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

NEWSLETTER | 10 MARCH 2014

FCCC ACTIVITIES

China Job Market – Gent – 1 April 2014

A job market for Chinese high potentials will be organized by Ghent University Doctoral Schools, the Flanders-China Chamber of Commerce (FCCC) and the Province of East Flanders. The fair will take place on 1 April at 12h00 at the International Convention Center (ICC) in Ghent, where at the same time the Graduate Fair and Job Market for Young Researchers will be 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) will receive a personal invitation to visit the Graduate Fair. The job market will also be advertised through the Chinese interuniversity student council.

The purpose of the Fair is 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. Additionally, jobseekers receive ample information about diverse career and further study options available to them. Interested companies are given the opportunity to network with the visitors, introduce them to their business and offer CV analysis.

You are invited to participate in the China Job Market. Reserving a booth, you will have direct access to Chinese students, doctoral students and postdoctoral fellows in all academic disciplines: veterinary sciences, bioscience engineering, sciences, engineering and architecture, economics and business administration, pharmaceutical sciences, medicine, arts and philosophy, psychology, pedagogical sciences and law.

If your company is interested in participating, please register before 28 March 2014 via this link: http://www.flanders-china.be/eventdetail.asp?id=333&id_cat=1&cat=up&lang1=

Participation fee for FCCC Members: €195. Non-Members: €245.

ACTIVITIES

Webinar: IP Strategies for EU 'Cleantech' SMEs in China – 13 March 2014

Reserve your Webinar seat now at: https://www3.gotomeeting.com/register/849493310
China is investing heavily in exploring alternative, renewable means of addressing its immense energy needs. With a large potential cleantech market and strong government support for the development and adoption of new clean technologies, China presents great opportunities for

European cleantech SMEs. However, in this increasingly competitive market, it becomes essential to strategically manage, protect and leverage your intellectual property (IP). In this webinar, we will discuss some useful topics that will help you assess, protect and monetize your IP:

- Clean technology opportunities in China
- Bringing technology to China – IP Strategy
- Licensing and sale of IP
- Case studies and Lessons learnt
- Take-away messages

Join China IPR SME Helpdesk expert, Peter Corne on Thursday, 13 March 2014 for "IP Strategies for EU 'Cleantech' SMEs in China". This free, 45-minute webinar presentation and 30 minute Q&A session on Thursday, 13 March 2014 at 10:00 am Brussels time (9:00 am London, 5:00 pm China) will take you through a range of simple, cost-effective measures to protect your intellectual property and your business in China. Get valuable insights and ask questions live throughout the webinar.

After registering you will receive a confirmation email containing information about joining the Webinar.

Invitation to participate in the Sino Belgian Business Survey 2014

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. How did your company perform in 2013? When we talk about the growth of our business in China, are we comparing apples to apples, or are we comparing apples to oranges? We keep our survey simple. Please take a few minutes to fill out this survey.

Click here to take the survey

The survey results will be shared in panel discussion events in Shanghai (March 27) and Brussels (April 24), where a panel of industry leaders will help us compare apples to apples. This survey is organized by Moore Stephens Verschelden in close cooperation with Flanders-China Chamber of Commerce (FCCC). This electronic survey is intended for those companies doing business in China. Please only fill out once per company.

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

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

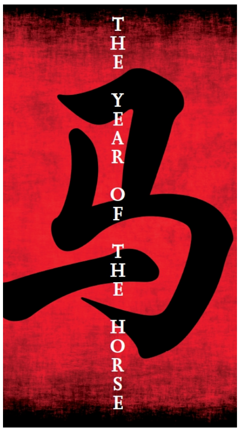
The Flanders-China Chamber of Commerce (FCCC), the Flanders Cleantech Association (FCA) and the EU SME Center in Beijing organized an information session on "Cleantech opportunities for Flemish companies in China" on 26 February 2014 at FCA in Berchem.

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).

FCCC New Year Reception – 13 February 2014 – Brussels



The Flanders-China Chamber of Commerce held its annual New Year Reception on 13 February 2014 at AG Insurance in Brussels.

Addresses were delivered by:
Mr Bert De Graeve, Chairman Flanders-China Chamber of Commerce;
His Excellency Mr Liao Liqiang, Ambassador of the People's Republic of China in Belgium;
Mrs Claire Tillekaerts, CEO of Flanders Investment & Trade (who replaced Mr Kris Peeters, Minister-President of the Government of Flanders, Flemish Minister for Economy, Foreign Policy, Agriculture and Rural Policy).

Meeting with the Ambassador of Belgium in China and Consuls General – 3 February 2014 – Brussels

The Flanders-China Chamber of Commerce (FCCC) organized a meeting with the Ambassador and Consuls General of Belgium in China on 3 February 2014 at BNP Paribas Fortis in Brussels. The event presented an excellent opportunity to brief the Ambassador and Consuls General of Belgium in China on member companies' activities in China.

Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce; Mr Michel Malherbe, Ambassador of Belgium in China; Mrs Cathy Buggenhout, Consul-General of Belgium in Shanghai; Mr Christian de Lannoy, Consul General of Belgium in Guangzhou; and Mr Evert Maréchal, Consul General of Belgium in Hong Kong addressed the meeting.

Pictures of the event can be downloaded via this link:
http://www.blueclic.com/fccc_newyearreception

Briefing: "The Future of Foreign Investors in China" – 22 January 2014 – The Conference Board/FCCC, Brussels

The Conference Board – in partnership with the Flanders-China Chamber of Commerce – organized a briefing on "The Future of Foreign Investors in China" on 22 January 2014 in Brussels. Following the introduction by Mr Egbert Lox, Board Member Flanders-China Chamber of Commerce/Senior Vice President Government Affairs, Umicore; Mr. David Hoffman, Vice President and Managing Director of The Conference Board China Center for Economics and Business, gave an interesting briefing. The briefing took stock of economic trends and policy developments to provide a "reality check" on China's attractiveness as an end market and competitiveness as a production base. The session illuminated a set of key considerations for setting realistic objectives for growth and profitability in China, near- to medium-term.

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

The FCCC remains at your disposal for any further information you might require.

PUBLICATIONS

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

See FCCC Members' Portraits on the FCCC website.

