法兰德斯中国商会 FCCC VCKK

FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

NEWSLETTER | 8 APRIL 2014

FCCC ACTIVITIES

FCCC Conference: “Doing Business with Belgium” – 14h30, 24 April 2014 – Shangri-La Hotel, Qingdao

The Flanders-China Chamber of Commerce (FCCC) and the China Council for the Promotion of International Trade (CCPIT) Qingdao Sub-Council are organizing a conference: “Doing Business in Belgium: Flanders” on Thursday, 24 April 2014 at 14h30 at the Shangri-La Hotel in Qingdao, Shandong province. Address: 9 Xiang Gang Zhong Lu, Qingdao, 266071, China. This session is organized with the support of the Port of Antwerp, the Province of East Flanders, Ghent University and Dewolf & Partners.

Programme:
Registration

Welcome by Mr FENG Wenqing, Chairman China Council for the Promotion of International Trade – Qingdao

Introduction on the Trumps of Belgium – Flanders by Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce

“Movie: Flanders, Small Size, Big Opportunities”

“Antwerp, heart of Europe’s shipping & logistics Industry and gateway to 250 million consumers” by Mr Luc Arnouts, Chief Operating Officer, Port of Antwerp

“Study at Ghent University: education and research” by Mr Domien Proost, Chief Representative Beijing Office, University of Ghent and Province of East-Flanders

“Investing and doing business in Belgium – Legal aspects” by Mr Jacky Sun, Associate, Dewolf & Partners

Followed by exchange of views and networking reception.

If your company is interested in sponsoring this event, please send an e-mail to: info@flanders-china.be.

Panel Discussion with Captains of Industry – Results Sino Belgian Business Survey 2014 – 24 April 2014 – Ghent

A record 22 million in new auto sales, GDP growth declining to the lowest level in 24 years… In a country that recorded the worst performing stock market in Asia, while at the same time achieving record retail sales, it’s difficult to see just how companies in China performed in 2013. Moore Stephens, together with the Flanders-China Chamber of Commerce (FCCC) are organizing a discussion on the results of this year’s survey with a panel of captains of industry and independent pundits in Ghent on April 24.

Date and venue: Thursday 24 April 2014, Ghent Marriott Hotel, Korenlei 10, 9000 Gent

Programme:
16h00 – 16h30: Welcome & Registration
16h30 – 16h50: Opening Speech by Catherine Vuylsteke (Author, Journalist, Film Maker, China Expert)
16h50 – 17h30: Captains of Industry panel discussion moderated by Andries Verschelden (Partner, Moore Stephens)
Panel members:

- Patrick Van Overloop, KBC General Manager Asia Pacific
- Paul Van den Bulcke, Director at Taminco
- Geert Roelens, CEO Beaulieu Group

17h30 – 17h45: Q&A session
17h45 – 19h00: Networking opportunity, drinks and hors d’oeuvres

Price: Members FCCC: €30 Non-Members : €45
Register here

ACTIVITIES

China Europa – 16~18 September 2014 – Shenyang

China Europa, the essential business gathering between Europe and China, is a key event focusing on commercial relations between Europe and China in the field of sustainable urban development, and offers European and Chinese companies and territories a unique opportunity to meet and to develop efficient economic links, in optimal conditions. It guarantees fruitful and constructive encounters with a number of qualified and targeted contractors and suppliers. It is also an opportunity to identify new development opportunities in Europe and in China and to benefit from exchanged expertise and good practice via a programme of conferences and themed workshops. The leading Chinese and European economic authorities consider China Europa to be the leading event in Sino-European business relations and exchange in the field of sustainable urban development. By providing extensive support towards the business convention's organization, these bodies assert their will to reinforce productive cooperation that will contribute towards shaping tomorrow's sustainable towns and cities.

More information on the event is available at: http://www.china-europa.org/rendez-vous-incontournable-business-europe-chine-china-europa-2014-en.asp

PAST EVENTS

China Job Market – Gent – 1 April 2014

A job market for Chinese high potentials was organized by Ghent University Doctoral Schools, the Flanders-China Chamber of Commerce (FCCC) and the Province of East Flanders. The fair took place on 1 April at the International Convention Center (ICC) in Ghent, where at the same time the Graduate Fair and Job Market for Young Researchers was held.

Ghent University Association with its four member institutions – Ghent University, University College Ghent, Artevelde University College Ghent and University College West-Flanders – has approximately 250 Chinese students. Chinese final-year Master students and young researchers (doctoral students and postdoctoral fellows) received a personal invitation to visit the Graduate Fair. The job market was also advertised through the Chinese interuniversity student council. The purpose of the Fair was to help final-year Master students and young researchers find a (first) job and make it easier for employers to network with these young professionals.

Cleantech opportunities for Flemish companies in China – 26 February 2014 – Berchem (Antwerp)

The Flanders-China Chamber of Commerce (FCCC), the Flanders Cleantech Association (FCA) and the EU SME Center in Beijing organized an information session on "Cleantech opportunities for Flemish companies in China" on 26 February 2014 at FCA in Berchem.

