BIIA NEWSLETTER

Market Intelligence - Industry Developments & Trends - Information Technology - Regulatory Issues - User Community

BIIA NEWSLETTER ISSUE 10 - 2007

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January 23, 2008; JW Marriott Hotel Hong Kong

BIIA

MEMBERSHIP MEETING AND DINNER

January 22, 2008
JW Marriott Hotel; Hong Kong

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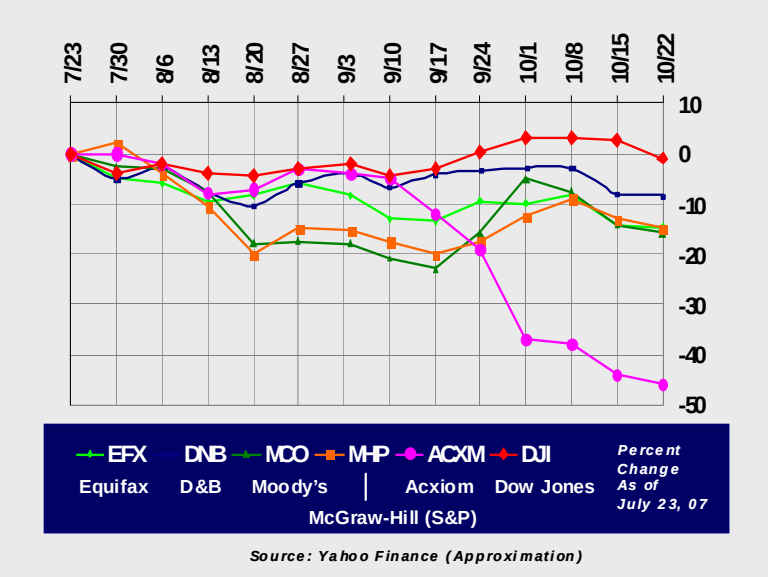
BIIA NEWSLETTER ISSUE 10 - 07

CREDIT CRUNCH AND INFORMATION:

INFORMATION COMPANIES SHARE PRICES HAVE NOT FULLY RECOVERED



Source: Yahoo Finance (Approximation)

Source: Company Website (Approximation)

Rating and credit information companies have experienced losses in shareholder value as a result of the credit crunch. Most of them recovered somewhat, but their share prices are still performing below the DJI average.

Most pronounced is the value destruction at Acxiom. Its shares lost almost half of the value. Subsequently its deal with Silver Lake Partners and ValueAct Capital collapsed, perhaps leading to another attempt by disgruntled shareholders to put the company into play.

Rating agencies took the brunt of the debacle with significant losses in shareholder value. The effect on consumer information companies was the same. Their mortgage related services suffer from lack of demand.

Nevertheless Equifax and Experian's overall revenue was up largely due to a diversified services portfolio and acquisitions. Without the latter the growth rates would have been in modest single digits.

Experian commented in a recent analyst meeting: "As the global credit crunch unfolded and conditions in the US mortgage market deteriorated, we saw a tougher revenue environment in our North American business during the first half." (Experian's financial year runs April to March)

Dun & Bradstreet's share price suffered as well, but its share price movement was less volatile compared to its peer group and stayed within a 0 to -10% price range.

CREDIT CRUNCH AND INFORMATION:

INFORMATION BASHING: EU PLANS INCLUDE MORE REGULATION OF SECURITIES MARKETS

Situation: The European Finance Ministers are moving towards more stringent regulation of the securities market as a means to ensure "this never happens again". The mantra has been sounded for months, ever since the cracks in the US sub-prime market split and the global financial system was rocked by the subsequent credit squeeze. The focus of the political and financial community has been on identifying the culprit ever since. There is no doubt in anyone's mind that the wave of complex security derivatives that drove the financial community for the last year unsettled investors. The underpinning of these instruments by sub-prime mortgages was an invitation to disaster at some point, but the question now is whether a wholesale change in the system will hurt or help. Attention has focused on rating agencies and on "transparency".

The prevailing view is that the rating agencies like Standard and Poor's or Moody's were too intent on pleasing their banking customers and provided ratings on these funds that were not justified. The EU is pushing for these companies to be split into a ratings division and a consulting division and that the two not be allowed to coexist. This would be done to prevent a conflict of interest. The assumption is that rating agencies deliberately inflated their ratings in order to win business and that is an assertion these companies vehemently deny.

The EU is also suggesting that there be a limit to the complexity of a given security and that derivatives be strictly controlled to maintain maximum transparency. The overall conclusion is that the collapse of the credit system was due to the lack of good information. It was too hard to determine which institutions were at risk due to their use of complex financial instruments.

Armada Strategic Assessment: The temptation to "fix the problem" is always intense after a crisis but there are those who think this effort is going too far and for too little gain. As with the collapse of companies like Enron and WorldCom in the US a few years ago, there was a rush to punish and prevent, but in fact the laws and systems in existence were enough to bring the miscreants to justice. In many respects the current credit crisis was an ordered and natural response to the problems this time.

The security instruments were indeed too complex and it was certainly foolish to place such large bets on something as shaky as sub-prime mortgages. The banks, the hedge funds and the investors all jumped where they should not have been and when the weaknesses were exposed they were burned. It is useful to note that many other banks and investors steered clear of these schemes and came out ahead. This is the nature of the system. Those who engage in great risk reap big rewards (and many did) but they also risk great failures.

Source: Courtesy Dr. Chris Kuehl, Armada Corporate Intelligence

BIIA Comments: There was wide speculation in the financial press about the reasons leading to the sub-prime debacle: For instance shoddy risk assessment by banks and deliberately ignoring the extent of the risk to be acquired since the risk was moved off the balance sheet by means of securitization. Consumer credit bureau processes that provide adequate monitoring of risk seem to have been disconnected from the rating processes, which are based on different data and methods. Unfortunately for the rating agencies, the current situation is now being used by the EU to settle age old scores against the uninvited Anglo-Saxon rating agencies.