NPC & CPPCC SESSIONS

Premier Li Keqiang: Reform is top priority for the government

Premier Li Keqiang presented his Government Work Report at the opening session of this year's National People's Congress (NPC) at the Great Hall of the People in Beijing on March 5. 2,932 of the 2,983 registered delegates attended the meeting. The Premier first reviewed the achievements of 2013. China's GDP increased 7.7% over the previous year. Inflation was kept at 2.6% and the urban employment rate was 4.1%. 13.1 million jobs were created, an all-time high. The profits of industrial enterprises with a revenue of more than CNY20 million rose by 12.2%. The net income of urban and rural residents rose by 7% and 9.3% respectively, narrowing the income disparity between the cities and the countryside. The value-added of the service sector accounted for 46.1% of GDP, surpassing secondary industry for the first time. The central government abolished or delegated to lower-level governments 416 items previously subject to its approval. The pilot project to replace business tax with VAT reduced the burden on businesses by more than CNY150 billion. The number of newly-registered businesses increased by 27.6% and private investment rose to 63% of the country's total investment. Interest rate controls on loans were completely lifted. The China (Shanghai) Pilot Free Trade Zone was established and free trade agreements were signed with Switzerland and Iceland. The number of Chinese tourists going overseas reached close to 100 million. Progress was made in environmental protection, said Premier Li Keqiang. Energy intensity was cut by 3.7%, and emissions of sulfur dioxide and chemical oxygen demand (COD) decreased by 3.5% and 2.9% respectively. Electricity generated from non-fossil fuels amounted to 22.3% of the total. Government expenditure was further reduced. Spending by the central government on official overseas visits, vehicles and hospitality was reduced by 35%.

Turning to the government work for this year, the Premier said that the downward pressure on the economy remains great. He set a GDP growth target of 7.5% for this year, a CPI increase of around 3.5% and an unemployment rate of less than 4.6%. Foreign trade is projected to grow by around 7.5% this year. Negotiations to conclude free trade agreements with South Korea, Australia and the Gulf Cooperation Council (GCC) will be accelerated. Li Keqiang emphasized that “development remains the key to solving all our country's problems”. He said that “we need to ensure that the market plays the decisive role in allocating resources” and “remove constraints on market actors”. The government budget deficit for this year is expected to increase by CNY150 billion but be kept at 2.1% of GDP. Business inspections will be replaced by annual reporting. The country will move ahead with legislation on a property tax and environmental protection tax. Standard financing mechanisms will be established for local governments to issue bonds and financial institutions will be granted more power to set interest rates. The Premier also promised to “move toward renminbi convertibility under the capital account”. The establishment of small and medium-sized banks by private capital will be encouraged. Non-state capital will be allowed to participate in projects in banking, oil, electricity, railways, telecommunications, resources development and public utilities. More service sectors will be opened to foreign capital and a level playing field will be created for domestic and foreign enterprises to compete on fair terms. Premier Li Keqiang declared war on pollution and said the government was determined to fight it with the same determination as battling poverty.

Details of Premier Li's work report

Administration: Cancel or delegate to lower-level governments 200 items that would otherwise require State Council review and approval.
Fiscal policy: Incorporate all government revenue into budget and disclose budgets at all government levels.
State sector: Begin trials for investing state capital in corporate operations.
General business: Create pilot free-trade zones similar to Shanghai's. Encourage e-commerce.
Telecommunications: Speed up the development of 4G mobile communications. Greatly increase internet speeds.
Land and water: Launch trial to improve yields on 6.67 million hectares of farmland. Spend CNY70 billion on water-conservation projects.
Education: Increase by 10% the number of poor, rural students enrolled in key colleges and universities.
Health care: Lower costs for patients at public hospitals in 1,000 counties that serve 500 million rural residents. Expand trial reforms at urban public hospitals.
Security: Strengthen maintenance of public order and crack down on terrorism.
Pollution: Reduce smog, especially in large cities and regions that regularly suffer poor air quality. Shut 50,000 small coal-fired furnaces.
Corruption: Cut government spending on official overseas visits, vehicles and hospitality, and make their budgets public. Audit sales of land held under local rights and survey local authorities' efforts to protect existing farmland.
Housing: Start building seven million new apartments as part of affordable housing scheme.
Defense: Strengthen combat readiness, improve deterrence capabilities and step up border, coastal and air patrols.
Diplomacy: Promote long-term stability with other major countries.
(as reported by the South China Morning Post)

Plans for social and economic development discussed

The National Development and Reform Commission (NDRC) reported to the NPC on the implementation of the 2013 plan and the 2014 draft plan for national and social economic development. In 2013, China's government revenue increased by 10.1% to CNY12.91 trillion and the deficit was CNY1.2 trillion. Retail sales of consumer goods increased 13.1% and e-commerce transactions rose by more than 25%. China's total investment in fixed assets (FAI) increased 19.3% to CNY44.71 trillion. Private investment increased by 23.1% and accounted for 63% of investment in fixed assets – excluding investment by rural households – 1.8 percentage points higher than the previous year. In 2013, 5,586 km of new railway lines were put into operation, of which 1,672 km were high-speed lines. 110 new berths for large ships and 10 new airports were put into service. Energy generated from non-fossil fuels accounted for 9.8% of primary energy consumption, an increase of 0.4 percentage points over the previous year. Total grain production reached 602 million metric tons, the tenth consecutive year of growth. More than half of China's population – 53.73% – were permanent urban residents. The number of investment projects subject to central government examination and approval was reduced by 60%.

Foreign direct investment (FDI) actually utilized in 2013 totaled USD117.6 billion, up 5.3%. FDI in the service sector exceeded half of the total for the first time. China's non-financial outward direct investment (ODI) reached USD90.2 billion, up 16.8%. The National Development and Reform Commission (NDRC) warned that there were few growth ares of consumption, opportunities for new investments were few and the export situation remained grim. The debt burden of some local governments was heavy. The NDRC emphasized that the 7.5% GDP growth target was flexible and local governments should not seek faster growth. Structural adjustment should not be sacrificed for the sake of rapid growth. FDI is expected to increase this year by 3.5%, while outbound direct investment (ODI) will increase 10%.

Power of NDRC to be reduced

The National Development and Reform Commission (NDRC) will launch a reform program that will reduce its own power, part of the central government's campaign to give the market a greater role, Chairman Xu Shaoshi said. He confirmed the restructuring plan has been finalized and approved and that it will "greatly reduce" the Commission's review and approval powers, but strengthen its macro-economic and overall policy coordination authority. The NDRC will make a transition from "micro-level control to macro-level management", from an emphasis on project approval to regulation of operations and from project arrangement to institutional design. The NDRC has authority over investment, prices, and other important economic issues. The reform is aimed to make the economy more responsive to market forces. Premier Li Keqiang has vowed to eliminate one-third of the 1,700 administrative review and approval items held by various ministries. The government had eliminated or delegated 416 review and approval items since last year and the NDRC itself had eliminated or delegated 44 review and approval items.