The event was introduced by Mrs. Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce (FCCC) and Mrs. Carine Vanhove of the Flanders-Cleantech Association.

Mr. Dirk Fransaer, CEO of VITO, introduced the top 3 challenges and solutions from Flanders; Mr. Tom Huysmans, CEO of Liquisol, talked about the roadmap for your product in China; and Mr. Daniel Sahr, Expert, EU SME Center, gave his insights on cleantech opportunities and challenges for Flemish SMEs in China. Finally, Mr. Simon Cheetham, ASEAN IPR SME Helpdesk Team Leader, China IPR SME Helpdesk, talked about intellectual property and your business in China.

The workshop provided a unique opportunity to exchange experiences about entrepreneurship in China, more specifically in the cleantech sector.
The event was organized with the support of Flanders Investment and Trade (FIT).

NOTICE

Sponsorship opportunities

The Flanders-China Chamber of Commerce (FCCC) offers several sponsorship opportunities to give companies more exposure to potential new clients and collaboration. Opportunities are available in our weekly newsletters, quarterly Chinese newsletters, our new website, our conferences and meetings with Chinese delegations.

If you are interested in obtaining more information about the sponsorship opportunities, you can download the detailed information at the following link : www.flanders-china.be/sponsorship_opportunities_2014.doc

PUBLICATIONS

FCCC publishes “FCCC Members' Portraits in China Vol.2”

See FCCC Members' Portraits on the FCCC website.

FINANCE

Speculators betting on yuan appreciation lose

Clients of commercial banks in the United States have lost about USD2 billion this year on USD332 billion of options betting the yuan would appreciate, while Chinese companies lost USD3.5 billion on USD150 billion wagered on a benchmark forwards contract, data compiled by the Morgan Stanley and Depository Trust & Clearing Corp in Washington showed. These contracts, when including bearish bets, account for more than a third of global trading in the yuan. After almost a decade of gains, speculators had come to regard the yuan as a one-way trade, leading to a surge in capital inflows that leaves the country vulnerable to a sudden shift in investor sentiment. Policymakers responded by selling the yuan and widening its trading band, fueling a record 2.7% quarterly decline that was the biggest among Asian currencies. “The depreciation was engineered to burn the fingers of speculators,” said David Loevinger, former Senior Coordinator for China affairs at the U.S. Treasury and now an analyst at TCW. “The People's Bank of China wants two-way volatility embedded in the market.” The currency started to weaken in mid-February and declined the most in any quarter since Beijing unified official and market exchange rates in 1994. It slipped to a one-year low of 6.237 per U.S. dollar on March 21 from a 20-year high of 6.0406 on January 14, and has almost erased last year's 2.9% advance.

Second bond default avoided

Chinese building materials producer Xuzhou Zhongsen Tonghao New Board, based in Jiangsu province, missed a 10% coupon payment due March 28 on securities sold last year, but Sino-Capital Guaranty Trust, the guarantor for the CNY180 million of notes, will fulfill its responsibilities, thereby avoiding that the bonds would default. It would have been the first default in the private-placement market for high-yield bonds from small and medium-sized enterprises. China's onshore note market experienced its first default last month when Shanghai Chaori Solar Energy Science & Technology missed payment on its debt. “There will continue to be a mixture of bond defaults and too-big-to-fail, or too-entangled, cases,” said James Zhao, Chief Investment Officer in Beijing at the international department of CCB Principal Asset Management. “It's now up to the market to find the pattern and investors will now have to figure out who is creditworthy and who is more likely to fail. It's a positive development.” Mounting non-payments amid an economic slowdown in China may signal the government has backed off from its practice of bailing out companies with bad debt.

- China’s outstanding foreign debt rose 17% year-on-year to USD863.2 billion by the end of 2013, the State Administration of Foreign Exchange (SAFE) said. In 2012, the foreign debt rose an annual 11%. China’s outstanding short term foreign debt of one year or less accounted for 78% of the total outstanding foreign debt at the end of last year. SAFE said there is “theoretically no risk” because of China’s USD3.8 trillion foreign exchange reserves. The ratio of short-term debt to foreign exchange reserves was 17.7%, far below the internationally accepted safety level of 100%.