CREDIT CRUNCH AND INFORMATION:

SUBPRIME CRISIS A CONCERN FOR INDIA'S GROWTH OUTLOOK

ARE THERE any signs of India heading towards a homegrown sub-prime crisis? Yes, it is ticking like a bomb, which could explode at anytime, says the former RBI deputy governor, SS Tarapore. Sub-prime crisis here is likened to a stage where the banks may be saddled with huge defaults in future.

He cautioned that India has been heading towards such risks, bred by four years of credit growth, at a scorching pace, particularly to newer sectors. It was estimated that at least Rs 41,200 crore of sub-prime loans, consisting of personal loans from banks and non-banking finance companies (NBFCs), and amounts borrowed on credit cards, may go bad. "This does not include other sectors which are risk-prone like three wheeler, auto and housing loans," said Tarapore, who was also the chairman of the Committee on Fuller Capital Account Convertibility, said at a risk management seminar organized by ***Dun & Bradstreet India.***

Citing banks using musclemen for collection of loan dues recently, Tarapore said, "After years of frenzied lending, the music has stopped. As the lenders pick up the pieces, musclemen have become visible as banks and other financial institutions are trying to claw back after years of benign neglect to recovery efforts in these sectors."

Citing illustrative calculations done by the senior banker, MG Bhide (former CMD of Bank of India), Tarapore added up that possible defaults may arise from the following sources: Rs 4,800 crore personal loan pools securitized by rating agencies and Rs 2,000 crore personal loan pools securitized by others over the last 12 months, 80 per cent of the estimated Rs 35,000 crore of personal loans with banks and non-banking finance companies (NBFCs), and 40 per cent of the Rs 16,000 crore of outstanding credit card dues.

Personal loans are advances without the backing of any collateral/security. Many banks have either stopped or turned cautious in offering such loans over the last one year after growing huge defaults. Credit cards outstanding, on the other hand, are those dues, which remain unpaid by the specified due date and on which the borrowers have to pay high interest rates.

Taking a cue from Bhide's rough estimates, the authorities should "undertake a comprehensive, honest and transparent assessment of the total size of the problem and work towards mitigation of losses," the former RBI deputy governor said. Easing monetary policy (Ref: as it was done in the US) to resolve these problems is not a serious option, given that it has to do fire fighting with unabated foreign investment inflows, he added.

Source: Hindustan Times – October 17, 2007

D&B India Commentary: The US sub-prime crisis is a concern for India's growth outlook as several export-oriented companies may be affected, international and Indian business information provider Dun & Bradstreet has said. "The perceived risks to US growth prospects, a possible outcome of the sub-prime crisis, do pose concern for India's growth outlook, as several export-oriented companies, in particular, companies that cater to the banking, financial services and insurance (BFSI) segment could be adversely impacted," Dun & Bradstreet India Chief Operating Officer (COO) Kaushal Sampat said in its economy forecast report here on Monday. "The initial impact of the repeated hikes in interest rates which was felt by the real estate and construction sector were transmitted to the core sector," Sampat said. "The impact on other interest sensitive items like consumer durables were transmitted to related sectors in the production and distribution chain. Similarly, export-oriented manufacturing and services are facing the brunt of rupee appreciation, which is passed on to the envelope of their product chain," Sampat added. ***Source: D&B India Press Release***

MEMBER NEWS:

VEDA ADVANTAGE COMPLETES DELISTING AND SEEKS A NEW CEO

Previously a publicly listed company, Veda Advantage is now owned by VA Australia Finance, a consortium comprising of Pacific Equity Partners and Merrill Lynch Global Private Equity.

Pacific Equity Partners ("PEP") is the most active private equity fund in Australia and New Zealand, providing strategic management experience and capital resources to grow companies in a range of business situations. PEP Fund IV is the largest private equity fund in Australia and the firm has over $4.5 billion of equity funds under management. Since its establishment in 1998, PEP has made 18 portfolio company acquisitions and more than 20 add-on acquisitions at the company level.

Following the completion of the delisting, Andrew Want, CEO of Veda Advantage, left the company in September 2007. When Andrew Want took over as managing director of BaycorpAdvantage, the company suffered from low growth, write-down of cost associated with the merger of Baycorp and write-off of good will. He concentrated on changing the culture and leadership of the company, brought in new management and instituted a thorough strategic review. He started to implement change and to focus on core business issues. Disgruntled investors however did not grant him the time he wanted to fix the business. In order to keep control, he resorted to a spin-off of the debt collection business, changed the capital structure taking on debt to return capital to shareholders. To shed a perceived negative image of the debt collection business Andrew Want changed the company's corporate identity to Veda Advantage. Eventually all of his efforts did not prevent shareholders from delisting the company. A search for a new CEO is underway.

TRANSUNION ANNOUNCES NEW CREDIT RISK ANALYTIC TOOL FOR HONG KONG MARKET

Enhancing the depth and quality of credit reporting information for millions of credit active consumers in Hong Kong will help Hong Kong financial institutions and businesses in determining credit risk. The use of credit characteristics is the next analytical step for financial institutions to further maximize the benefits of both positive and negative credit information for effective portfolio management. Credit characteristics are an advanced set of aggregated variables representing Hong Kong's credit report data. This data involves demographics, public records, enquiries and payment performance. This standardized procedure helps with faster analysis and modeling, provides a better understanding of customer payment behavior and saves businesses time and resources on IT development.

"The launch of credit characteristics is a major milestone in the Hong Kong market. This represents the foundation on which to build more advanced analytics and decisioning capabilities for businesses to leverage," said TransUnion's Mike Kiyosaki, executive vice president of Analytic and Decision Services. "Greater understanding among the credit reporting community of consumer profiles will enable Hong Kong to maintain its status as a financial leader and help financial institutions better gauge financial risks."