- Yu Zhengsheng, Chairman of the Chinese People's Political Consultative Conference (CPPCC), pledged to further efforts to comprehensively deepen the country's reforms. He made the remarks at the second session of the 12th CPPCC National Committee in Beijing on March 3. The CPPCC is an advisory body to the National People's Congress (NPC), which opened its annual session on March 5.
- Yi Gang, Director of the State Administration of Foreign Exchange (SAFE) and a Member of the CPPCC National Committee, has warned investors to expect more fluctuations in the value of the yuan as the currency moves towards a more market-based trading system. He declined to respond to rising market speculation that Beijing was ready to widen the band in which the yuan traded. The market has been caught off guard by a sudden weakening of the yuan, as the People's Bank of China (PBOC) set a succession of softer daily midpoints around which the yuan can fluctuate.
- Justin Lin, a Chinese People's Political Consultative Conference delegate and former World Bank Chief Economist, warned that China should be prepared for a possible prolonged period of "external shocks" to its economy. Lin said that developed economies, including Europe, Japan and the United States, have not yet made the reforms necessary to fix their economic problems since the global financial crisis five years ago.
- Shanghai's pilot free trade zone (FTZ) will have reached operational maturity by 2016, and three batches of innovative systems tested in the zone will be in use elsewhere in China by that time, Shanghai's Party Secretary Han Zheng said at a press conference on the occasion of the NPC. Han said the city government would be announcing an evaluation of the first six months of FTZ operations in October, when it will also launch the first batch of institutions and mechanisms for nationwide application. Shanghai Mayor Yang Xiong said that the 2014 version of the negative investment list will be published in the first half of this year.
- Expanding pilot reform to replace the business tax with a value-added tax (VAT) will remain a major task this year, Minister of Finance Lou Jiwei told reporters. The trial, which started with transport and the service sectors, expanded to include railways, post and telecom services in January. Lou added that tax regulations will gradually be converted into new laws. The Minister ruled out the possibility of raising the threshold for personal income tax, which now stands at CNY3,500, but he said there will be a comprehensive plan for tax deductions taking into account family living expenses.
- For the first time in eight years, China's government work report contained no specific commitment to "regulate property prices" or to "regulate the property market", as was customary when Wen Jiabao was Premier. Premier Li Keqiang only mentioned: "We will regulate differently in different cities in light of local conditions, increase the supply of small and medium-sized commercial and joint-ownership housing units, curb demand for housing for speculation and investment purposes, and promote sustained and healthy development of the real estate market."
- Finance Minister Lou Jiwei says economic growth as low as 7.2% is acceptable, provided enough jobs are created, while senior officials at the National Development and Reform Commission (NDRC) insist that 7.5% is the bare minimum level of economic expansion acceptable. "It's clear that there is no consensus on what level of growth is acceptable to Beijing, which creates some uncertainty about how policy will react to slower growth," Stephen Green, Director of Greater China Research at

Standard Chartered Bank, told the South China Morning Post.

- Casinos will not be allowed in Hainan, Party Secretary Luo Baoming and Sanya Mayor Wang Yong said. Casino gambling is illegal in China outside Macao. In 2013, the local government on Hainan shut down a casino bar that had been operating illegally after a report drew attention to it.
- NPC Chairman Zhang Dejiang said combatting pollution would be one of the top priorities to be addressed this year by the NPC, through legislation and oversight, as public dissatisfaction over environmental degradation in China intensified. “We will revise the Environmental Protection Law and the Air Pollution Prevention and Control Law to improve environmental protection and management so that emissions of all pollutants are strictly supervised,” Zhang said. The NPC also plans to revise the Food Safety Law to prevent food contamination, another leading cause of public concern.
- China will impose export tariffs of 2% to 40% on 300 types of natural resources, energy resources and products of which production is energy intensive.

EXPAT CORNER

Chinese would-be emigrants criticize Canada for scrapping visa scheme

A group of wealthy Chinese would-be emigrants has criticized the Canadian government for scrapping its investor visa scheme and are threatening legal action if the decision is not overturned. A group of more than 10 people said they had wasted years of time, effort and money preparing to move to Canada. Finance Minister Jim Flaherty announced last month that the Canadian government was scrapping the Immigrant Investor Program. The scheme has allowed nearly 100,000 wealthy Hongkongers and mainland Chinese to move to Canada since 1986. An estimated 45,500 Chinese millionaires who were still in the queue for visas will have their applications canceled and their fees returned. Rong Bing, a 47-year-old businessman, said he first applied to move to Canada through the investor visa scheme in 2009. He quit his job with a state-owned enterprise (SOE) the same year to prepare for his family's move to Canada. “We have set aside a lot of money to meet the investment requirements and over the years passed up on many opportunities,” he said. “A refund of our application fees will not make up for all the preparation put in.” A group of 95 disgruntled applicants were granted leave by Canada's Federal Court to seek a judicial review of February's decision. Others are expected to join the lawsuit.

Shanghai now more expensive than New York

Shanghai has climbed up the cost-of-living ladder to No 21 on the world's most-expensive city list, overtaking New York for the first time, according to a global cost-of-living survey by the Economist Intelligence Unit (EIU). With a score of 101 against New York's 100, Shanghai rose nine places from last year. All Chinese cities are moving up in the cost-of-living index, with Shanghai seeing the fastest rise. Five years ago, the city was ranked 45th. Hong Kong took fifth place in Asia and 13th in the world. Shenzhen is the second-most-expensive mainland Chinese city, ranked at 39. “Wage inflation has driven up prices, but internationally, the impact of a stronger renminbi has also been felt,” said Jon Copestake, Editor of the report. Singapore overtook Tokyo at No 1 on the list, driven by a strong currency and high transport costs. Mumbai was the cheapest of the surveyed cities. The survey gathered detailed information on the cost of more than 160 items from food, toiletries and clothing to domestic help, transport and utility bills. It aims to provide a guideline to help human resources managers calculate cost-of-living allowances and build compensation packages for expatriates and business travelers.