- Oversea-Chinese Banking Corp (OCBC), Singapore's second-biggest lender, made a formal offer to buy Hong Kong's Wing Hang Bank for a slightly lower than expected HKD38.428 billion. OCBC will purchase the stake it does not already own from members of Wing Hang's founding Fung family, their affiliates and related family trusts, and BNY International Financing.
- China Construction Bank (CCB) plans to issue CNY20 billion of subordinate debt and is studying the feasibility of issuing preference shares to boost capital. The bank posted a net profit of CNY215.1 billion for last year, an increase of 11.1% from the previous year. CCB's total loans increased 14.3% last year.
- China's bond market is projected to more than double within five years at a compound annual growth rate of 18.3% and account for 70% of the Asian bond market, a Boston Consulting Group (BCG) report said. China's onshore market will exceed Japan's to become the largest in the region. According to Shanghai Clearing House, the amount of total bonds outstanding by the end of 2013 was 14.1% higher the previous year, reaching CNY29.9 trillion.
- China's big banks are set to issue preferred shares this year to shore up finances as slowing profit growth curbs their ability to retain earnings as capital. Preferred stock, available under a trial approved by regulators last month, permits banks to raise capital without selling common equity. The shares can be converted into common stock if capital ratios fall below a certain level. The four biggest lenders will face a capital shortfall of USD87 billion under the new capital requirement rules by 2019, Mizuho Securities Asia estimates.
- Industrial and Commercial Bank of China (ICBC) is considering a bid for Pioneer Investments, one of Europe's biggest money managers. Pioneer, owned by Italy's biggest bank by assets, UniCredit, managed €174 billion as of the end of last year. If the deal goes ahead it would be the biggest-ever acquisition of a Western money manager by an Asian company. "It would be a very significant development because it clearly would make a big difference to ICBC's credentials," said Stewart Aldcroft, Senior Adviser Asia-Pacific for Citi Securities and Fund Services.
- Of the 1,222 financial crime cases to reach the Shanghai Higher People's Court, 1,054, or 86%, were linked to credit card fraud, an increase of almost 40% from the previous year. Two expats were among the 1,530 people convicted of financial crimes last year.
- At least 40 central banks have invested in the yuan and several others are preparing to do so, putting the Chinese currency on the path to reserve status even before full convertibility, Standard Chartered said. Twenty-three countries have publicly declared their holdings in yuan, in either the onshore or offshore markets, yet the real number of participating central banks could be far higher, said Jukka Pihlman, Standard Chartered's Singapore-based global head of central banks and sovereign wealth funds.

FOREIGN INVESTMENT

Qianhai to sell land exclusively to Hong Kong investors

Qianhai, a new economic zone in Shenzhen, is planning to auction up to 15 parcels of land this year totaling 2.6 million square meters, a third of which will be sold exclusively to Hong Kong companies as a way of attracting more investment from the city. It also plans to build 4,717 flats and rent them at below-market prices to Hong Kong firms and professionals who relocate there. By 2020, Qianhai is aiming to attract 100,000 Hong Kong permanent residents to work in the region and 10,000 companies from Hong Kong to register there. As of March 14 this year, 5,197 firms had registered in the zone with a total registered capital of CNY369 billion.

HEALTH

U.S. FDA to increase oversight of Chinese manufacturers

The U.S. Food and Drug Administration (FDA) is increasing its oversight of Chinese manufacturers of pharmaceutical ingredients to improve the safety of the U.S. drug supply chain, Christopher Hickey, Director of the FDA's China office said. About 80% of the active ingredients and bulk chemicals used to make pharmaceutical drugs sold in the United States come from overseas. Of those, nearly half are made in China and India. Between 2003 and last year, imports from China increased 192%, raising the potential for substandard products to reach U.S. consumers.

IPR PROTECTION

Patent ownership highest in Beijing

The intellectual property office of Beijing announced that the average patent ownership per 10,000 people in the city reached 40.4 last year. The number was the highest in the country and 10 times the national average. Last year Beijing's companies, universities and research institutions filed 123,300 patent applications, an increase of 33.6%. More than 62,000 patents were granted last year and the city owns 85,400 invention patents, ranking second nationwide.

- The International Trademark Association (INTA) is due to hold its annual meeting in Hong Kong from May 10 to 14. The group's CEO, Etienne Sanz de Acedo, said it would be "the biggest trademark event in the world". It is the first time the New York-headquartered group has opted for an Asian city as its annual meeting venue. About 8,000 people from around the world are expected to take part in the five-day event.
- The copyright authority of Guangzhou has developed a phone app that can distinguish pirated books from genuine ones. Users can scan a book's bar code with their phone and the app software compares the information with a database of more than 1.4 million entries.
- An intellectual property school has opened at the Nanjing University of Science and Technology. It is estimated that there would be 10,000 vacancies for patent examiners in the country in the next five years. By next year 4,000 enforcement officers and administrative service providers as well as 500 IP judges will be needed. Co-founded by the Ministry of Industry and Information Technology (MIIT), the State Intellectual Property Office (SIPO) and the Jiangsu provincial government, the school is open to applications this year.

MACRO-ECONOMY

Baoding prepares for Beijing overflow

Baoding in Hebei province will create 34 districts to absorb branches of institutes and companies based in Beijing. Baoding would set aside 115,000 hectares for the project, Mayor Ma Yufeng said. Plagued by pollution, traffic jams and population pressure, Beijing is pushing labor-intensive businesses out. Baoding, located about 150 kilometers away, and neighboring Langfang, will become satellite cities for the capital, according to directives issued by the provincial government. "Some of Beijing's leading hospitals have already moved some of their functions to Baoding," Ma said. The construction of the PLA General Hospital's base in Zhuozhou, a county-level city administered by Baoding, started in December, he said. Three of Baoding's new districts will have stations for the high-speed railway which connects the capital with Shijiazhuang. With Beijing just 40 minutes away by rail, Baoding officials hope these districts can become high-tech hubs for university facilities and firms. Ma has also suggested his city could support exhibition centers and wholesale markets. Baoding and Langfang are competing to attract the massive wholesale market located next to Beijing Zoo. Baigou, a county in the north of Baoding, had already finished a venue with 5 million square meters of floor space, Ma said. It would also waive rents for five years for vendors who relocate from the capital. Covering an area of 2.2 million hectares and home to more than 10 million people, Baoding was named Hebei's capital at the founding of People's Republic of China in 1949, but it lost the status in 1958 to the more industrialized Tianjin, and then to Shijiazhuang.