Credit characteristics enable TransUnion to develop specific risk scorecards for a customer segment, product or industry, which can be combined to define and implement business rules and policies throughout the customer lifecycle. Available in batch or online delivery, these characteristics can be customized based on a customer's specific portfolio make-up. With the addition of these credit variables to TransUnion's generic scoring model or a proprietary scoring model, businesses can identify key segments and trends in their portfolios, helping them to minimize risk and maximize returns. ***Source: TransUnion*** ***www.transunion.com/business***

MEMBER NEWS:

WAND INC. AND TELEGATE CREATE STATE-OF-THE-ART LOCAL SEARCH

Powered by the semantic content and expertise of WAND, Inc., Local Search and DA provider Telegate (11880.com) now offers Germany's state-of-the-art search for local businesses. WAND provided more than 180,000 keywords pointing to Telegate's system of about 8,000 headings. This database of keywords was tailored to fit Telegate's specific needs and business rules, enabling users to get relevant results for almost every conceivable search, while simultaneously increasing the exposure of businesses and advertisers.

A query log analysis revealed that previous to using WAND's semantic content, Telegate suffered from a considerable number of failed searches. As it happens with many local search providers, almost 40% of all category searches produced no results, leaving ten thousands of users unsatisfied each day. For Telgate it was a dilemma. The requested information was in the company database, but users were not able to find it because they were not aware of the exact wording of business categories.

In order to solve the problems, WAND matched Telegate business categories to Wand's taxonomy. As a result of this matching process Telegate received a vast amount of synonyms which it could include in its database. In parallel, WAND analyzed query logs of the last six months in order to find missed searches and extract additional search words to include into their taxonomy. The integration project was executed by WAND's German partner within three month, and after testing and refining the results Telegate were able to successfully launch the service within four weeks. As a result of integrating WAND's German Local Search taxonomy, Telegate's failed searches were significantly reduced; more than two out of three searches that previously failed now lead to the best results available. In addition, similar searches now produce consistent results on Telegate's Local Search.

About Telegate AG:

Telegate is a leading supplier of information services in Europe. The company was founded in 1996 and in 1999 was successfully listed on the Frankfurt stock exchange (ISIN: DE0005118806). Apart from the expansion of innovative services for consumers and business customers, the drive into other European countries is the focal point of the company's strategic orientation. Telegate has successfully established itself in Austria, France, Italy and Spain. In the fiscal year of 2006 the Telegate Group achieved total revenues of around 180 million Euro, with an annual net income of 6 million Euro.

About WAND, Inc. (A Member of BIIA)

Since 1995, WAND (www.wandinc.com) has developed structured multi-lingual vocabularies with related tools and services to power precision search and classification applications on the internet. From our custom travel, jobs and skills, and medical taxonomies to our cornerstone and product and service taxonomies, WAND's taxonomies are well-structured, deep, precise, and best in class.

In addition to licensing its taxonomies for integration into third party applications, WAND leverages its taxonomies internally to build, precision online horizontal and vertical business directory applications. Powered by WAND directory applications have been matching buyers and seller on the internet since 1996. WAND serves customers on five continents.

Source: Wand Press Release

IMPORTANT INDUSTRY NEWS:

GOOGLE TARGETS B2B BUSINESS INFORMATION MARKET IN ERNEAST

Google has been feverishly working for several years to crack the local business advertising market, historically the domain of yellow pages publishers. However, despite endless resources and top programming talent, Google has apparently concluded that you can't organize information that doesn't exist. There's just not enough information available online on most of these small, locally-focused businesses.

[Perhaps an indication of the poor accuracy of current Google searches].

Of course with boundless self-confidence (and billions in the bank), no problem seems insurmountable. That's the genesis of Google's new "Local Business Referral Program." While there's a sales element to this program, the bottom line is that **Google is beginning to compile a proprietary national database of local businesses**.

Google's vision is to have a fleet of independent contractors running around the country, collecting information on local businesses and snapping pictures of them. Bounty: $10 per listing if the company verifies the collected data. Job requirement are minimal: love of the Internet, access to a digital camera, and ability to fill out a W-9 that won't get kicked back by the IRS. There's some indication that Google expects this supremely qualified force to "talk up" the benefits of advertising with Google, but this seems secondary to what is clearly a major data compilation exercise.

[Why would Google bother; most of the data is available from public records or deals with business information suppliers and yellow pages publishers should be more accurate].

[Using cameras to collect location data on businesses is an old idea of the insurance industry. The idea was to equip D&B reporters with video cameras to take pictures of the business and surroundings. It was deemed to be impractical at that time because the video camera technology 30 years ago was in its infancy].

Google does not appear to be assigning companies to its contractors to interview. If they should all decide to visit only pizza parlors and drug stores, that's apparently okay to Google. Even more surprising is that Google won't pay a contractor if some other contractor got to the company first. How many times will you have your work rejected before you give up in disgust? Similarly, after being hit up by multiple Google contractors for the same information, how many local businesses will conclude Google is not cutting edge, but out of control?

Of course, those in the business know that gathering data is nothing compared to maintaining it. I presume that Google expects all these businesses to self-maintain their data using a handy web page. If only the information business was that easy.

Though Google's foray into the data business -- at least in its early stage -- seems a bit amateurish, it has now crossed the Rubicon. It has moved from organizing data to building proprietary databases, and seems willing to do so on a massive scale. While most of us have chosen to view Google as a "frenemy" to date, this is a profound move, perhaps more profound than even Google realizes.

Source: Inforcommerce web: http://www.infocommercegroup.com

[Areas highlighted in yellow are comments by the BIIA editor]

INDUSTRY NEWS:

EXPERIAN INCREASES ITS STAKE IN SERASA TO 70% - INTEGRATION IS PROGRESSING AS PLANNED

Experian announced it has completed the acquisition of a further 5% stake in Serasa, the market leading credit bureau in Brazil. In accordance with the original announcement, this takes Experian's total holding in Serasa to 70%. The consideration for the additional stake was R$138m ($72m), inclusive of transaction costs, and will be funded from existing facilities. The majority of the additional stake has been acquired from small shareholders not involved in the original transaction. Experian announced the acquisition of an initial 65% stake in Serasa on 26 June 2007.

