC), said the state planning agency had been working on a blueprint for the scheme with officials in Guangdong, Hong Kong and Macau.

"We have drafted the plan and we are seeking feedback – we're losing no time," He said on the sidelines of the party congress in Beijing.

"We will gather opinions on the draft to make further revisions."

The NDRC had been expected to release the plan in September.

China wants to develop a megacity cluster to match New York, San Francisco and Tokyo. The bay area plan covers nine cities in southern Guangdong including Guangzhou, Shenzhen, Dongguan and Zhuhai, as well as Hong Kong and Macau.

It covers an area of 56,000 sq km and a population of 68 million. The area's combined economies were worth about 10 trillion yuan (HK\$11.8 trillion) last year.

He said he hoped the Greater Bay Area could become a global innovation hub to power economic growth.

The head of the planning agency also said construction of the Hong Kong-Zhuhai-Macau bridge had been stepped up. Policies would be unveiled to facilitate funding and make it easier for people to work in cities across the bay area, he said.

"We are studying related policies, such as those on customs," He said.

Lin Jiang, an economics professor at Sun Yat-sen University, said the NDRC had highlighted infrastructure plans for the Greater Bay Area, indicating it wanted to resolve issues to do with checkpoint controls for rail and road links with Hong Kong.

"I believe Beijing will encourage the Hong Kong government to resolve these issues concerning the [bridge], checkpoint controls and bullet train connections with Hong Kong," Lin said.

Hong Kong would play a crucial role in the scheme, Lin said, because its legal system and financial strength could attract international investors and research to the region.

"The central government hopes the Greater Bay Area will not only be a replica of Silicon Valley but can also outpace it as the most important centre for scientific and technological innovation," Lin said.

"Its leadership will do nothing but good for small shareholders," Xiao explained.

But the party's influence is apparent in many mainland "red-chip" firms, which are listed in Hong Kong or New York but have a party member on their board.

This may continue to cause problems overseas, especially in the United States where President Donald Trump has expressed concern about the national security implications of the party's role.

Dozens of Chinese acquisition deals are waiting to be approved by the US Committee on Foreign Investment and one deal has already been vetoed by president.

SASAC had to seek a delicate balance between a market-oriented restructuring of its troubled SOEs and social stability, Xiao said.

"The survival of the fittest is a main theme of market competition. The corporate restructuring process is driven by the market and conducted according to laws," he said.

SOEs are believed to account for 70 per cent of China's corporate debt. Central government-owned companies have reported an overall 66 per cent debt ratio, according to government figures.

Xiao also warned that central SOEs need to consider the interests of all the sides and build consensus among workers, shareholders and creditors.

"The process will be fairly complicated," he said.

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pilots as flagship
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19th PARTY CONGRESS

VICE-PREMIER AND SHANGHAI CHIEF TO JOIN PARTY'S ELITE

Wang Yang and Han Zheng are among five new members of Politburo Standing Committee and will move into two influential roles, sources say

Staff Reporters

Veteran politician Wang Yang is most likely to become the nation's executive vice-premier while Shanghai party chief Han Zheng may head its top political advisory body, sources have told the *South China Morning Post*.

Both are tipped to ascend to the Communist Party's supreme Politburo Standing Committee.

The changes will be made during the party's twice-a-decade national congress, which is under way in Beijing. Five out of the seven Standing Committee members are due to retire when the congress closes tomorrow, with only President Xi Jinping and Premier Li Keqiang staying on.

Based on information from several sources, the *South China Morning Post* has reported that the three others slated for seats are Li Zhanshu, Zhao Leji and Wang Huning. Together with Li Keqiang, the five members will support "core" member Xi.

Li Zhanshu, the president's chief of staff, was tipped to become the chairman of the National People's Congress; Zhao, the party's personnel department chief, was likely to become head of the discipline commission; and Wang Huning, the policy research chief, was expected to lead ideology work, sources familiar with the matter told the *Post* earlier.

There had been speculation Xi might cut the size of the Standing Committee down to five, to further centralise power, but sources said that was now unlikely.

