

CHINA IN THE NEWS



Joanna Zhou (周娜), now residing in Knoxville TN, immigrated to Indianapolis with her husband from Beijing in 2013, where she worked in Human Resources for a U.S. Fortune 500 company. She enjoys her new life with her husband and kept in touch with her IAAT friends and readers by contributing to this column.

Zhejiang FTZ attracts 8.7-bln-USD projects

Fourteen foreign companies signed contracts worth 4.8 billion U.S. dollars on Monday to do businesses in the pilot free trade zone in east China's Zhejiang Province. The contracts were among the 20 projects signed at the first international petroleum and natural gas enterprises conference held in Hangzhou, capital of Zhejiang, on Monday to promote the international commodity trade liberalization, a major goal of the Zhejiang FTZ. The conference attracted domestic and overseas firms, including Chevron, DuPont, BP, Statoil and Sinopec, to participate in the construction and operation of the FTZ. The projects focused on storage, transport, trade and processing of petroleum products, international finance and aviation, said Ma Guohua, deputy director of the Zhejiang FTZ Administrative Committee. The 20 projects involved a total value of 57.4 billion yuan (8.7 billion U.S. dollars). Sixteen were related to the petroleum industry with a combined value of 37 billion yuan, 65 percent of the total value.

浙江自贸区万亿石化产业新签20个重大项目

在9月18日下午的“首届世界油商大会”上，浙江省举行重大项目签约仪式，共有美国杜邦公司与浙江自贸区战略合作项目、英国BP公司与浙能集团战略合作协议项目等20个项目在仪式上签约，协议涉及总金额573.7亿元。21世纪经济报道获悉，此次签约项目突出浙江自贸区产业定位和发展目标，重点集中在油品储运、油品贸易、油品加工、总部经济、国际金融、航空等自贸区重点发展产业。其中涉及油品产业项目16个，占项目总数的80%；协议涉及金额371亿元人民币，占协议涉及总金额的64.7%。无疑，面对未来，浙江自由贸易试验区正在“快步向前”。

China approves nine IPO applications

China Securities Regulatory Commission (CSRC) has approved IPO applications from nine companies. The firms will raise up to 4.4 billion yuan (more than 670 million U.S. dollars), the CSRC said. Three companies will be listed on the Shanghai Stock Exchange, three on the Shenzhen small and medium enterprise board and three on the ChiNext, a NASDAQ-style board. The firms and their underwriters will confirm IPO dates and publish prospectuses following discussion with the exchanges. Under the current IPO system, new shares are subject to approval from the CSRC. China's IPOs are gradually switching from an approval-based system to a more market-oriented system.

证监会核发9家IPO批文，金逸影视聚灿光电在列

9月15日，证监会按法定程序核准了9家企业的首发申请，筹资总额不超过44亿元。其中，上交所主板3家，分别为新东方新材料股份有限公司、上海翔港包装科技股份有限公司、江苏洛凯机电股份有限公司。深交所中小板3家，广州金逸影视传媒股份有限公司、惠州市华阳集团股份有限公司、宇环数控机床股份有限公司。深交所创业板3家，分别为聚灿光电科技股份有限公司、江苏精研科技股份有限公司、无锡威唐工业技术股份有限公司。此次无锡威唐工业技术股份有限公司将直接定价发行。

China-invested PV power station enters operation in Russia

A 15-megawatt photovoltaic power station, with investment from China-based Sirius Holding Group, has been put into operation in Astrakhan, Russia. The station generates 15,000 kilowatt-hours of electricity per hour. Cui Zhiwei, deputy general manager of Sirius, said the company's investment was expected to be recouped in five years. Power demand in Russia has seen sustainable growth thanks to its economic recovery in recent years.