The company stated that the integration of Serasa is progressing well. Experian has put key management into the business, consisting of a CFO, a Head of Strategic Sales and a full-time integration director. Experian continues to see good opportunities for revenue synergies and value added products.

EXPERIAN ANNOUNCES NEW GLOBAL IMAGE AND IDENTITY

Experian™
A world of insight

Experian, a global information services company, today announced it has launched a new global image and identity for the company. This new brand positioning includes a new logo, tagline and advertising campaign that conveys Experian's dynamic growth, global reach and position as the global leader in providing information services.

"In the past five years, we have completely transformed the shape and growth profile of Experian," said Don Robert, chief executive officer of Experian Group. "We have expanded geographically and into new vertical markets, we've launched new innovative products in all businesses, and have made key strategic acquisitions that complement our core businesses and provide new avenues of growth. This new brand positioning reflects the changes we've introduced to the business and captures not only our dynamic growth and innovation, but also the global depth and breadth of our service offerings for clients."

EXPERIAN ANNOUNCES SIX MONTH TRADING RESULTS

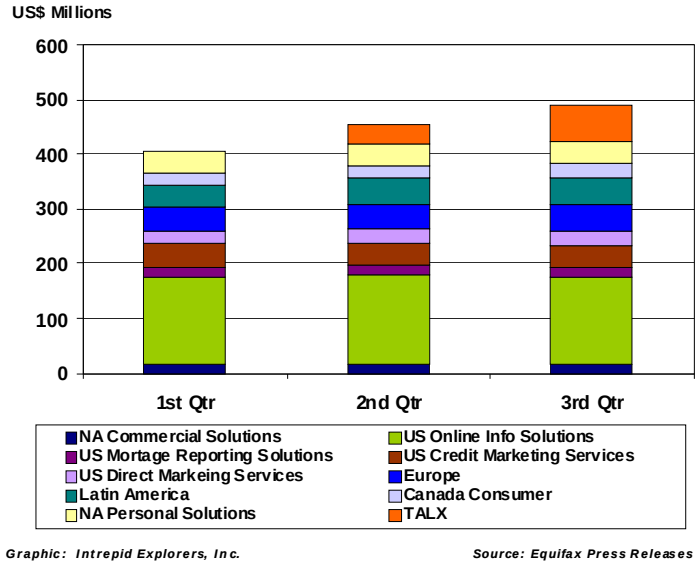
Organic growth in the USA and the United Kingdom was affected by the slowdown in the mortgage market. Overall growth was double digit due to a strong acquisitions program. Experian acquired a number of businesses in the period ending September 30th, 2007 spending a total of 1.7bn. In addition to the majority stake in Serasa, Experian acquired Hitwise; Infomarketing; Tallyman; Emailing Solutions; The pH group and 4N Solutions. Experian agreed to sell Loyalty Solutions, a German point-of sale network provider.

Six Months ending September 30th 2007	Total Growth % At actual exchange rates	Total Growth % At constant exchange rates	Organic Growth % At constant exchange rates
North America	6%	6%	5%
Latin America	4,438%	5,066%	46%
UK and Ireland	18%	9%	5%
EMEA/Asia Pacific	21%	14%	8%
EXPERIAN	**17%**	**14%**	**6%**

Source: Experian Press Releases

INDUSTRY NEWS:

EQUIFAX THIRD QUARTER RESULTS



Equifax Year to Date Results

Equifax is revising its guidance for 2007 results in view of market uncertainties: Equifax expects consolidated annual revenue growth to be approximately 19% and diluted EPS. As adjusted for acquisition related amortization expense, to be between 22.8 and US$2.32 versus US$2.32 versus prior guidance issued in June 2007 of US$2.25 to US$2.33.

Thanks to its divers revenue streams and the TALX acquisition Equifax still managed to increase revenue by 25% to US$492.5 million compared to prior year. Commercial solutions enjoyed an increase of 45%, Canada Consumer Segment was up 14%, Europe 20% and Latin America 16%. The US Consumer Information Solutions business, which accounts for 49.5% of total revenue was down -1% as a result of the US Sub-prime crisis.

EQUIFAX UK APPOINTS NEW HEAD FOR COMMERCIAL SOLUTIONS

Equifax PLC, has appointed Mark Summers as the new Head of Commercial Solutions, providing further focus on its growth strategy. With nearly 20 years experience in the business information sector, Mark Summers will play a key role in the development of Equifax's commercial solutions business, providing organizations with comprehensive intelligence for effective risk management. Equifax's intention is to build on the significant investment that has been made in the Commercial Solutions business over the last 18 months. With this appointment Equifax intends to maximize the return on our investment in new product development, including a new suite of market leading business information solutions such as *Blended Data*. Prior to joining Equifax, Mark was European New Sales Director for Business Intelligence Services at Thomson Corporation and prior to that was Business Development Manager for Dialog, a subsidiary of Thomson. His successful career also includes 18 years with Dun & Bradstreet. ***Source: www.creditman.co.uk***

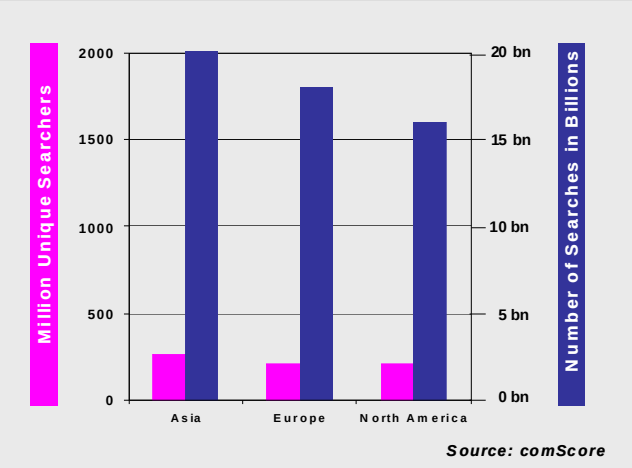
WILL COMMERCIAL CREDIT INFORMATION REVENUES BE NEXT IN LINE FOR A DOWN-TURN?