Prices of flats soared by as much as 10% over the past few days as investors, a majority of whom were from Beijing, arrived to invest in real estate. Two-bedroom units in some new developments in Baoding turned out to be extremely popular and were soon sold out. One buyer from Beijing bought 20 units, according to a local real estate agent.

Official March PMI rises slightly from April, HSBC PMI down

The official Purchasing Managers' Index (PMI) rose to 50.3 in March from 50.2 a month earlier. The components showed that production edged up to 52.7 in March from February's 52.6, while new orders rose 0.1 point to 50.6, and employment gained 0.3 points to 48.3. Input prices lost 3.3 points to 44.4, indicating little inflationary pressure for the future. Zhao Qinghe, Analyst with the National Bureau of Statistics (NBS), said the indices indicated a stabilizing industrial sector. However, the HSBC PMI, which tracks conditions at mostly private and export-oriented manufacturers, fell to 48 in March, an eight-month low that was down from 48.5 in February. It marked the third straight month that the HSBC PMI pointed to contracting activities. Qu Hongbin, Chief Economist for China at HSBC Holdings, said the latest deterioration was the strongest since July 2013. "It confirmed the weakness of domestic demand," Qu said. "This implies that first-quarter economic growth is likely to fall below the annual target of 7.5%." The government's PMI is based on survey responses from purchasing executives at 3,000 companies, while the HSBC-Markit report comes from more than 420 enterprises. The Markit/HSBC services purchasing managers index (PMI) rose to 51.9 in March from February's 51, buoyed by strong employment.

China announced pro-growth measures in what economists described as a targeted stimulus program. Three major initiatives were announced, including halving the taxable revenue of the corporate income tax of small and micro enterprises, greater support for the redevelopment of run-down urban areas and more investment in railways, including the setup of a long-awaited railway development fund, more types of railway financing bonds and greater participation of private capital. But the government is also avoiding an all-out massive stimulus that would risk worsening debt and overcapacity.

- China's economic growth is expected to slow to 7.5% this year as investment slows and structural reforms are actively pushed through, the Asian Development Bank (ADB) said in its annual publication Asian Development Outlook. Zhuang Juzhong, ADB's Deputy Chief Economist, said China has the potential to improve growth quality, making it more inclusive and more sustainable. Industrial production growth moderated to 8.6% in the first two months, a five-year low which was down from 9.7% in December. Fixed-asset investment (FAI) increased 17.9% during the period, the slowest since 2002, while retail sales growth softened to 11.8%, the weakest since 2005. ADB economists said the property market did not appear to be overheating and investment in the sector would continue to underpin economic growth.
- Premier Li Keqiang told his colleagues in the central government to "pluck up the courage" to reduce their own power as China looks to cut red tape to unleash potential growth. "China can stabilize its economy as long as the market is allowed to play its role and public innovation is being respected," Li said.
- Data from the National Bureau of Statistics (NBS) show profits in China's state-owned industrial firms fell 0.2% in the first two months of this year while China's overall industrial profits grew 9.4%. SOEs have underperformed the wider industrial sector in nine of the past 13 years in terms of profit growth. SOE reforms in the past years failed to address the core problem of low productivity. Deepening reforms entails gradually diluting state control in SOEs by ushering in private investors, according to Wang Jun, Senior Researcher with the China Center for International Economic Exchange.

MERGERS & ACQUISITIONS

COFCO to take 51% stake in Noble Agri for USD1.5 billion

State-owned China National Cereals, Oils and Foodstuffs Corp (COFCO) said it will pay USD1.5 billion in cash for a 51% stake in Noble Agri, the agribusiness operations of Hong Kong-based Noble Group. COFCO will acquire the stake from Noble Group, a global supply chain manager of agricultural and energy products, metals and minerals based in Hong Kong. A consortium of international investors led by Hopu Investment Management Co, a private equity fund, will join COFCO as a minority co-investor in this acquisition. COFCO will hold two-thirds of a joint venture investment vehicle, with the balance held by the Hopu-led consortium. Established in 1998, Noble Agri is mainly engaged in trading and processing farm products sourced from low-cost regions around the world to supply markets with high demand in Asia and the Middle East. The products include wheat, corn, soybeans, coffee, cocoa, sugar and cotton. The company generated USD15.49 billion in revenue last year. The move follows COFCO's purchase in February of a 51% stake in grain trader Nidera of the Netherlands to gain direct access to South American oilseed and grain supplies. These two deals are COFCO's largest overseas acquisitions so far, the China Daily reports.