天狼星参与投资俄光伏电站投运

9月7日，在俄罗斯联邦阿斯特拉罕市郊外，由天狼星集团参与投资的俄罗斯光伏电站项目15兆瓦电站（每小时可发电1.5万度）举行投运仪式，由此，中资企业在俄投资的第一个可再生能源发电项目正式投运。据悉，天狼星集团在俄罗斯参与投资的光伏系统有限公司目前已拿下享受当地可再生能源扶持政策的光伏电站建设运营项目总计335兆瓦（合计每小时发电量为33.5万度），总投资3500万美元。这些项目从今年起，将陆续投用。据了解，随着俄罗斯经济复苏，电力需求持续增长。根据俄联邦权威机构测算，2030年俄罗斯电力将产生6000亿度缺口。在欧、美、中等大力发展可再生能源背景下，俄罗斯确定调整能源结构，促进其在能源领域的可持续发展，并出台可再生能源发展扶持政策。

China to build cross-provincial national park for giant panda

A pilot scheme to build an administration of giant panda national park has been approved. The scheme will form a cross-provincial national park that would unite more than 80 fragmented habitats scattered in southwest China's Sichuan Province, northwest China's Shaanxi Province and Gansu Province, with an area of 27,134 square kilometers.

川陕甘建大熊猫国家公园，打通“国宝”保护的行政壁垒

而为更好地保护大熊猫，川、陕、甘三省正在共同推进大熊猫国家公园试点工作，打破行政区划，把大熊猫国家公园建设成为我国生物多样性保护示范区。陕西主要负责大熊猫国家公园秦岭片区建设。据了解，在筹划建设大熊猫国家公园之前，陕西的大熊猫保护工作已经取得了不错的成绩。大熊猫栖息地面积相较于10年前，扩大了120多平方公里，达到3606平方公里；保护区内大熊猫栖息地总面积2025平方公里，占全省大熊猫栖息地面积的56.14%，高于全国平均水平。据陕西省第四次大熊猫调查结果显示，秦岭地区野外生存大熊猫约345只，比十年前的273只增加两成。

'UNIFIED REGIONAL EFFORT' TARGETS AMAZON HQ



Mayors Joe Hogsett and Scott Fadness announced the effort to attract the project at a news conference.

Central Indiana leaders behind an effort to attract Amazon.com Inc.'s second U.S. headquarters say they are having to squeeze three-to-six months of work into a few weeks. Indianapolis Mayor Joe Hogsett and Fishers Mayor Monday announced a "coordinated, unified regional effort" to attract the \$5 billion project that could result in 50,000 new jobs over 20 years. The mayors say a team of tech, business and community leaders will work to develop a comprehensive proposal, which is due by October 19.

Fishers-based Ginovus Executive Managing Director Larry Gigerich is part of the group creating the proposal, and says Indiana has a lot to offer, including a "giant talent pool" coming from the state's colleges and

universities. Indy Chamber Chief Executive Officer Michael Huber says having Gigerich in the fold will allow the team to tap into the company's vast experience with large companies, including working with Salesforce for its large Indianapolis expansion.

Organizers say, while this proposal is on the same level as bidding for the Super Bowl, and in many ways even bigger, it's more difficult because central Indiana is competing with metro areas from throughout North America that meet the company's requirements of at least 1 million people. Amazon's Request for Proposals also seeks locations that have a stable and business-friendly environment, the potential to attract and retain strong technical talent and be a community that thinks "big and creatively when considering locations and real estate options."

During an event Thursday in downtown Indianapolis, Hogsett and Fadness pointed to central Indiana's strong talent pipeline, university system, downtown and "culture of innovation." They say currently, more than 35,000 people in Marion County work in information technology, which is one of the fastest-growing industries in the sector.

Amazon already has a strong presence in Indiana, with 9,000 employees at five facilities throughout the state.

ALIPAY: IT'S TIME TO SAY GOOD-BYE TO 'MOBILE PAYMENT'

by Daisy Liu



When it comes to Alipay, it symbolizes ultimate convenience in our daily living through technology. A significant progress in both business and technology from Alibaba was announced on 9/1/2017 - mobile payment will be replaced by facial recognition.

YUN MA, president of Alibaba announced on 9/01/2017 that Alipay is ready for consumersto use facial recognition for daily payment on their purchases. Hangzhou, China is the first location to debut this technology globally.

Facial recognition payment is easy to process, and it takes only 3 simple steps for users:

1. At checkout, select facial recognition payment in front of the payment device.
2. Computer process the facial recognition.