FINANCE

Chaori defaults on bond issue

Shanghai Chaori Solar Energy Science & Technology became the first company to default on a bond in China. The solar cell maker was unable to cover an CNY89.8 million interest payment that came due. Speaking on the sidelines of the National People's Congress (NPC) in Beijing, Ouyang Zehua, an official with the China Securities Regulatory Commission (CSRC), said the watchdog would keep a close eye on any contagion stemming from the default. A Bank of America Merrill Lynch report said Chaori's default was likely to start a chain reaction of capital flight and more defaults. Chaori issued in March 2012 a CNY1 billion, five-year bond with a coupon of 8.98% but last week did not have funds to cover the interest payment. The bond was rated AA, the fourth-highest investment grade, by Pengyuan Credit Rating when it was issued. The debt was later downgraded twice, most recently to BBB-plus in April 2013. A default by Chaori may become China's "Bear Stearns moment", Bank of America Merrill Lynch said in a report, and may prompt investors to reassess credit risks as they did after the U.S. securities firm was rescued in 2008. Concern over Chaori's default prompted Suining Chuanzhong Economic Technology Development to delay a CNY1 billion debt issue while two other companies – Taizhou Kouan Shipbuilding and Shanghai Jin Jiang International Hotels Development – halted their deals, blaming market volatility.

Questions about repayment of Chaori's bond emerged after the company's shares were suspended from trading on the Shenzhen stock exchange in December 2012 on speculation its chairman had stolen company funds, said a report from Bank of America Merrill Lynch. The firm became a test case for China's first default, as it was isolated with no systemic risk to the bond market. China's solar cell sector is struggling with overcapacity. Another firm, LDK Solar, is negotiating a debt-for-equity deal with foreign investors on a USD280 million bond for which interest has been due since August last year. The firm also has CNY500 million in domestic notes due in December. Wealth management instruments issued by the mainland trust sector are brushing against default. A CNY289 million wealth management product linked to Shanxi Liansheng Energy passed its February 7 maturity date without paying investors, technically a default. A CNY3 billion wealth management product linked to bankrupt coal miner Zhenfu Energy came close to default when it matured in January. China Credit Trust, which issued the instrument, repaid investors using its own funds. Regulators plan to improve legal protections for bond investors and strive to reduce systemic default risks, Ouyang Zehua of the CSRC said. "We will urge bond issuers and underwriters to shoulder their obligations and responsibilities in case of a default, and we will also study an improved compensation system for investors," he said. Fitch Analyst Wang Ying said that the Chaori default may signal a shift in the government's stance toward a greater tolerance of outright corporate defaults.

CSRC completes draft law on futures industry

The China Securities Regulatory Commission (CSRC) has completed a draft futures law that it plans to submit to the National People's Congress (NPC). The process of passing a futures law began in 2013. It was included in a five-year legislative plan, and a work team was established for the purpose. Yang Maijun, an NPC Delegate and Director of the Shanghai Futures Exchange, delivered a proposal on the legislative progress during the ongoing second session of the 12th National People's Congress (NPC). China already has laws covering banking, securities, insurance, trusts and funds. Ouyang Zehua, an NPC Deputy and an official at the CSRC, said that it's urgent to launch potato and rice futures to support the development of Chinese agriculture. Four categories of agricultural futures were launched in 2013. A contract for indica rice has been approved for launch this year. The CSRC is also supporting the development of a Chinese crude oil futures market.

- China has begun the practical work to establish an Asian Infrastructure Investment Bank (AIIB) that would offer financial support to boost regional infrastructure, Minister of Finance Lou Jiwei said. With a preliminary capital of USD50 billion, the new multilateral institution is expected to be funded by its members. An inter-governmental memorandum of understanding (MOU) on establishing the bank is expected to be signed in the fall. "The AIIB will mainly focus on infrastructure construction in Asia to promote regional connectivity and economic cooperation," Lou said.
- The Shanghai government has given approval to the city-owned Shanghai State-owned Assets Operation to buy non-performing loans (NPLs) from local banks, following similar moves by Jiangsu and Zhejiang provinces. Analysts expect a rise in bad loans in the coming years as China's economic growth slows, with loans to local governments and industries suffering from overcapacity being a key source of concern.
- Total gross premiums of foreign insurance companies in China last year stood at CNY67.99 billion, representing only 3.9% of the market, with the rest taken by domestic insurers, according to the China Insurance Regulatory Commission (CIRC). Foreign life insurance firms in China posted a combined 25.56% growth in premium income last year while all foreign general insurers saw a 23.63% gain in premiums.

FOREIGN INVESTMENT

More investment in service sectors expected

China will further improve the environment for foreign investors and expand access to service sectors, Commerce Minister Gao Hucheng said at a news conference on the sidelines of the 12th National People's Congress (NPC). “Half of China's foreign direct investment entered the service sectors last year, which is a fundamental change from the previous scenario of massive investment flows into manufacturing and production,” Minister Gao said. China's FDI rose by 5.3% year-on-year to USD117.6 billion in 2013, which is “very significant” when compared with the growth pace of global investment last year, Gao said. Surveys show that more than 85% of foreign companies in China made profits last year and more than 90% of them want to increase investment in the country, Gao added. Responding to complaints of narrowed profits and rising costs, Gao said the preferential policies favoring foreign investors were changed after China joined the World Trade Organization (WTO) in 2001. The country's industrial structure and product mix also changed remarkably, with rising costs weakening the competitiveness of labor-intensive products. To improve the investment environment, “we will make primary studies on opening up, with the focus on service sectors”, including banking, education, culture and medicine, as well as general manufacturing, Gao said. The Ministry will join hands with other departments to “increase the percentage of shares foreigners can hold in ventures and ease the limitations on their business scope”, he added. The Ministry will streamline policies and reduce red tape for investors wanting to move to less-developed western areas from eastern China to attract more foreign investment.

FOREIGN TRADE

Shanghai FTZ to push liberalization in service sectors

Shanghai's pilot free trade zone (FTZ) will liberalize more services as well as ease a threshold for foreign capital in emerging sectors. “Further liberalization of service sectors, including old-age care, architectural design, accounting and auditing, commerce and film publishing, is among the reform priorities in the pilot zone this year,” said Jian Danian, Deputy Director of the China (Shanghai) Pilot Free Trade Zone Administration. The Administration also plans to lower the threshold for foreign investment in emerging industries such as marine engineering equipment, aerospace manufacturing and new energy, Jian told an annual meeting on reform planning in the Pudong New Area. Last year, the central government drafted 23 policies to liberalize financial services, shipping management, value-added telecommunication services, the cultural industry and legal services. So far 22 of the measures have been implemented, while work on restricted-license banks is still in progress, Jian said. An international board for gold trading will soon be launched in the Yangshan Free Trade Port Area, the Shanghai Daily reports.