- E-commerce firm Alibaba has stepped up its cross-sector acquisitions with a deal to invest USD692 million in Hong Kong-listed Intime Retail, one of China's largest operators of department stores. The transaction, which includes the establishment of a joint venture between the two companies, will enable Alibaba to rapidly develop a unified online, mobile and offline retail sales environment for merchants and shoppers. Alibaba agreed to invest USD214 million in cash for a 9% equity interest in Intime and to subscribe to USD478 million worth of convertible bonds.

PETROCHEMICALS

Beijing Enterprises targeting faster gas sales growth

Beijing Enterprises Holdings, the Hong Kong-listed natural gas distribution arm of the Beijing municipal government, said it is targeting faster gas sales growth this year, after posting a better-than-expected 29.3% profit growth for last year to HKD4.18 billion. Revenue grew 19.1% to HKD42.36 billion. Some 80% of the profit, or HKD3.52 billion, came from piped-gas distribution. Chief Executive Zhou Si said last year's sales volume growth was below expectations because Beijing's past winter was one of the warmest on record. “But with ongoing urbanization and curbs on air pollution, gas sales will continue to grow,” he said, adding this year's sales are targeted to grow 14.7% to 10 BCM.

- Following violent demonstrations in Maoming, Guangdong province, against a controversial petrochemical plant, the city government said the plan would not proceed if most people clearly opposed it. Protesters were demonstrating against the proposed addition of a CNY3.5 billion paraxylene (PX) plant to the city’s existing petrochemical operations jointly run by the local government and Sinopec. Previously, the construction of PX plants was shelved in Dalian and Xiamen.
- Husky Energy’s Robert Hinkel, COO for the Asia-Pacific, said the deepwater regions of the northern South China Sea have big gas exploration potential and are only in an early stage of development. Only about 25 wells had been drilled with one major discovery, whereas 180 wells were drilled before the first commercial discovery in deepwater areas of the North Sea. Husky said its Liwan natural gas project, discovered about 300 kilometers southeast of Hong Kong in 2006, had just started commercial production. The first of its three fields is expected to produce 2.58 billion cubic meters of gas a year initially, rising to 3.1 billion in the second half of this year.
- Industrial chemical maker China Lumena New Materials denied allegations of fraud. Emerson Analytics alleged Lumena had inflated its 2012 revenue by seven times, and it should have lost CNY372 million in 2012 instead of reporting a net profit of CNY1.39 billion. Glaucus Research, a U.S. short-seller, also issued a report accusing Lumena of making “numerous material misrepresentations” in its 2009 initial public offering (IPO) prospectus and subsequent financial statements. Glaucus alleged Lumena's sales and profitability were 90% less than the company reported.
- Chinese exploration teams have drilled a seven-kilometer borehole into the Tibetan Plateau to tap oil and natural gas resources. It is the deepest borehole ever drilled at such extreme altitudes. Professor Li Haibing, Researcher with the Chinese Academy of Geological Sciences, would not reveal the project's location and declined to identify which state-owned oil companies were active in the region. It is hoped that samples from the borehole will clarify some of the questions about the region's hydrocarbon and mineral resources.

REAL ESTATE

Slower growth in home prices reported

Housing prices in China kept rising in March, though at a slower pace, according to a China Index Academy report. The average price of new homes in 100 cities climbed 0.38% last month from February to CNY11,002 per square meter, the 22nd straight month-on-month gain. “We’ve seen narrowing price growth – both monthly and annually – for the third consecutive month in March while the number of cities recording price increases and decreases remained little changed from February,” the Academy said. The number of cities registering price increases and decreases of more than 1% fell from a month ago to 12. Dongguan in Guangdong province led last month’s gainers with a 2.29% increase. In the 10 largest cities, the average price of a new home climbed 0.67% to CNY19,563 per square meter last month. Among the 10 cities, Shanghai overtook Beijing as the one which saw the biggest growth with a monthly gain of 0.99%. Beijing was next with a month-on-month gain of 0.93%. Year-on-year, the price of new residential properties in the 100 cities jumped 10.04%, extending price increases for the 16th consecutive month.

According to Century 21, a major real estate brokerage firm, the number of transactions in the pre-owned home market in most of China's major cities, including Beijing and Shanghai, all saw a drop of more than 50% year-on-year in the first quarter. Beijing posted a 65% sales decline in the pre-owned home market and a 44% fall in the new home market in the first three months of this year. The situation in Shanghai was similar, with transactions decreasing 56% in the pre-owned home market and 40% in the new home market, both reaching record lows in the past five consecutive months. Most property developers are setting prices lower than market expectations to spur sales. Some have begun to offer discounts in cities including Hangzhou, Nanjing and Guangzhou. According to HomeLink, a real estate brokerage, 10,651 units of housing were sold from January 1 to March 26, down 58% year-on-year. Zhang Xu, Analyst with HomeLink's Market Research Department, said the drop reflected both tight credit and a surge in the supply of subsidized housing. The government plans to launch 50,000 units of subsidized housing this year.