"The (financial) turmoil has been only one of several indicators which have many economists starting to feel increasing discomfort about the economy's future. Slower growth and more difficult business conditions almost certainly lie ahead. **The credit managers who have done so well keeping problems to a minimum up until now might find a more challenging environment in the rest of 2007 and into 2008."**

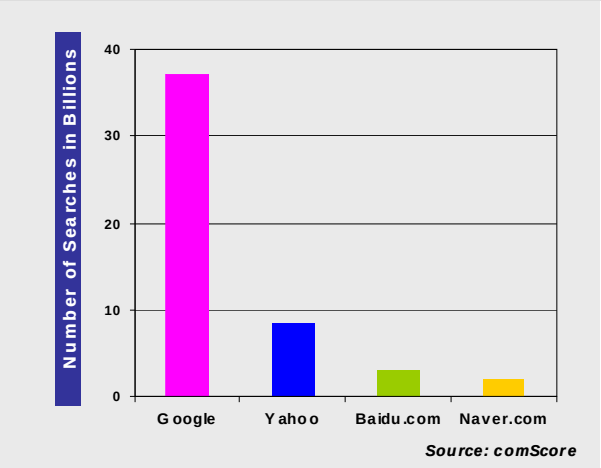
Euler Hermes ACI Chief Economist Daniel C. North

INDUSTRY NEWS:

SEARCH ENGINE DYNAMICS



Unique Searchers and Search Volume (Aug. 2007)



Number of Searches by Vendors (Aug. 2007)

According to ***comScore.com*** the Asia-Pacific Region has outperformed the rest of the world with 258 million unique searchers, conducting 20.3 billion searches in August of this year. Europe came in second with 18 billion, and North America with 16 billion. Google retained its global dominance, nevertheless smaller competitors in China and South Korea are ganging up on Google in Asia. On the basis of data gathered for its qSearch 2.0 service, comScore reported on the top 50 worldwide Internet properties that use some form of search. It concluded that more than 750 million people aged 15 and older - or 95% of the worldwide Internet audience - conducted 61 billion searches worldwide in August 2007, an average of more than 80 searches per searcher.

"With the tremendous volume of search activity occurring around the world, search continues to present an abundance of marketing opportunities to companies on both a global and local scale," Bob Ivins, executive vice president of International Markets at comScore, said in a statement. "Seeing Asian search engines like China's Baidu.com and Korea's NHN ranked alongside Google and Yahoo underscores the fact that search has become a truly global phenomenon." From the above it can be concluded that traditional direct marketing services, as we know them, will never be the same.

Source: comScore.com

BAIDU ENTERS THE E-COMMERCE MARKET

Baidu, has stated it plans to enter China's growing e-commerce market. The company will focus on consumer-to-consumer (C2C) sales. The release stated that they would launch the service sometime in 2008. Online C2C trading in China is currently dominated by ***Alibaba's Taobao.com***, which holds an 80% market share.

Source: Business Strategies Group

NEWS FROM CHINA:

CHINA CRACKS DOWN ON PLAGIARISM

The National Copyright Administration (NCA), the Ministry of Public Security (MPS) and the Ministry of Information Industry (MII) have jointly launched a nationwide crackdown on plagiarism on the Internet. The anti-plagiarism campaign starts now and lasts through the end of October, according to sources with the NCA. During the coming three months, the government will shut down illegal websites and crack down on all kinds of infringements of copyrights on line, including illegal use of films, music and software on line.

The authorities will step up supervision and administration on big websites, particularly those that are mainly engaged in spreading film, music, software and publications. Efforts will be made to study ways to set up an efficient mechanism of supervision on the Internet in accordance with the Law on Copyright. Inspectors will pay special attention to Internet cafes where the owners make profits by illegally downloading lots of films and games to attract visitors. At the end of the campaign, the NCA will select and make public the Top 10 Plagiarism Cases.

Source: Xinhua August 2007

CHINESE COURTS SEE INCREASE IN COMMERCIAL BRIBERY CASES

The number of commercial bribery cases dealt with by Chinese courts rose to 4,406 in the first seven months, 8.2 percent more than the same period of last year, the Supreme People's Court (SPC) said on Saturday. Xiong Xuanguo, vice president of the SPC, said 4,149 cases, or 94 percent of the total, involved civil servants, up 6.3 percent. Wang Zhenchuan, deputy procurator-general of the Supreme People's Procuratorate, said 1,103 officials at county-level or above have been investigated and prosecuted in the first eight months, accounting for 12.8 percent of the total.

"China will continue to target government officials who take advantage of their posts to collude with companies for illegal profits," Mr. Xiong said.

Continued on Next Page

CHINA SOFTWARE REVENUES UP 22.9%

China's software industry reported a revenue of 343.89 billion Yuan (45.73 billion U.S. dollars) for the first eight months of this year, up 22.9 percent year-on-year, according to the latest statistics from the Ministry of Information Industry.

Of the total revenue, software products accounted for 121.25 billion Yuan, up 24.1 percent; system integration made up 84.05 billion Yuan, up 18.5 percent; software technological services was 55.81 billion Yuan, up 23.9 percent; embedded system software was 74.26 billion Yuan, up 24.5 percent; and IC design collected 8.52 billion Yuan, up 27.6 percent.

A spokesman of the ministry said this year a series of policies would be promulgated to further encourage the development of software and integrated circuits. Efforts will also be made to foster and regulate domestic software market, and support products with self-owned intellectual property rights through government purchasing.

Currently China's software industry lags far behind the international advanced level, with less than six percent of the global software market share, and it even can not match the development of hardware manufacturing in the country.