Exports drop in February

China’s exports in February plunged 18.1% from a year earlier to USD114.1 billion, the biggest decline since the global financial crisis in 2008, the General Administration of Customs said. February imports registered the strongest gain since July and rose 10.1% year-on-year to USD137.08 billion, leaving the country a trade deficit of USD22.98 billion, the largest in two years. In contrast, exports in January beat market expectations and surged 10.6% year-on-year while imports increased 10%. “The fluctuation in February was mainly caused by the Lunar New Year holiday,” Customs Administration Spokesman Zheng Yuesheng told reporters in Beijing. Exports for January and February combined dropped 1.6% year-on-year, the most for that period since 2009 and in contrast to the 23.6% rise for the same period last year. Meanwhile, combined imports for the first two months of this year went up 10% year-on-year. China's trade with the European Union, the country's largest trading partner, gained 6.3% year-on-year to USD551.99 billion in the January-February period, while trade with the United States rose 4.8% to USD499.05 billion. Trade with ASEAN countries went up 4% to USD413.63 billion and trade with Japan rose 2.9% to USD290.77 billion in the same period despite prolonged tensions. The mainland's trade with Hong Kong decreased 23.6% year-on-year to USD286.65 billion in the first two months. Ting Lu, Economist at Bank of America-Merrill Lynch in Hong Kong, said that inflated export data in January-February 2013 means a direct year-on-year comparison can be misleading. Fake trade deals to sneak cash into China past the country's strict capital controls were rampant early last year before Chinese regulators cracked down. After adjusting for such distortions, export growth in the first two months of this year could actually be up about 8%, Ting Lu calculated. China was fully confident of achieving its 7.5% growth target in total trade this year, Commerce Minister Gao Hucheng said, citing an improving global economic environment. China's crude oil imports in the first two months of the year rose 11.5% from a year earlier, while imports of copper jumped 41.2% and iron ore shipments rose 21.8%, customs data showed.

HEALTH

Agriculture Minister says GM food is safe

Minister of Agriculture Han Changfu expressed confidence in GM food, saying that he himself now eats food processed from GM raw materials, specifically soybean oil. Soybean imports, Han said, have undergone a chain of stringent procedures and had passed safety tests in both exporting countries and in China. Genetically-modified (GM) corn and rice is being grown illegally on a large scale in Hunan, Hubei, Jiangxi and Jilin provinces and have entered the food chain, according to CCTV host Cui Yongyuan. China has never approved wide-scale planting of GM crops, only permitting small experimental trials. GM seeds intended for trials should not be available for general use. Cui said that he spent more than CNY1 million carrying out surveys around China, the United States and Japan over six months. China, however, does import GM corps. The country has not approved GM rice planting on a commercial basis, and anyone who breaches the regulations on planting or trading GM crops or products will be severely dealt with, Minister Han said. According to Han, 17 GM products from five plant species – soya beans, corn, oilseed rape, cotton and tomatoes – are sold on the domestic market. Rules require such products to acknowledge their GM content on their packaging. GM cotton and papaya were the only crops approved for commercial planting in China, he said.

IPR PROTECTION

Businessman convicted of stealing DuPont trade secrets

A U.S. jury convicted California businessman Walter Liew, also known as Liu Yuanxuan, of selling stolen trade secrets to China’s state-owned Pangang Group to develop a substance known as chloride-route titanium dioxide (TiO_2), a pigment used to whiten a wide range of products. U.S. officials said it marked the first federal jury conviction on charges brought under the Economic Espionage Act of 1996. Prosecutors said Liew paid former DuPont engineer Robert Maegerle to obtain the trade secrets. Prosecutors said Liew sold the information for more than USD20 million to Pangang Group so its companies could develop a large-scale production capability using the process in China, including a planned 100,000-ton TiO_2 factory in Chongqing. Sentencing hearings are set for June 10 before U.S. District Judge Jeffery White in Oakland, California. Liew, 56, and Maegerle, 78, face a minimum of 25 years in prison for the two most serious charges.

- A copyright alliance for the film and TV industry has been established. Organized by the Copyright Protection Center of China, the Television Artists Association, the Film Association and the Internet Society, the alliance is aimed at promoting the prosperity and development of the country's cultural industries and raising their international impact.
- Guangzhou’s Sun Yat-sen University recently won the “patent creation prize” in the second Guangzhou Patent Awards. The university filed 549 patent applications last year, an annual increase of 21%, and was granted 336 patents, up 12%. At the same time, around 730 of its projects won a total patent fund of nearly CNY1.3 million from the government.
- Dozens of computer hardware manufacturers, software companies, computer retailers and online retailers, including Lenovo, Samsung as well as Gome and Suning, recently signed an agreement to promote an honest and reliable shopping environment in Shanghai by recommending copyrighted software to customers. The agreement is part of the efforts by local industrial associations to promote integrity in business operation and eliminate pirated software.

MACRO-ECONOMY

7.5% growth target expected to be met

The 7.5% GDP growth target set by the government will be met. "The positive factors will build up as time goes by. The economy will become better in the second half of this year, and guarantee the realization of the target for the whole year," said Song Li, Deputy Director of the Institute of Economic Research under the National Development and Reform Commission (NDRC). His remark came as some economists have become increasingly doubtful whether China could achieve the 7.5% GDP growth set in the Government Work Report. China faces several challenges, including massive excess capacity in some industries, mounting local government debt, slowing growth in property prices and lurking risks in the financial sector. Premier Li Keqiang, NDRC Chairman Xu Shaoshi and Finance Minister Lou Jiwei have reiterated their confidence in the Chinese economy over the past few days. According to Song, two major factors for growth are the improvement in external demand and the reform dividend, whose effects will be more salient in the second half. Premier Li promised in his work report to push ahead a slew of reform initiatives, including further cutting administrative review and approval items for businesses, pushing forward hybrid ownership in the state-owned sector and reform of the fiscal and taxation system. Sun Xuegong, Researcher at the Institute of Economic Research under the NDRC, said structural reform and growth are not necessarily mutually exclusive, and reform requires a certain level of economic growth, the China Daily reports.

- China's Consumer Price Index (CPI) rose 2% in February from a year earlier, slowing from 2.5% in January and below expectations, the National Bureau of Statistics (NBS) said. The Producer Price Index (PPI) also fell 2% year-on-year last month, lower than January's fall of 1.6% and indicating that consumer prices may rise at a slower pace in the near future. Consumption during the Spring Festival rose 13.3% this year, compared to 14.7% in 2013, the Ministry of Commerce (MOFCOM) said.