Revenue required to reach real estate Top 50 drops

China Real Estate Information Corp said the amount of sales revenue required to make the top 50 list of best-selling developers dropped by a quarter in the first three months of the year to CNY2.4 billion. In terms of area sold, the threshold dropped by 6%, or 15,000 square meters. The sector further consolidated, with the first 10 companies on the list accounting for 19.69% of the total sales revenue of the 50 companies. China Vanke Co topped the list with first-quarter sales of CNY52.81 billion. Shanghai Securities Journal reported that cities including Hangzhou and Changsha have started discussions on tweaking purchasing restrictions put in place in 2010 by Beijing to check what were then skyrocketing home prices. Under the restriction, second-home buyers have to pay up to 70% as a downpayment and pay higher mortgage rates. A recession in the real estate sector, a pillar industry that accounts for around 10% of the economy, would deal a further blow to China's economic growth.

- Shanghai Industrial saw earnings from real estate plunge 57.5% to HKD738 million last year as net profit fell 21.5% to HKD2.7 billion. Property accounted for 26.8% of overall net profit of the Hong Kong-listed business arm of the Shanghai municipal government. “The property environment was very difficult,” Chairman Wang Wei said. The sharp drop in the company's real estate profit was due to the high basis for comparison following disposal gains from selling Lot G in Shanghai's Qingpu district in 2012. Excluding the disposal gains, real estate earnings were up, Wang said.
- Eleven publicly-listed lenders that have released their 2013 results have reported a combined CNY3.2 trillion in outstanding property loans as of December 31. The figure stood at CNY3.16 trillion for all 16 banks at the end of 2012. Bank of China (BOC) had the biggest balance at CNY625.2 billion, accounting for 8.22% of its total loan balance, followed by Agricultural Bank of China (ABC) with CNY549.6 billion, or 7.6% of the total.
- Sales of luxury homes soared to a record in Shanghai in March, with the Pudong New Area taking up nearly half of the total sales in the city. Shanghai saw sales of 477 new residential units costing more than CNY50,000 per square meter last month, the highest monthly volume registered, Shanghai Deovolente Realty Co said. By area, the purchases of new luxury homes more than tripled from a month earlier to 78,000 sq m. Nearly 2,300 units of new luxury homes were released locally last month, a monthly rise of nearly 30%.

RETAIL

Ratio of convenience stores remains low

The ratio of convenience stores in China is still relatively low compared with Japan and Taiwan, where there is one convenience store for every 2,000 residents. In China the average is around 5,000 people. Dongguan scores the highest level with 2,667 people for every convenience store, according to the China Chain Store & Franchise Association, which has just released its China Urban Convenience Stores Index. The index, offering an analysis of the development of convenience stores in 26 cities in China based on growth rate, saturation, percentage of operating hours and policy support, noted that convenience stores in Shenzhen, Dongguan in Guangdong province, and Taiyuan in Shanxi province are the most advanced, while Shanghai and Guangzhou rank No 6 and No 9. Only about half of the stores open 24 hours a day. However, convenience stores are still considered to be the fastest-growing retail sector with a growth rate of 19.5% on average in 2013 among the surveyed 26 cities, higher than that of department stores and hypermarkets. The growth rate in Wenzhou in Zhejiang province, Hohhot in Inner Mongolia, and Xuzhou in Jiangsu province has exceeded 50%. Shanghai is the only city surveyed that recorded fewer convenience stores last year. Liu Yue, Spokesman for Seven-Eleven (Beijing) Co, said high rents have become the biggest hurdle for convenience stores in major cities such as Beijing and Tianjin in the quest to open new stores, adding that a new location with an affordable rent is hard to get nowadays in Beijing.

- Marks & Spencer has indicated it would no longer open wholly-owned stores in China, but look for a local partner to further expand. The company is also shutting a third of its 15 wholly-owned stores in China, but plans to open five in better locations. Tesco and Kingfisher are also teaming up with local partners. M&S Chief Executive Marc Bolland plans to transform the company into a “multi-channel” retailer via stores, the internet and mobile devices.

SCIENCE & TECHNOLOGY

Two scientists receive Shanghai Science and Technology Awards

Jin Donghan, a power machinery engineer, and He Jifeng, a computer scientist, received top prizes at this year’s Shanghai Science and Technology Awards. Each was awarded CNY500,000. Jin, 53, President of the Shanghai Marine Diesel Engine Research Institute, was commended for his work on China’s first thermal engine, which has a wide range of military and civilian uses. He, 70, Director of the East China Normal University’s Software Engineering Institute, was praised for the development of software for the auto and aeronautics industries. At the biennial awards, 298 projects and people were recognized, the Shanghai Science and Technology Commission said. German national Zhang Yi collected the international science and technology cooperation award for helping the Shanghai Institute of Microsystem and Information Technology under the Chinese Academy of Sciences (CAS) to develop its superconductor electronics research. His work led to China achieving international status in the superconducting quantum interference device (SQUID) field.