The full list of the seven-member Standing Committee will be revealed on Wednesday, after the Central Committee holds its first plenum and endorses the line-up. While Wang Yang and Han would be confirmed as Standing Committee members at that meeting, they would not take up the state-

level posts until early next year, according to sources.

Those appointments - Wang as executive vice-premier and Han as head of the Chinese People's Political Consultative Conference (CPPCC) - are expected to be finalised at the party's second plenum meeting, just ahead of the annual National People's Congress in March, at which they will be formally approved.

The promotions showed that Xi wanted to maintain political continuity and stability, according to one source. They also underline that political norms such as respect for seniority and the balance of power among factions still matter. But the decision to elevate Wang and Han, both already members of the 25-strong Politburo, comes as no surprise - they are seasoned politicians and well-connected at the top.



He has a good sense for what it takes to reform the ... economy

MATTHIAS STEPAN, MERCATOR INSTITUTE FOR CHINA STUDIES, ON VICE-PREMIER WANG YANG (ABOVE)

Han, the party secretary of Shanghai, is often linked to former president Jiang Zemin. Traditionally, the party boss of Shanghai - the mainland's economic centre - has always taken a seat at the supreme decision-making body during a leadership reshuffle. The only exception to the rule was disgraced former Shanghai boss Chen Liangyu.

Wang, who is already a vice-premier, gained extensive administrative experience managing both Chongqing and Guangdong. But some remain sceptical about whether he will indeed be elevated, given his background with the Communist Youth League - the once influential faction that has drawn severe criticism from Xi for its loose discipline.

Matthias Stepan, an expert on Chinese policymaking at the Berlin-based think tank Mercator Institute for China Studies, said Wang had the credentials to be executive vice-premier. "He definitely has a good track record, no one doubts that. And I think that he has the right set of skills and knowledge, especially when we consider the upgrade of the Chinese economy," Stepan said.

"He has a good sense for what it takes to reform the Chinese economy - the industrial upgrade needs to be innovation-driven, that technology plays a key role. [This contributes to] the rise of China as a manufacturing superpower."

But Stepan had reservations about whether Wang would get the job. "The pool of qualified candidates is large. There might be others who are more trusted by Xi Jinping," he said.

A source familiar with internal party discussions said Wang's connection with the youth league would not necessarily go against him. Xi's decision to retain Li Keqiang, who is also from the youth league, as premier, showed factions might not be as important as observers believe. "Xi values party consensus and the capability of a candidate," the source said.

> MORE REPORTS A4

JAPAN



Prime Minister Shinzo Abe marks the victories of Liberal Democratic Party candidates at LDP headquarters in Tokyo yesterday. Photo: AFP

Election win puts Abe on track to be longest-serving PM

Agence France-Presse in Tokyo

Japanese Prime Minister Shinzo Abe swept to a resounding victory in a snap election yesterday and immediately vowed to "deal firmly" with threats from North Korea that dominated the campaign.

Abe's conservative coalition was on track to win 311 seats in the 465-seat parliament, according to a projection from broadcaster TBS, putting him on course to be Japan's longest-serving leader.

The resounding win is likely to stiffen Abe's resolve to tackle North Korea's nuclear threat, as the key US regional ally seeks to exert maximum pressure on

Pyongyang after it fired two missiles over Japan recently.

"As I promised in the election, my imminent task is to firmly deal with North Korea," Abe said.

"For that, strong diplomacy is required."

Abe was heading for a "landslide win", the *Yomiuri* daily said on its website, as the premier's gamble to hold a snap election appeared to be paying off.

But it was unclear in the immediate aftermath of the vote whether his coalition would retain its two-thirds "super majority", requiring 310 seats, as some media had it falling just short.

A "super majority" would allow Abe to propose changes to

Japan's US-imposed constitution that effectively limits its military to a self-defence role.

Abe said he would "deepen" debate on the divisive issue in parliament but stressed: "I don't plan to propose [changes] via the ruling bloc alone. We'll make efforts to gain support from as many people as possible."

Millions of Japanese braved torrential rain and driving winds to vote as a typhoon bore down on the country, with many heeding warnings to cast ballots early.