MERGERS & ACQUISITIONS

Unilever acquires 55% of Qinyuan Group

Unilver made its biggest acquisition in China, buying a 55% stake in Qinyuan Group, a Chinese water purification company. "This deal will more than double the size of our water purification business and will bring together complementary technology, all under the Unilever umbrella," said Unilever CEO Paul Polman. Marijn van Tiggelen, Executive Vice President of Unilever North Asia, said the investment in Qinyuan Group could help China become a world-class hub for water purification technology and production. The water purifier market may expand 20% annually in China in the coming years, van Tiggelen said. Unilever predicted the water purifier business in China to contribute 10% of its local revenue in the future. Set up in 1988 in Ningbo, the Qinyuan Group's sales of home use water purifiers hit CNY1.2 billion in 2013, giving the company a 20% market share. After the acquisition, Qinyuan will operate independently.

- Shanghai Pengxin Group Co has won approval from Chinese regulators to buy a controlling stake in a 4,000-hectare dairy farm in New Zealand owned by Synlait Farms, part of its strategy to meet growing domestic demand with imports. In 2012, Pengxin completed the purchase of 16 dairy farms in New Zealand with a total area of 8,000 ha and 16,000 dairy cows.

PETROCHEMICALS

CNOOC licensed to seek Arctic oil

China National Offshore Oil Corp (CNOOC), the country's largest offshore oil and gas developer, has become the first Chinese firm licensed to look for oil in the Arctic, a landmark step for China's overseas energy exploration. CNOOC has partnered with Iceland's Eykon Energy in an application for a license to explore oil and gas resources in Arctic waters since last June. On January 22, Iceland's national energy authority, Orkustofnun, granted the new offshore license to the Chinese company as an operator with a 60% share, to Eykon Energy with a 15% share and to Petoro Iceland with a 25% share. Based on CNOOC's expertise in deep water oil exploration, it has been accelerating steps in foreign offshore oil and gas businesses, including the acquisition of Nexen. "The permission that CNOOC got from the Iceland government proves the Chinese energy companies' upstream exploration competence," said Guo Haitao, Associate Dean of the School of Business Administration with the China University of Petroleum. He said the project is still in its initial stages and will not affect China's oil and gas supply in the short run, but it will raise the country's energy exploration technology level as well as ensure supply through diversified resources in the long term. China imported 280 million tons of crude in 2013, up 4% year-on-year. As the country's oil dependency on foreign supply continued to increase – reaching 58.1% in 2013 – China's domestic oil output remained flat at about 208 million tons. CNOOC announced in late January that the company's output in 2013 was 412 million barrels of oil equivalent (BOE), of which 69 million barrels came from its acquisition of Nexen. It set its 2014 output target at 422 million to 435 million BOE with a year-on-year growth of 2.43% to 5.58%, the China Daily reports.

PetroChina and Sinopec to seek private capital

PetroChina and Sinopec, China's duopoly onshore oil and gas firms, announced they will pursue capital investment from the private sector, especially in the gas field. Zhou Jiping, Chairman of PetroChina, said the move is part of wider industry reform to introduce more competition so as to enhance efficiency. Zhou said segments with natural monopolies will be subject to tighter regulation, and where competition can be introduced, regulatory frameworks will be established to guide private-sector participation. After forming equity partnerships with firms such as asset managers in the western section of its first and second west-to-east gas pipelines, PetroChina will open up the eastern section for investment, he said. Private capital is also welcome in gas pipelines that it will build, as well as projects to explore unconventional or difficult-to-extract oil and gas, which require more advanced technology and greater capital than conventional projects, Zhou said. He added that PetroChina planned "a relatively significant" cut in overall capital investment for capacity expansion this year, so as to improve profitability, and last year's spending was also under budget, without giving figures.

Fu Chengyu, Chairman of rival China Petroleum & Chemical (Sinopec), said he will give more details about the firm's recently announced plan to sell up to 30% of its fuel marketing division to non-state entities. The division owns over 30,000 fuel stations, the world's largest network, but the sales and profits per station are low compared with those in developed markets, since high-margin non-fuel sales are at an early stage of development, analysts said. Fu said natural gas development will also be an area in which Sinopec will cooperate with the private sector. Over the last 20 years, China has gradually introduced private investment and Western-style management to its SOEs and turned the country's biggest government conglomerates into firms listed on the stock market.

- China plans to raise the city-gate price of gas for non-residential users at "an appropriate time" this year, the National Development and Reform Commission (NDRC) said. The city-gate price is the cost of gas paid to pipeline operators.
- The Shanghai Futures Exchange said that it has completed all "technical preparations" to launch crude oil futures this year. The government has promised the gradual opening of its futures markets, which are largely off-limits to overseas investors now, with Shanghai crude to be the first to to open to foreign investors. Shanghai aims to create a benchmark for Asia. Currently, much of the world's crude supply is priced against contracts based on North Sea Brent crude and West Texas Intermediate crude.
- PetroChina plans to open some 100,000 square kilometers of unexplored areas in the Tarim, Junger and Tuha oilfields in Xinjiang for exploration with local and foreign companies. It will also invite participation in the development of reserves in the central Tarim Basin, said Chairman Zhou Jiping. He added that existing regulations for oil and gas exploration and production were written decades ago and needed to be updated.

REAL ESTATE

Soho China's core profit up one third in 2013

Soho China, the largest prime office developer in Beijing and Shanghai, said core net profit in 2013 jumped one third from a year earlier to CNY4.44 billion, mainly due to the relatively high profit margin of Towers 1 and 2 of Wangjing Soho in Beijing, which were completed and delivered during the period. Net profit attributable to shareholders dropped 30% from 2012 to CNY7.39 billion, while turnover fell to CNY14.6 billion last year from CNY15.3 billion in 2012. Contracted sales amounted to CNY4.68 billion last year, compared with CNY9.47 billion in 2012. In 2012 Soho started its strategic shift to hold projects it builds instead of selling them, reducing income from sales and raising income from rentals. “I'm concerned how rental income will sustainably drive earnings growth,” said a property analyst at a bank in Hong Kong. “It's pretty narrow-minded for the company to focus only on Shanghai and Beijing, where the room for growth in the office market is getting squeezed.” The move would enable the company to “make quick and significant acquisitions” when the market corrected itself, a strategy it used in its first foray into Shanghai in 2009.