Source: Xinhua October 2007

NEWS FROM CHINA:

CHINESE COURTS SEE INCREASE IN COMMERCIAL BRIBERY CASES *(Continued)*

Commercial briberies featuring corporate wrong-doings rose 37.3 percent and cases relating to individual employees of companies jumped by 52.1 percent in the first seven months this year. A total of 31,119 commercial bribery cases were dealt with in China in the past two years before August 2007, involving 7.079 billion Yuan (about 943.8 million U.S. dollars), said Li Yufu, deputy director of the leading group on anti-commercial bribery under the Central Committee of the Communist Party of China (CPC).

The most notorious "big fish" caught in the anti-commercial bribery fight was Wang Youjie, former deputy director of the Standing Committee of Henan Provincial People's Congress, the local parliament. Hu Xing, former deputy director of Yunnan Provincial Transport Department, was given life imprisonment for abusing his authority in city construction planning, real estate development and expressway project approvals. Many other cases involved company bosses, bank directors and hospital presidents.

Li Yufu, also vice-minister of supervision, said China will also step up efforts in punishing bribers in accordance with the law while showing no tolerance toward government officials taking bribes. He pledged that China will strengthen cooperation with other countries to bust multinationals who are engaged in the rising number of commercial briberies in China, as well as Chinese nationals who fled abroad after they committed this crime. In recent years, China has seen an increase in commercial bribery cases, in the fields of construction, land acquisition, ownership transfer of state-owned enterprises, government procurement, purchase and sale of medicine, resources development, bank lending, trade in securities and futures, commercial insurance, publishing, telecommunications, electric power, sports and environmental protection. China has been targeting corruption in certain commercial areas since 2006. That year, prosecuting organs at all levels filed and investigated 9,582 commercial bribery cases involving 1.5 billion Yuan of illicit money.

To curb corruption over the long term, the CPC Central Committee has proposed a three-pronged approach: education, more efficient systems and better supervision.

Source: Xinhua

MECHANISM TO CHECK CORRUPTION IN CHINA

"Preventive mechanism should be improved for checking corruption while it is still in its inception stage".

This statement was made by Wu Guanzheng, a member of the Standing Committee of the Political Bureau of the 16th Central Committee of the Communist Party of China (CPC) and secretary of the Central Commission for Discipline Inspection.

In discussing Hu Jintao's report to the 17th CPC National Congress, Wu urged to build preventive measures to check corruption.

7"Discipline inspection bodies must respond to any early warning of possible corruption of Party cadres and officials, regardless of how minute it is. How effective the Party curbs corruption reflects how capable it is to lead the nation. The Party never tolerates corruption and he hopes the Party would reduce corruption to a lowest possible level with years of efforts" according to Mr. Wu.

Source: Xinhua

NEWS FROM CHINA:

CHINA SMEs POPULATION IS GROWING IN IMPORTANCE

China's registered small- and medium-sized enterprises (SMEs) have exceeded 4.3 million and contributed to 58.5% of gross domestic production. The 4.3 million SMEs, more than 95% of which are privately owned, contributed to 50.2% the country's total tax revenue. SMEs make up 66% of the country's patent applications and develop about 82% of its new products, according to Chairman Li Zibin of the China Association of Small and Medium Enterprises.

Li said that SMEs still have to cope with a number of difficulties, including an inadequate regulatory environment, difficulty in obtaining financing and immature public services. To solve the problem, China has come up with a series of measures, including a law on the promotion of SMEs. Following the promotion, the outstanding loans granted to SMEs had risen to 5.35 trillion Yuan by the end of 2006, an increase of 539.6 billion Yuan or 15.8 percent from the year beginning, according to official data. By the end of June this year, China's five large commercial banks including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications have granted 1.5 trillion Yuan to 535,900 SMEs, 120 billion Yuan or 8.3 percent more than that at the beginning of this year. Social conditions for SMEs development are getting better while the SMEs have to optimize its structure, establish modern enterprise mechanisms as well as improve product quality, ***enterprise credit and social responsibility,*** said Bao Yujun, an expert in SMEs. ***Source: Xinhua***

BIIA Comment: At the Peoples Bank of China User Conference in June 2007 the concept of the use of ***Trade Information*** in risk assessment of banks was discussed. The information industry stressed the point that trade information concepts were well established in market economies and the supply of ***Trade Information*** should be left to the private sector. The short announcement in this month's Asian Banker news service indicates that the PBOC does not consider any such advice and its plans to get into **Trade Information** were already well advanced.

CHINA COUNTRY RISK ASSESSMENT

Far from slowing, GDP growth accelerated to11.9% yr/yr in Q2. Investment remains a key driver. However, the pace has slowed slightly while retail sales have continued to accelerate, which at least points to some rebalancing.

Net exports are much stronger than expected, as export growth remains strong, while import growth has slowed. Inflation jumped to 4.4% yr/yr in June, though the acceleration is still mainly food price driven. The authorities have responded by tightening monetary policy again. Expect more tightening and 11.3% GDP growth in 2007 overall (11.1% revised 2006), with annual average inflation of around 3.5%.

Source: Euler-Hermes Country Risk Updates

PBOC SME ACCOUNTS RECEIVABLE DATA BASE

The People's Bank of China has implemented a database to track accounts receivable. The network is expected to help small and medium-sized companies obtain bank loans. The central bank estimated that 60 percent of the country's SME assets are tied up in accounts receivable and inventories.

Source Asian Banker October 2007

B2B DIGITAL MEDIA NEWS: *(Source: Business Strategies Group)*

ALIBABA.COM IPO SPARKS EXCITEMENT IN HONG KONG

Alibaba released its prospectus on Tuesday this week. According to the ***Hong Kong Standard,*** 500,000 share subscription forms were given away on the first day. The institutional tranche is reportedly 58 times oversubscribed and by Wednesday, retail investors had placed nearly US$5.42 billion worth of margin orders for Alibaba shares.

In addition to the five original cornerstone investors, Yahoo, Cisco and Foxconn International Holdings have joined the list. These investors have agreed to a two year lock-up period and they put up a total of US$297 million. Shares will begin trading on 6 November. Pricing will be between HK$12.00 and HK$13.50 which would value Alibaba.com in the range of US$7.8 billion to US$8.8 billion.