3. Type in identification number of the account. Within 10 seconds, payment is processed without the need of cash, credit card or through the mobile phone. Alipay claims it is simple to activate as well. Regarding exposure to data breach security, YUN MA states that this method of payment has built-in technology to prevent information theft such as 3D reconstruction, printed photo, screen playback. The technology can distinguish between twins and even quadruplets. The implication of facial recognition infers people no longer need to carry his/her wallet for money, credit cards, ID. More functions will be added such as getting on public transportation, ID or ticketed events, and eventually traveling without a passport.

Jack Ma's focus on business technology surely brings the convenience in daily life to a new summit, the question is: "Are you ready for more transaction base on human to computer interface?"

INDY BUSINESS BULLETIN



Langellier: Indy 'Well-Positioned' For Amazon

TechPoint Chief Executive Officer Mike Langellier says while Indianapolis is well-positioned to bid for Amazon.com Inc.'s (Nasdaq: AMZN) second headquarters, it will take "a giant, collective, creative, big thinking effort" to pull it off. Amazon says "HQ2" would be a \$5 billion project creating 50,000 jobs over 15 years. "This is a once in a generation opportunity... akin to a Super Bowl bid and bigger in a lot of respects," said Langellier.

Proposed Hyperloop Route Would Run Through Indiana

A proposed Hyperloop route through Indiana that would connect Chicago, Columbus, Ohio and Pittsburgh is a finalist to receive a deeper examination. The Midwest Connect team was one of 10 groups selected by California-based Hyperloop One for its Global Challenge to find potential routes for the high-tech cargo and passenger system.

Purdue Touts Record Research Funding

It's been another record year of sponsored research funding for Purdue University. The school says it raised over \$418 million in fiscal year 2017, beating last year's record of \$403 million.

\$20M Monon 16 Development Begins

Indianapolis Mayor Joe Hogsett is touting a \$20 million housing development in a neighborhood receiving renewed interest as "innovative and transformative." Plans for the Monon 16 project call for 60 new, single-family houses in the Kennedy Park district near the Monon Trail.

Insurance Leaders Attempt to Woo Industry Prospects

In an effort to draw young talent to the insurance industry, the Northeast Indiana Regional Partnership will host some 70 college students this weekend to showcase job opportunities and quality-of-life in the region. Organizers of the pilot program are attempting to develop "a replicable and scalable" model for future attraction and retention.

Indy Airport to Sell Conservation Land

The Indianapolis Airport Authority Board has approved the sale of more than 1,800 acres of conservation land to the town of Plainfield for nearly \$1.6 million. The IAA says the sale is part its commitment to return non-aviation land to local communities.

Gift to Fuel Ivy Tech Automotive Center

Ivy Tech Community College says it has reached its \$22 million goal for its "Closing the Achievement Gap" campaign. The school

says the most recent gift, \$1 million from the Indianapolis Auto Trade Association, will support scholarships and a new automotive technology training center in Indianapolis. Ivy Tech Indianapolis Chancellor Kathleen Lee and IATA President Tom Miller will discuss the gift this weekend on Inside Indiana Business Television.

Patachou Founder Among 'Most Innovative'

The founder of Indianapolis-based Patachou Inc. is receiving national attention. Fortune, along with sister publication Food & Wine, includes Martha Hoover in its list of the 20 "Most Innovative Women in Food and Drink."

Lilly Drug Yields Positive Results

Indianapolis-based Eli Lilly and Co. (NYSE: LLY) and Incyte Corp. (Nasdaq: INCY) say a treatment for patients with a certain type of dermatitis showed positive results in a Phase 2 study. Last month, the companies also announced plans to resubmit baricitinib to the U.S. Food and Drug Administration for the treatment of rheumatoid arthritis.

Indy Among 'Best Cities For Jobs'

A new list touts Indianapolis as of the top cities in the U.S. when it comes to employment. California-based job and recruiting website Glassdoor ranks Indy among the "Best Cities For Jobs."

Purdue Research Could Unlock Domestic Energy Resource

Purdue University President Mitch Daniels calls \$20 million plans for a shale gas engineering research hub unveiled Tuesday "a prestigious and important moment" in the school's history. The Center for Innovative Strategic Transformation of Alkane Resources or CISTAR will be located at Discovery Park in West Lafayette. It will pull in researchers from Purdue and schools including the University of Notre Dame, University of New Mexico and University of Texas, as well as national and international laboratories and organizations.