- Coca-Cola has begun a decade-long program in partnership with Tsinghua University on March 31 that will include business courses, research into marketing and faculty development, said Qian Yingyi, Dean of the School of Economics and Management. Ahmet Bozer, Executive Vice President of Coca-Cola Co and President of Coca-Cola International, delivered an hourlong presentation about “Open Happiness: Can a business be a force for good”, as the first official lecture in the program. One of the major points of the lecture was the need for combining social good with business, which is key to sustainable development.
- China's first test satellite for detecting electromagnetic anomalies from space will be launched in 2016 in a move that is aimed at improving the country's earthquake monitoring network and moving its seismological science forward. Roberto Battiston, Professor at the University of Trento in Italy, said that studying magnetic and electric fields is a wise choice for earthquake science.
- 21 high schools in Shanghai have been chosen to trial an international curriculum following a study by the Shanghai Education Commission. 33 schools in Shanghai already have their own international curriculums. These schools offered 18 kinds of

international courses, including International Baccalaureate Diploma Program (IBDP), General Certificate of Education Advanced Level (A-level), and Advanced Placement (AP) diplomas.

STOCK MARKETS

WH Group lowers IPO valuation

WH Group, the Sino-U.S. pork producer formerly known as Shuanghui International, is marketing its USD6 billion share sale in Hong Kong at a lower valuation than previously sought amid a tepid market. The world's largest pork company, based in Henan province, has kicked off pre-marketing for its initial public offering (IPO) after it received approval from the Hong Kong stock exchange. The indicative price range is likely to be between 15 and 18 times forecast earnings for this year, as against the 20 times the firm's senior management had indicated earlier. While the flotation would potentially give WH's private equity investors an opportunity to exit, it is still unclear how many shares the existing shareholders – such as CDH Investments, Goldman Sachs, New Horizon Capital and Temasek – plan to offload during the global offering. Shanghai-based CDH is the biggest shareholder with a 33.7% stake held in four funds. The fresh capital raised by WH, which acquired the world's largest pig and pork producer, Smithfield Foods, for USD4.7 billion last year, could help pay down debt used to acquire the U.S. firm. Shuanghui received a USD4 billion syndicated loan from more than 20 banks, including Morgan Stanley and Bank of China (BOC).

- Deutsche Bank is weighing whether to refrain from working on China General Nuclear Power Group's initial public offering (IPO) amid a probe into hiring practices in Asia. The bank employs Celia He, the daughter of CGNPG’s Chairman He Yu. JP Morgan has dropped out of two share sales for Chinese companies since U.S. authorities started an investigation into its hiring practices.
- China granted CNY29 billion of new investment quotas to qualified foreign institutional investors (QFII) in March as the country moves cautiously to encourage capital flows. Of the quota, USD1.45 billion was granted to six investors under the Qualified Foreign Institutional Investor program, and CNY20.1 billion was made to Renminbi Qualified Foreign Institutional Investors. 241 institutions had received QFII quotas amounting to USD53.6 billion.
- The Hong Kong Stock exchange denied speculation that a mutual market trading mechanism with the Shanghai Stock Exchange has been established. Earlier, media had reported that the Hong Kong and Shanghai exchanges were launching easier channels for cross-border equity investments.
- Yang Jianbo, former General Manager of the Strategic Transaction Department of Everbright Securities, is suing the China Securities Regulatory Commission (CSRC) after it fined and banned him for life last year from the securities industry for insider trading. There are four main disputed issues between Yang and the CSRC: whether insider information is involved; whether the behavior of Everbright Securities can be considered insider trading; whether Yang is a directly accountable person; and whether any illegal gains from futures trading can be confirmed. A one-day hearing was held at the Beijing No 1 Intermediate People's Court. A judgement is expected next month.
- The microblogging service Weibo Corp – often described as China's version of Twitter – is expected to raise at least USD340 million in its U.S. stock offering, according to an updated filing. The shares will be listed on the Nasdaq exchange under the symbol “WB.” The date of the market debut was not announced. Weibo reported revenues for 2013 of USD188 million, triple the level of 2012, but has continually lost money.

TRAVEL

China still faces pilot shortage despite rising numbers

The number of pilots in China rose 13% last year, but with commercial aviation booming there is still a major shortage. There were some 35,000 licensed pilots in the country at the end of 2013, including 18,463 with licenses for flying commercial aircraft, the Civil Aviation Administration of China (CAAC) said. But the rapid rise in passenger planes has created a demand for pilots far beyond what academies can supply. Analysts say that China’s domestic airlines will require about 3,000 new pilots every year, while training schools in the country can supply only 2,000 annually. China's airlines are expected to take delivery of 5,000 more aircraft in the next 20 years. Domestic airlines usually recruit pilots from the seven professional flight academies across the country, including the Civil Aviation Flight University of China – the country's major training facility – in Sichuan province, that provides 90% of civil airline pilots. Due to limited flight training in China, many Chinese pilots train overseas after several years of domestic study. CAAC data also revealed that China has only 309 female pilots – below levels in the West. Airlines also hire foreign pilots to tackle shortages.

