法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 21 JANUARY 2013

Invitation China 2.0: New opportunities for Belgian industry and meeting with the Belgian consuls-general in Shanghai, Guangzhou and Hong Kong – 30 january 2013, 17h00 – Antwerp

Delaware Consulting, De Wolf & Partners and Moore Stephens Verschelden, in collaboration with the Flanders-China Chamber of Commerce (FCCC) and the Benelux Chamber of Commerce in Shanghai (BenCham), are organizing a presentation and debate on "China 2.0: New opportunities for Belgian industry", followed by a networking reception attended by the consuls-general of Belgium in China. The event will take place on Wednesday, 30 January 2013 at 17h00 at Havenhuis, Entrepotkaai 1, 2000 Antwerp.

What will drive foreign business in China in 2013? The situation is changing, with a new leadership, new priorities and new rules, so come and listen directly to the people at the forefront of business in China and hear what the consuls-general of Belgium and some of the leading Belgian companies in China have to say about the fresh opportunities for Belgian industry there.

This event will also mark the launch of the BenCham Starter Kit for China, which contains everything you need to know about setting up and growing your business in China. The valuable information in the starter kit was written by experts currently living and working there.

Programme:

17h00-17h30: Welcome & Registration

17h30-17h45: Introduction by Mr Philippe Snel, Chairman BenCham in Shanghai

As Shanghai Chairman of the Benelux Chamber of Commerce in China, Philippe Snel will describe the ever-shifting business context in China and explain how BenCham is helping Belgian companies. To this end, BenCham has launched a starter kit with practical insights and guidelines for doing business in China, based on the rich experiences of the other Benelux companies in China.

17h45-18h30: China 2.0 Panel Discussion

Wherever there are challenges, there are opportunities. What is China 2.0 and what does it mean to all of us?

A roundtable discussion with:

• Andries Verschelden, Partner and leader Global China Desk, Moore Stephens Verschelden China

• Cathy Buggenhout, Consul-General of Belgium in Shanghai

• Bert Van Genechten, Managing Director, Delaware Consulting China Shanghai-Suzhou

• Stefaan Vanhooren, President, Agfa Graphics, Member of the Executive Committee, Agfa-Gevaert Group

• Geert Roelens, CEO Beaulieu

18h30-18h35: Opening of the reception by Stefaan Vanhooren, Vice Chairman, Flanders-China Chamber of Commerce

18h35-20h00: Exchange of views and networking with the consuls-general

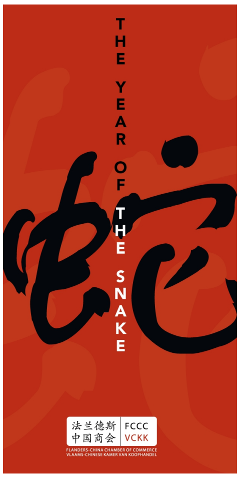
Reception in the presence of:

• Cathy Buggenhout, Consul-General of Belgium in Shanghai
• Johan D'Halleweyn, Consul-General of Belgium in Guangzhou
• Evert Maréchal, Consul-General of Belgium in Hong Kong

If you wish to attend, please subscribe before 21 January 2013 through this link.

The participation fee for members of the FCCC is €55. The fee for non-members is €75.

FCCC New Year Reception – 5 February 2013, 18 h. – Brussels



The Flanders-China Chamber of Commerce (FCCC) is organizing a Chinese New Year reception on February 5, 2013 at 18 h. at the Flemish Parliament, Hertogsstraat 6, 1000 Brussels, with speeches 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

Mr Kris Peeters, Minister President of the Flemish Government, Flemish Minister for Economy, Foreign Policy, Agriculture and Rural Policy

Members: €20
Non-Members: €45

If you wish to attend, please subscribe via the following link:
http://www.flanders-china.be/events_subscription1.asp?id_event=267&lang1=

OTHER ACTIVITIES

Klako Group Webinar: "Limited Companies in China – What you need to know!" – 23 January 2013, 8 p.m. – Europe

Klako Group is organizing a webinar on "Limited Companies in China – What you need to know!" on Wednesday, January 23 at 8pm – Amsterdam, Barcelona, Berlin, Milan, Paris.

Since January 2010 the Chinese government has modified its regulations concerning Representative Offices (RO). In brief the corporate compliance changes are as follows:

- The Parent Company of the Rep Office must be at least 2 years old
- The Rep Office must be renewed on an annual basis by submitting notarized documents from the Parent Company
- The Rep Office is only permitted to have 4 foreign representatives
- The deemed profit tax rate has been changed from 10% to a minimum of 15%.