- New home sales in February in Shanghai fell to the lowest in 24 months amid a continued easing in buying sentiment. Purchases totaled 418,700 square meters, down 41% from January and a drop of 23% from the same month a year ago, Shanghai Uwin Real Estate Information Services Co said. “While the Spring Festival holiday could be cited as a main reason for the month-on-month slide, the notable year-on-year drop in volume seemed quite unexpected,” said Huang Zhijian, Chief Analyst at Uwin. Sales of second-hand homes fell to the lowest in 24 months in February to 11,612 units, a monthly fall of 18.9% and a year-on-year drop of 20.4%.
- Wealthy Chinese are expected to pour AUD44 billion into Australian real estate over the next seven years, potentially pushing prices in one of the world’s most expensive housing markets even higher, according to a study by investment bank Credit Suisse. “They purchased AUD24 billion of Australian housing over the past seven years; we forecast they will purchase AUD44 billion over the next seven, to 2020,” it said. Median house prices in Sydney and Melbourne have risen by more than 30% since the global financial crisis.
- There won't be a crisis in China's property sector within a decade, thanks to the urbanization process. “We need to address the housing problem of 100 million rural residents who will move into cities in the next 10 to 15 years, which helps support the real estate sector,” said Qiu Baoxing, Vice Minister of Housing and Urban-rural Development. “But now is the time to take some measures in advance; otherwise, the market will collapse when demand diminishes at the end of the urbanization process,” said Qiu. Vice Minister Qi Ji said restrictions on home purchases will continue this year.

RETAIL

Sun Art aims to boost market share by opening more stores

Hypermarket operator Sun Art Retail plans to open up to 55 stores this year and 160 over the next three years in a bid to win more market share in a highly fragmented Chinese market. Its profit last year grew 15.2% to CNY2.78 billion. The group had 323 stores at the end of last year. Management said they had secured 160 sites for the next three years, of which 99 had already begun construction. The three-year plan is more aggressive than rival Walmart's plan to open 110 stores by 2016. Sun Art, which operates Auchan and RT-Mart, is one of the largest hypermarket operators. Last year it was tied with China Resources Enterprise for largest market share, each holding 14%, according to Euromonitor. Turnover for the year was up 10.7% to CNY86.2 billion, as the gross profit margin increased 0.9 percentage points. While the second half of 2013 was flat from weaker sales of high-end products, management said numbers for January and February picked up with same-stores sales growth of 1% to 2%. Sun Art CEO Bruno Mercier said he was not concerned about competition with China Resources Enterprise, which acquired Tesco's Chinese business last autumn. “We are growing organically. We think this is very stable and very profitable way to develop,” he said. “Merger and acquisition can be very complicated as you have to integrate people and systems. It creates a set of difficulties which we don't have to face.”

- The top-10 retailers accounted for 56% of spending through domestic retail channels in key cities, including Beijing, Shanghai, Guangzhou and Chengdu, but they only garnered a 16% share in provincial-level cities, according to consumer retail consultant Kantar Worldpanel. The firm suggested that consolidation is likely to increase in the lower-tier cities this year.

- Gap has launched its first Old Navy store in Shanghai, and plans to open five stores of the chain this year as well as adding 30 Gap stores to its existing 81, Gap's Greater China President Jeff Kirwan said. Gap's China team plans to invest in promoting brand awareness with local shoppers, especially online, to play into the rapid growth of China's e-commerce sector.
- L'Oréal, the world's largest cosmetics group, said sales in China grew 10.2% last year, down from 12.5% in 2012. The French company's total sales in China reached CNY13.28 billion last year, as the country remained its third-largest market. Alexis Perakis-Valat, CEO of L'Oréal China, expects China to overtake France to become its second-largest market due to wealthier Chinese and a stronger yuan. He added that the firm will invest more in research and development (R&D), boost e-commerce sales and expand in smaller cities.

SCIENCE & TECHNOLOGY

First Sino-U.S. high school set up in Shanghai

China's first Sino-U.S. high school – Shanghai Qibao Dwight High School – was launched in Shanghai and will offer internationally-recognized courses. It was co-founded by Shanghai Qibao High School and the United States' Dwight School. The boarding school plans to enroll 150 students in the fall, with 100 students from Shanghai and 50 from other provinces and overseas. It will recruit teachers globally. Tuition remains undecided, but officials said it would be in the range of CNY120,000 to CNY150,000 per year. The school will introduce the International Baccalaureate Diploma Program (IBDP), an academically challenging and balanced education program with final examinations that prepare students, aged 16 to 19, for entry into higher education. "The program can help fully develop students' potential. In addition to a balance of subjects and bilingual education, it is also designed to improve critical thinking skills and academic research ability," said Qiu Zhonghai, President of Qibao High School. By the end of 2013, there were 63 high schools offering the IBDP in China. There are also more than 167 authorized schools in China offering British-standard A-level courses. "In recent years, there has been a strong demand for students seeking overseas studies. More students are willing to study abroad at a younger age, which leads to the popularity of IB programs and A-levels," said Winston Shao, a consultant from EIC Group, a Chinese education services provider.

STOCK MARKETS

CSRC to push registration-based IPO system

The China Securities Regulatory Commission (CSRC) should review its flawed IPO reforms and take corrective action before the next listing wave, investors and analysts said. "It is clear that the IPO reform of the CSRC has met setbacks, and the stock market will plunge further if the problems are not addressed," said Oliver Rui, Professor of Finance and Accounting at the China Europe International Business School (CEIBS). A total of 48 companies had gone public on the Shanghai and Shenzhen bourses by mid-February following the CSRC's December announcement that it was resuming IPO approvals after a 13-month hiatus. The companies raised CNY33.5 billion through issuing 2.4 billion shares. By late February, another 694 companies were lining up for IPO approvals. But despite the surging prices of new shares, by the end of January, the benchmark Shanghai Composite Index had fallen 10% from the previous month amid rumors of insider trading during the IPO process. Xin Yu, President of Guangzhou-based Zequan Investment Co, noted: "The CSRC said to give investors, not government officials, the primary role in deciding who gets to list and at what price through this reform, but the fact is they keep intervening, and the reform is going nowhere." Prof Rui said that it did not make sense for the CSRC to demand that issuers lock in P/E ratios of new shares within the range of industry peers. "Retail investors need to learn that speculating in new shares is risky," Rui said, noting that this would reduce incentives for issuers and underwriters to profiteer from IPOs. CSRC Chairman Xiao Gang responded that the authorities are pushing for registration-based IPO reform step-by-step, after which the authorities will focus on compliance reviews of the new listing candidates, the China Daily reports.