'Sports Legends' to Be Immortalized

The Children's Museum of Indianapolis has announced who will be honored in a series of 16 bronze statues to be part of the \$35 million Riley Children's Health Sports Legends Experience. They include modern stars, such as the Pacers' Reggie Miller and the Fever's Tamika Catchings, as well as big names from Indiana's past such as NBA Hall of Famer Bobby "Slick" Leonard and members of the Indianapolis Clowns Negro League baseball team. The 7.5-acre experience is set to open in the spring.

DowDuPont Details Post-Merger 'Targeted Adjustments'

The newly-merged DowDuPont (NYSE: DWD) has detailed several changes to two of the three planned spin-out companies that will emerge from the \$130 billion combination. The agriculture-focused spin-out, which will be headquartered in Delaware and have a global business center at the current Dow AgroSciences LLC HQ in Indianapolis, is not expected to be affected by what the company calls "targeted adjustments."

FINANCIALLY SPEAKING

"CAT" bonds ease financial pain of nature's fury



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The images of the devastation caused by Hurricane Harvey are fresh and draw immediate comparisons to Katrina, which was just one of four major hurricanes to hit the U.S. in 2005 (preceded by Dennis and followed by Rita and Wilma).

Prior to Harvey, the most recent notorious storms to hit the U.S. were Hurricanes Matthew (2016) and Sandy (2012). In fact, according to the NOAA National Centers for Environmental Information, <https://www.ncei.noaa.gov/billions/events/US/1980-2017>, the U.S. has sustained 212 weather and climate disasters since 1980 in which damages exceeded \$1 billion, with cumulative damages in excess of \$1.2 trillion. Harvey was the 10th such disaster of 2017.

Weather forecasting and investing are both probabilistic endeavors. Floods are sometimes referred to as "100- or 500-year events," but it's important to understand these terms refer to the chance of a flood happening in a given year, not the timing. A 100-year flood theoretically has a 1% chance of happening in a given year, but that doesn't mean it will happen only once a century or can't happen in consecutive years. When you flip a coin, heads and tails have the same 50% probability, but it's certainly possible to have a string of 5 or 10 in a row.

According to Vox, from August 2015 to August 2016, there were eight 500-year flood events recorded by the National Weather Service and three 1000-year flood events in each of 2015 and 2016. Harvey will likely be the Houston area's third 500-year flood in the past three years.

Whether climate change is increasing the probabilities of weather disasters or we're just having a run of "bad luck," the need for protection is obvious.

Property owners typically purchase an insurance policy from Company A, which in turn lays-off a portion of the risk by purchasing "reinsurance" from Company B. Catastrophe or "CAT" bonds were invented in 1994 after Hurricane Andrew (1992) created about \$25 billion in insured losses in Florida, leading to the bankruptcy of numerous insurers.

"CAT" bonds enable insurers to transfer risk to bondholders. With traditional bonds, the issuer defaults when it becomes insolvent and unable to pay scheduled interest and principal. With "CAT" bonds, the issuer defaults when 1) a specified catastrophe 2) hits a particular place 3) before the bond matures (typically three years). In essence, "CAT" bondholders are betting catastrophe won't strike.

There are four types of "triggers" that can cause a "CAT" bond to default:

1. Indemnity trigger: covers claims paid by the issuer over a threshold amount.
2. Industry loss trigger: based on claims paid by all insurers on the extreme event.
3. Parametric trigger: based on occurrence of a specific extreme event (i.e. Category 5 hurricane).
4. Modeled trigger: based on claims estimated by a computer model.

"CAT" bonds are popular as they offer relatively high returns that are also uncorrelated with the economy or stock/bond markets. The issuer invests the principal received from the bondholders in ultra-safe securities. The income earned is combined with premiums received from policyholders to pay above-market rates to the bondholders. If no default is triggered, the principal is returned at maturity.

With tightly-defined triggers, there have been relatively few defaults for the 230 "CAT" bonds issued since 1994, but only time will tell if CATs have nine lives.