Companies who are looking to source and/or start sales activities in China might find directly setting up a Limited Company as an advantage. During this webinar we will go into detail concerning a Limited Company in China – where it is a WFOE/FICE or JV. The Speaker is Kristina Koehler, Director Klako Group.

Space is limited. Reserve your Webinar seat now Should you have difficulties registering for the webinar here, please refer to our website: www.klakogroup.com/en/events After registering you will receive a confirmation email containing information about joining the Webinar. Please send your questions, comments and feedback to: kristina.koehler@klako.com.

FINANCE

Banking regulator warns about wealth management products

The China Banking Regulatory Commission (CBRC) has told Chinese lenders to "strictly" supervise the design, sale and investment of their wealth management products to curb risks from banks' off-balance-sheet businesses. Banks are banned from selling wealth management products without authorization and should stop selling private-equity-related products or misleading customers into buying such products, the CBRC said. Lenders were also required to separate accounting and management of products that offered fixed and floating returns. Banks have been relying over the past few years on wealth products, which offer higher returns than deposits, to dissuade households from moving their savings elsewhere. Fitch Ratings warned last month this "more mobile, expensive and short-term" funding base might create repayment risks and present challenges to banks' profitability and asset liability management. Huaxia Bank said last month it would negotiate possible repayment with investors who lost money following the default of a savings product a former employee was suspected of promoting without authorization. The outstanding balance of banks' wealth management products might have reached CNY13 trillion by the end of last year, Fitch said. The regulator also forbade banks and their employees from participating in underground lending. Banks should continue to curb loans to local government financing vehicles and the real estate industry, while at the same time offering support to “key” state projects and ensuring growth in lending to small firms and agriculture-related businesses was no less than the overall loan growth rate for the year, the South China Morning Post reports.

Government bond futures to be relaunched

Beijing is preparing to officially launch government bond futures after a successful simulated-trading experiment, in a move towards liberalizing the interest-rate mechanism. Guo Shuqing, Chairman of the China Securities Regulatory Commission (CSRC), told a forum in Beijing that the regulator was ready to restart trading of the financial derivative, 18 years after a trading scandal prompted Beijing to halt it. The Chairman did not give a clear date for the official launch but he indicated an official announcement might be on the way. The Shanghai-based China Financial Futures Exchange launched simulated trading of government bond futures in February last year, a month after Guo announced plans to develop the futures market. The launch of bond futures could help fund borrowing costs more efficiently and benefit the central government in reforming the interest-rate system, analysts said. Since Guo became CSRC Chairman in late 2011, he has sought to liberalize the futures market in the hope that its expansion can support economic growth as China gains pricing power on commodities and financial products. Last year the Shanghai Futures Exchange said it planned to launch crude oil futures and was likely to invite foreign investors to trade them. China's government bonds were valued at CNY8.07 trillion at the end of last year, up 9% from the previous year. Bond futures can play a vital role in the creation of a market-based interest rate mechanism, aiding borrowing and lending activities, the South China Morning Post reports.

- A bank’s offer to automatically transfer most of a husband’s income to his wife’s account has provoked fury, with one mobile phone news service calling it “the most atrocious banking service against men in history”. On its website China Merchants Bank (CMB), a major financial institution, describes its “capital accumulation” service as a “time- and energy-efficient” way for a couple to save money. The bank’s advertisement claimed that “ever since they started using CMB’s capital accumulation service, (the fictional couple) Xinyan and Wenhao have got on with each other even better and lived in happiness.”
- Lawrence Summers, former top Economic Adviser to U.S. President Barack Obama, has said that “the renminbi is not saliently, strikingly undervalued in the way it was five years ago”. He made the remark at the Asian Financial Forum in Hong Kong. The U.S. Treasury Department reiterated in November that the yuan “remains significantly undervalued”. The Chinese currency has appreciated about 17% against the U.S. dollar since the end of 2007. China said the yuan was “now close to equilibrium or, at most, slightly undervalued”.
- China Taiping Insurance might buy a 25% stake in Taiping Life Insurance from its parent, increasing its holding to 75%. Ageas owns 24.9% of Taiping Life. The stake sale could be part of the parent company's plan to streamline its business in preparation for a listing on the A-share market. China Taiping would prefer settling the deal through issuing new shares to its parent company. China Taiping might need to raise about HKD10 billion to fund the purchase.
- China’s sovereign wealth fund China Investment Corporation (CIC), which has more than USD480 billion in assets, could cut holdings of U.S. Treasury bonds as they are becoming a less attractive investment, Chairman Lou Jiwei told a conference in Hong Kong. “In line with the future U.S. economic recovery, the appeal of U.S. debt is weakening,” Lou said. “From a long-term perspective, it is not a good investment target.”
- Commonwealth Bank of Australia, Industrial and Commercial Bank of China (ICBC) and Qatar National Bank are among the suitors expected to submit preliminary bids to buy Rabobank’s Indonesian unit in a USD400 million deal, sources said. First-round bids are due by the end of January. The deal would be subject to Indonesia’s new bank ownership rules that cap foreign ownership in domestic banks at 40%, subject to some exemptions from the central bank.