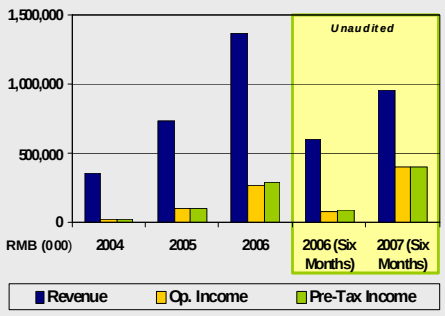
The excitement surrounding Alibaba continues to have an effect on other players in the market. ***Global Sources*** swung from a low of US$28.77 to an intra-day high of US$37.70 this week – an increase of over 30%. NASDAQ-listed ***Ninetowns*** enjoyed a 23% surge - rising from a low of US$4.87 to an high of US$5.99. Incredibly, several media outlets also reported that demand for Alibaba shares was also pushing up the Hong Kong dollar as international investors converted into the local currency in order to buy shares. ***Source: The Standard Article***

WHAT WILL ALIBABA.COM DO WITH THE PROCEEDS FROM THE IPO

According to the IPO document, Alibaba expects net proceeds from the IPO to be in the range of HK$7,278 million to KH8,201 million (US$970 million to US$1,097 million). Based on the latest speculation the proceeds could be as high as HK$ 11,600 million or US$ 1.5 bn.

Alibaba plans to spend the proceeds as follows: 60% on strategic acquisitions – companies with complementary services or user base; technology platforms; strategic initiatives to enhance its brand and expand strategic relationships. 20% to be invested in the existing business in China and internationally. 10% on CAPEX and 10% to fund working capital.

Alibaba's revenues doubled approximately every year. It is likely that revenues will almost double again in 2007.



Graphic: Intrepid Explorers, Inc. Source: Alibaba IPO Prospectus

The Standard quoted a potential valuation range of US$7.8 to US$8.8 billion for 100% of the business. If the IPO comes in at that predicted range it would mean a revenue multiple of approximately 24 times projected 2007 revenues. The e-commerce hype has returned.

ALIMAMA AD SERVICE LAUNCHED

Alibaba Group has announced the launch of its ***Alimama*** online advertising distribution web network. According to blog reports "publishers will be able to specify the format of ads for their websites, the types of ads they would like to serve, the price for the ads, and the profile of the website to let advertisers to choose. Advertisers can [then] set the readers they want to target, their budgets and the type of ads. If websites match the criteria of advertisers, the ads will show automatically on those websites". ***Sources: China Web 2.0 Review, Chinese Tech Stock Weekly Summary***

B2B DIGITAL MEDIA NEWS: *(Source: Business Strategies Group)*

GLOBAL SOURCES REVAMPS WEBSITE

Global Sources launched its retooled website this week calling it "Global Sources 2.0." The company placed strong emphasis on continuing to build a verified supplier base. To qualify as verified, suppliers will be visited several times by Global Sources staff. Additionally, buyers can also access credit and business registration reports on the verified suppliers. In-depth reports and assessments will also soon be available via ***Bureau Veritas.***

Unverified suppliers will be listed on the website free of charge. Unverified supplier data can include company information, product details and product images. As part of the announcement, Global Sources promised to double the amount of content on the site within six months.

Christopher Sellers, CEO of ***Agentrics*** which serves large retailers stated, "Global Sources new Verified Supplier program and search services are directly addressing what is perhaps today's biggest sourcing need among buyers around the world...by identifying qualified and export-ready suppliers from among the millions of suppliers from mainland China alone that are scattered across the Web."

GLOBAL SOURCES Q2 2007 REVENUES UP 17%

Global Sources has reported revenues of $52.5 million, up 17% on the previous year for the second quarter. Net income was $4.2 million, up 4%. This includes an impairment charge of $1.8 million on the company's investment in HC International.

Online revenues were $18.5 million, up 18% while sales from print media were down 3% at $12.0 million. Exhibitions revenue was $20.9 million, up 28% from $16.4 million and revenue from China was $32.6 million, up 37% from $23.8 million.

Source: Global Resources

GLOBAL SOURCES TO OFFER CREDIT REPORTS

***Global Sources* will work with *Verify Limited* to offer online credit reports free of charge to buyers.**

The service will cover suppliers in Greater China and include 13 different legal and financial areas such as licenses, permits, corporate status and key shareholders.

This announcement follows a recent announcement that Global Sources will work with Bureau Veritas to offer testing and verification services. Both services are part of the new version of Global Sources Online which is scheduled to be launched in October. ***Source: Global Sources Press Release***

See comment in the BIIA Newsletter 09 – 07; Page12 with the Title: Supplier Assessment Appears to Become the New B2B Currency in China!

GLOBAL SOURCES AND THAILAND TARGET CHINESE BUSINESS TRAVELLERS

The Tourism Authority of Thailand (TAT) has announced that it will use Global Sources' newly launched lifestyle magazine, Elegant Living, to promote Thailand as tourist destination to Chinese executives. TAT will advertise on the Elegant Living website and in the print publication to promote Thailand as a destination to mainland business executives. Over 1 million Chinese visited Thailand in 2006 making China the third largest nationality behind Malaysia and Japan. TAT expects China to take the top position in the next two years.

Source: Global Sources Press Release

B2B DIGITAL MEDIA NEWS: *(Source: Business Strategies Group)*

XINHUA FINANCE MEDIA ANNOUNCES NEW INVESTORS AND BOARD MEMBERS

NASDAQ-listed ***Xinhua Finance Media*** announced this week that The Yucaipa Companies, controlled by U.S. supermarket billionaire, Ron Burkle, had taken an undisclosed stake in the company. Yucaipa bought out a number of IPO investors who had just come out of their lock-up period. The terms of the deal and the names of the investors were not released.