"I support Abe's stance not to give in to North Korea's pressure," said Yoshihisa Lemori as he cast his ballot in a rainswept Tokyo.

Abe's Liberal Democratic

Party (LDP) benefited from a weak and splintered opposition, with the two main parties facing him created only a matter of weeks ago.

Support for the Party of Hope founded by popular Tokyo Governor Yuriko Koike fizzled after an initial blaze of publicity, and it was on track to win about 50 seats, TBS projected.

Speaking from Paris where she was attending an event in her capacity as leader of the world's biggest city, a sullen-faced Koike told public broadcaster NHK she feared a "very severe result".

"As the person who launched the party, I will take responsibility," she said.

BUSINESS

Haier eyes internet of things to transform GE Appliances

Zhang Ruimin, who turned ailing fridge factory into giant, says 'smart' gadgets will boost profits

Xie Yu in Beijing
yu.xie@scmp.com

Chinese home appliance manufacturer Haier is seeking to speed up the turnaround at its recently acquired GE Appliances, deploying a strategy that will leverage the development of a data platform and the connectivity of appliances based on the internet of things, company chairman Zhang Ruimin said.

"We are targeting double the revenue and profit in the next five years," he said.

Zhang, a delegate to the 19th party congress, shared his views with the *Post* on the sidelines of the meeting under way in Beijing.

Haier acquired the home appliance unit from General Electric for US\$5.6 billion in June last year.

The US corporation had been seeking a buyer for the struggling business amid profit growth in the low single digits. GE had initiated proceedings to spin off the appliance unit eight years before the sale to Haier.

Zhang, 68, said a strategy to help turn the business around had begun to find traction, as profit growth for the first nine months of 2017 had risen to 10 per cent on year.

He said profit would continue to improve amid a push to embrace the internet of things.

"Imagine by touching the screen on your fridge, you can buy things from online shops," said Zhang, who transformed an ailing fridge factory in Qingdao into Haier, one of China's biggest white goods makers.

He added that consumers would also be able to use smart-

phone apps to find out useful information when more appliances are web-enabled.

"By using apps on your cell-phone, you can check which laundry room close to you has washing machines available," he said.

Zhang said a one-time purchase of an appliance actually opened the door for more consumption on the platform built by Haier.

For example, the smart laundry room model, which makes use of big data, has been successful on the Japanese market.

"We learned from GE, particularly its famous 'six sigma' quality control discipline in the 1990s," Zhang said.

"But I believe the key to success in business is always quickly switching to the right track. Haier is on the right track now, with our grip on the internet, and we will bring the know-how to GE."

Zhang has applied his out-of-the-box thinking to Haier's own human resources, breaking the giant company with 60,000 employees into more than 1,000 business units that act like customer-focused start-ups.

"The governance structure, performance and payment



Zhang Ruimin, chairman of home appliance firm Haier. Photo: Xinhua

> CONTINUED ON A3

DIGEST

Kashmir hit by hysteria over 'braid-choppers'

A wave of brutal panic has swept Indian-administered Kashmir after more than 100 women said they were victims of attackers who chopped off their hair. Despite suggestions the cases may have been fabricated or fuelled by hysteria, the claims have led to attacks on suspected "braid-choppers". > ASIA A8

Weinstein out, but Trump still in power

A string of claims about sexual assault have led to the downfall of Harvey Weinstein, one of the most powerful men in Hollywood. But almost a year after a number of other women stepped forward with similar harrowing accounts, the man they accused is still in power. That man is US President Donald Trump. > WORLD A9

John Tsang not being targeted, Cheung says

Chief Secretary Matthew Cheung Kin-chung yesterday denied allegations that the government was targeting former financial secretary John Tsang Chun-wah by demanding that he provide information regarding his failure to declare his participation in a television programme. > CITY C1

Technology company to expand before listing

Zurich-based technology company Avalog, which provides cloud-based solutions for more than 150 banks worldwide, plans to expand further in Hong Kong, the mainland and the United States before seeking a stock market listing, the company's founders said. > BUSINESS B3

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