- Shanghai's four largest taxi firms – Qiangsheng, Dazhong, Haibo and Jinjiang – have completed the integration of their dispatch systems with the two most popular booking apps Kuaidi and Didi. The system works only for taxis linked to a dispatch center. The Shanghai Transport Committee said just 70% of the cabs operating in the downtown area are linked, but it plans to raise that figure to 100% by the end of the year.
- The brand new Baoan terminal of Shenzhen's international airport suffered severe flooding and water damage after the city was battered by the heaviest rainstorm this year. Several areas in the terminal, which went into operation only four months ago, were submerged after the terminal building experienced large-scale water leakage. Architects said the terminal, which features more than 38,000 honeycomb-shaped skylights, would pose a significant waterproofing challenge. At least 16 people were killed due to torrential rains, storms and landslides in Southern China.
- China Southern Airlines plans to adjust its cabin structure to expand its premier-economy class while reducing the ratio of first-class seats, Chairman Si Xianmin said, after the Ministry of Finance issued a regulation that all department or bureau-level directors should fly economy class on business trips. China Southern flew 91.8 million passengers last year, with 2.52 million taking first or business class, up 14.5% year-on-year. The load factor for the top two classes increased 2.9 percentage points to 44.8%. The airline would also study the potential and business model of low-cost carriers. China Southern reported a 24.2% drop in net profit to CNY1.99 billion last year.
- The European Union is proposing to simplify visa rules to woe more tourists from China and other countries, according to Antonio Tajani, Vice President of the European Commission. "Many Chinese travelers are discouraged by the red tape and substantial difficulties in applying for a visa," Tajani said in a interview with China Daily. "The main obstacles are long wait times to get an appointment at consular offices and to get the visa issued, and the complexity of supporting documents," he added.
- The Beijing municipal government has ruled the city's 27 top five-star hotels off-limits for meetings by city officials. In accordance with Xi Jinping's "eight rules" to rein in excessive bureaucracy and extravagance, the capital vowed to control its conference budget, one of the items most often cited as a source of corruption and wasteful spending of public funds. The budget of a municipal level conference is CNY550 per head per day, including CNY300 for accommodation, CNY150 for meals and CNY100 for other expenses.
- A total of 6,600 kilometers of new rail lines will be put into use this year, an increase of more than 1,000 kilometers over last year. Of the newly added lines, nearly 80% will be in central and western China. The government said it will issue bonds worth CNY150 billion to finance railway construction this year.
- Figures from the Hong Kong Tourism Board showed 9.87 million tourists arrived in the first two month of this year, an increase of 14.1% year-on-year. Of them, 7.8 million, or nearly 80%, came from the mainland, representing a rise of 17.2%.

VIP VISITS

President Xi Jinping visits EU headquarters

Chinese President Xi Jinping visited the EU headquarters in Brussels on March 31. He met and held talks with European Council President Herman Van Rompuy and European Commission President Jose Manuel Barroso. Xi said he hopes Europe will keep markets open, exercise caution over the use of trade remedy measures and bring trade friction under control. The European Union has agreed to consider to open talks on a free trade agreement (FTA) with China if current negotiations on an investment agreement are successful. Talk of a free trade deal, which would create a market of almost 2 billion people, seemed unthinkable just a year ago, the Shanghai Daily reports. China's Ministry of Foreign Affairs said that both sides "should start the feasibility study on a free trade agreement, and jointly improve the quality and level of China-EU trade." EU Council President Van Rompuy said the EU is willing to speed up negotiations for a Europe-China investment agreement and for a free trade pact, and to cooperate with China in areas including urbanization, sustainable development and coping with climate change.

On April 1, President Xi Jinping delivered a speech at the College of Europe in Bruges, which houses the first China Library in Europe. China and Europe need to build four "bridges" to enhance their friendship and cooperation, Xi said. A bridge of peace would mean multilateralism and dialogue instead of war, unilateralism and confrontation. A bridge of growth must uphold open markets, speed up negotiations on an investment agreement, actively explore the possibility of a free trade agreement (FTA), and strive to achieve the goal of bringing two-way trade to USD1 trillion by 2020. A bridge of reform joins China and the European Union in pursuing unprecedented reforms. Finally, a bridge of common cultural prosperity unites Eastern and Western cultures. President Xi called for joint efforts for "all flowers of human civilizations to blossom together". He added that China has always supported European integration and a bigger role in international affairs by a united, stable and prosperous EU. China also released its second EU policy paper to reiterate the high importance it places on the EU. During a visit to the Volvo Car plant in Ghent, President Xi Jinping and King Philippe presented the 300,000th Volvo car produced for the Chinese market.

QUOTES OF THE WEEK

"The Chinese people are fond of tea and the Belgians love beer. To me, the moderate tea drinker and the passionate beer lover represent two ways of understanding life and knowing the world, and I find them equally rewarding."

Chinese President Xi Jinping, in a speech at the College of Europe in Bruges on April 1, 2014.

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