Also this week, Xinhua Finance Media also announced that it has four new board members. They are David Olson from Yucaipa, Larry Kramer who is the founder and former CEO of MarketWatch, a financial news website now owned by Dow Jones, Steve Richards, COO of Silver Pictures, Li Shantong, a former director general at the Development Research Centre of China's State Council and Teddy Liu, head of Xinhua Finance Media's advertising group. As part of its effort to enhance corporate governance, the company also appointed a new internal auditor.

The company's shares jumped this week from an interday low US$6.25 to a high of US$10.18. The shares closed at US$8.55 yesterday.

Source: Xinhua Finance Media Press Release – Yucaipa investment
Xinhua Finance Media Press Release – new board members

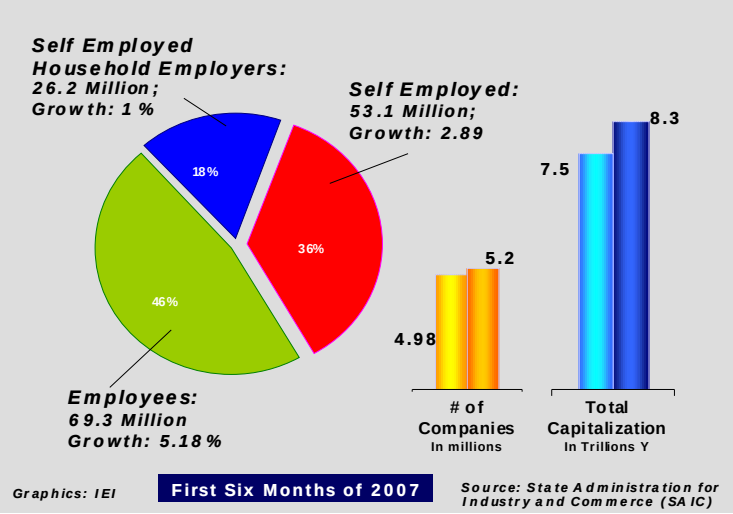
CHINA FINANCE ONLINE REPORTS Q2 NET INCOME UP 253%

China Finance Online, the NASDAQ-listed Chinese online financial information and listed company data provider has reported net revenues of $5.72 million for Q2 2007. This exceeded the high end of the company's guidance and represents a increase 43% as compared to Q1 2007 and 290% when compared to the same quarter last year. Net income was $1.56 million compared to $775,000 for Q1 2007, a 102% increase, and net income of $442,000 for Q2 2006, a 253% increase.

The company says that registered user accounts of jrj.com and stockstar.com grew to 7.3 million, an increase of 11% from the previous quarter. Fee-based active individual subscribers grew to 37,400, an increase of 18% from the previous quarter.

Source: China Finance Online press release

CHINA: PRIVATE SECTOR COMPANY REGISTRATION AND EMPLOYMENT



The State Administration for Industry and Commerce (SAIC) reported a 4.49 % increase in company registration to 5.2 million from January to June 2007.

During the same period employment by private companies rose by 5.18% to 69.3 million. Self-employed household employers rose by 1% to 26.2 million. Self-employed workers increased by 2.89% to 53.1 million.

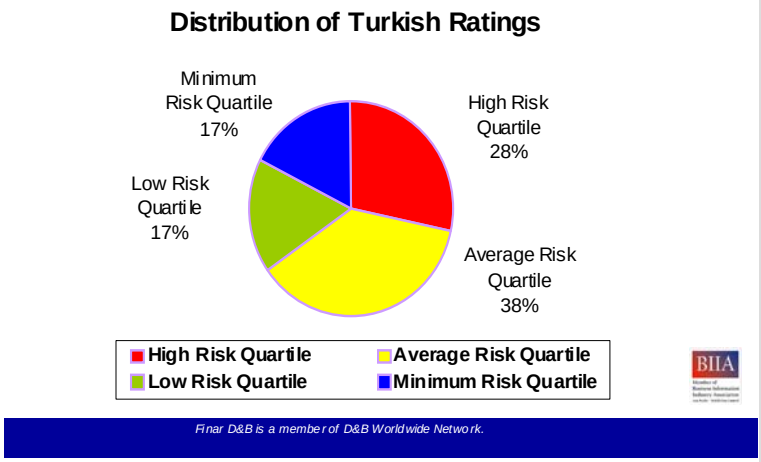
Private sector company registered capital rose 9.54% to 8.3 trillion Yuan (US$1.1 trillion).

Source: People's Daily Online

BIIA IN ACTION:

FINAR PRESENTED AT THE TUKEY TRADE & EXPORT FINANCE FORUM

Where is your customer on this chart?



Exporta's second annual **Turkey Trade & Export Finance Forum** in Istanbul was attended by over 120 delegates and received rave reviews from all participants. Dr. Selim Seval, CEO of Finar, Turkey provided a review of available rating and credit scoring services in Turkey, which included a distribution of current Turkish Risk Ratings.

It is interesting to note that 66% of companies rated in Turkey are in the high and average risk categories, 28% of which are in the high risk quartile.

Dr. Seval also stressed the need to support SMEs in Turkey and to train SMEs in practicing good risk behavior and to become good risk managers themselves. His comments are highlighted below.

Competence and transparency: SMEs must concentrate on their core business lines and try to build competence to grow and maintain profitability. Keep accounting books properly and be transparent. Learn alternative financial instruments in an effort to manage risks more effectively. Be capable of producing collaterals as described under Basel II directives. Maintain a strong capital structure (Strong Capital = Strong Rating). Employ high quality professionals to share the management responsibilities of their companies. Try to adopt corporate governance principles to the maximum extent possible.

Benefits to SMEs: The above will result that SMEs will have lower borrowing costs, providing them with the opportunity to strengthen their capital structure. Increased awareness of a risk management culture and therefore increased tools when managing their businesses. SMEs will become the subject of fair credit decisions by banks and obtain increased facilities at better terms and conditions. They will be able to compete more effectively and have better chances to export their products on better terms based on better ratings. ***To view the entire presentation access: http://www.biia.com/library.php#145***

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