Fast Retailing's HDRs climb on debut in Hong Kong

Japan's Fast Retailing – known for its Uniqlo brand – saw its Hong Kong Depository receipts (HDRs) climb 7% in its Hong Kong trading debut – a listing aimed at raising its profile in China where it plans to expand aggressively as part of its bid to become the world's top clothing firm by 2020. The company is planning to triple its number of stores in Greater China to 1,000 by that time – one of the most ambitious plans for China mapped out by a global clothing firm. China is Uniqlo's second biggest market after Japan, and by number of stores it is the largest global apparel brand in the country ahead of Hennes & Mauritz (H&M), Inditex's Zara, and Gap. To mark the occasion, Chief Executive Tadashi Yanai rang the opening bell at the Hong Kong bourse. He did not speak to media eager to quiz him on the company's interest in possibly acquiring J.Crew Group. Traders said liquidity in Hong Kong would be an issue and there was very little reason for institutional investors to buy into the stock in Hong Kong when they could get better liquidity in Tokyo. While other companies such as Coach and casino operator Melco Crown Entertainment have also listed in Hong Kong without raising capital to boost their profile, at least one – financial firm SBI Holdings – has said low liquidity meant it was no longer worth the effort. Fast Retailing has said it may also list on other bourses.

China's nuclear companies prepare listings

State-owned China National Nuclear Corp (CNNC) is preparing for an initial public offering (IPO) in Shanghai as it accelerates its overseas expansion, while China General Nuclear Power Group (CGN), is planning an IPO in Hong Kong. Premier Li Keqiang said in his Government Work Report that the government will promote the export of nuclear technology and equipment. CGN's IPO would raise USD2 billion in the second half of this year, IFR, a Thomson Reuters publication, reported previously. To facilitate exports, CNNC and CGN have adopted common third-generation nuclear technology known as Hualong I (first dragon), which includes a type of reactor core that is at the center of CNNC's proprietary technology. The technology is waiting for certification by government regulators. Hualong I is to become a strategic brand for exports. China plans to build some small-scale reactors based on Hualong I as showcase projects to facilitate exports. CNNC has already finalized one export contract with an unidentified Asian country, while CGN has secured a deal to participate in the Hinkley Point project in the United Kingdom, which however will not use China's proprietary technology.

- Haitong International Securities, the overseas arm of China's second-largest brokerage Haitong Securities, said net income rose 80% to HKD529 million last year. The results were bolstered by improved broking and margin financing business, and strong growth in its structured financing and fixed income, currencies and commodities (FICC) units. "We have shifted our focus to capital-based intermediary business from a conventional brokerage business model," Deputy Chairman Lin Yong said. "Our trading volume of overseas futures contracts jumped over 50% last year, a sign of robust trading activity." Haitong's FICC units posted a 250% increase in net profit.
- Beijing-based Poly Culture's shares soared in their debut on the Hong Kong stock exchange in the first-ever initial public offering (IPO) of an auction house. The retail tranche was oversubscribed by more than 600 times. The firm raised USD331 million, of which half of the net proceeds will be used to develop the art and auction segment, while the rest will be deployed for the development of the cinema and theatre management business. Poly Auction was the biggest Chinese auction house in 2012, with annual sales of more than CNY700 million and lucrative margins of about 70%.

TRAVEL

Shanghai Hongqiao Terminal 2 named among the best

Terminal 2 of Shanghai Hongqiao Airport has been named among the world's top five terminal buildings for service in a survey by industry consultancy Skytrax. The facility was also named as China's first "5-Star" terminal building. The survey polled about 12 million passengers who expressed their views on 390 major airports around the world. But a a separate study found its punctuality rate was far from first class. In a poll by FlightStats of 35 major world airports, only Beijing fared worse than Shanghai for flight delays.

- Beijing saw a 185% increase in the number of travelers that benefited from the capital's 72-hour visa waiver policy in January compared with the same period last year. The city received 1,746 transit passengers in January at Beijing Capital International Airport who benefitted from the waiver policy, which allows a visitor with an airline ticket to stay 72 hours without a visa. The capital approved the 72-hour visa waiver for people from 45 countries on January 1, 2013, to boost the city's inbound tourism.

- Budget carrier Spring Airlines is considering offering passengers “upright seating,” which can significantly increase the capacity of each flight, and allow the airline to cut ticket prices by up to 30%. In the event of turbulence or an emergency situation, passengers would be able to “sit” on simple folding chairs and strap themselves in. The budget airline first proposed the standing concept in 2009, but failed to gain approval from the Civil Aviation Administration of China (CAAC).
- Construction is set to begin this year on a 435-km railway linking Lhasa and Nyingchi prefecture in Tibet with an estimated CNY30 billion investment. Construction on the 253-km-long Lhasa-Xigaze railway is finished and it is expected to begin operations this year.

ONE-LINE NEWS

- Yunnan Vice Governor Shen Peiping has been placed under investigation for corruption. Shen joins 31 other senior officials who are being investigated or have been formally charged in an anti-corruption campaign launched by President Xi Jinping in late 2012.

QUOTES OF THE WEEK

“In the face of complex international and domestic developments and difficult choices in macro-control, we endeavored to resolve deep-seated problems and difficulties, took reform and opening up as the fundamental way to advance development, and gave full rein to both the invisible hand of the market and the visible hand of the government to promote steady economic growth.”

Premier Li Keqiang in his Report on the work off the government to the NPC, March 5, 2014.

ANNOUNCEMENTS

International Joint Booth “Doing Business with China” at HANNOVER MESSE 2014

Present yourself as an important player in the China business on the world's largest industrial fair! Once again, an exhibition booth is supported by the German-Chinese Business Association (DCW) and EUCBA. DCW and EUCBA will also jointly support the event “EU-China Economic Co-operation Forum” at HANNOVER MESSE. As in the last two years, DCW invites you to send us your association's brochures for distribution at the joint booth. HANNOVER MESSE 2014 is made up of 7 leading trade fairs, enveloping a vast range of technological and engineering expertise. HANNOVER MESSE is a major forum for decision-makers and the most important technology event worldwide, where professionals consist of 95% of the attendees. This impressive event attracts over 225,000 visitors and 6,500 exhibitors from more than 60 countries at one venue.

For more information, please contact contact Thomas Scheler (thomas.scheler@dcw-gmbh.de Tel: +49-2211397701)

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