- An international insurance brokerage association was established in Beijing last week, with the aim of protecting Chinese enterprises, as they expand globally. Jiang Tai International Associates was started by Jiang Tai Insurance Brokers, China's first insurance brokerage firm. Thirty-seven international brokerage firms have signed cooperation deals with Jiang Tai to become member associates. The aim of the new Association is to bring together some or all of the insurable risks faced by companies and its subsidiaries around the world into one insurance program.
- The People's Bank of China (PBOC) said it will start short-term liquidity operations (SLOs) as additional tools to manage cash supply. Repurchase agreements and reverse repurchase contracts with a maturity of less than seven days will be the main tools of the so-called SLOs. The PBOC named 12 banks, including the Industrial and Commercial Bank of China (ICBC) and the Bank of China (BOC), as participants in the SLOs, which will supplement regular open-market operations held on each Tuesday and Thursday.
- China, the biggest foreign creditor of the United States, increased its holdings of U.S. Treasury bills to USD1.17 trillion in November, up USD200 million from the previous month, the U.S. Treasury Department disclosed. China's holdings shrank from the USD1.25 trillion high reached in November 2011, continuing a pattern of decline through much of last year. As the Chinese currency is still expected to appreciate against the U.S. dollar, the risk in holding Treasuries is likely to increase in the coming year, according to analysts.
- China Minsheng Banking posted a net profit of CNY37.6 billion last year, slightly below the average market projection, though it exceeded the CNY27.9 billion in 2011. The bank's operating income climbed more than 25% to CNY103.1 billion and the return on equity, a measure of profitability, rose 129 basis points to 25.24% for the same period. Minsheng, the ninth largest Chinese lender by assets, has focused on loans to small and medium-sized private companies. Minsheng's non-performing loan ratio rose 13 basis points to 0.76%.
- China Development Bank (CDB) has agreed to set up a joint venture with Gateway Energy & Resource, the Asian unit of Washington-based EIG Global Energy Partners. EIG manages more than USD10 billion worth of assets, making it one of the largest institutional investors in natural resources.

FOREIGN INVESTMENT

FDI fell 3.7% in 2012

Foreign direct investment (FDI) in China fell 3.7% from a year earlier to USD111.7 billion in 2012, the first yearly drop in three years, the Ministry of Commerce (MOFCOM) said. In December alone, foreign investors channeled USD11.7 billion into China, down 4.5%, a seventh consecutive monthly decline. Ministry Spokesman Shen Danyang attributed the 3.7% cut in foreign funds partly to less investment in manufacturing. He said some investors have moved out of China for even cheaper labor costs and less stringent production criteria. But "such phenomena were within a normal range, not becoming a large-scale outflow," Shen said. "China welcomes foreign investors, and will continue to improve the investment environment to attract more foreign investment," Shen said. Li Maoyu, Analyst at Changjiang Securities Co, said gloomy global economic conditions, rising labor costs in China and the nation's more strict investment criteria were among the reasons for dwindling foreign investment. "China is just one of the many countries suffering less foreign investment in a bad global economic climate," Li said. "It remains one of the top choices for global businesses." China surpassed the United States in the first half of last year to become the world's largest market for foreign direct investment, indicating foreign investors' confidence in China is still strong. Shen said China retained advantages considering the vast pool of China's workforce and Chinese people's strengthening skills.

Last year, China's manufacturing sector digested USD48.8 billion in foreign investment, contracting 6.2% on an annual basis. Funds flowing into the service sector fell 2.6% to USD53.8 billion, led by a 10.3% cut in investment in the property market. Excluding real estate, investment in the nation's service sector grew by 4.8%. Capital from the European Union fell 3.8% to USD6.11 billion in 2012, but investment from Germany, the Netherlands and Switzerland bucked the trend with 29.5%, 49.1% and 58.1% increases, respectively. Investment from Japan rose 16.3% to USD7.38 billion and the U.S. raised its investment to USD3.13 billion, up 4.5%. China's non-financial outbound direct investment (ODI) rose 28.6%

to USD77.2 billion in 2012 as domestic investors pumped money into 4,425 overseas companies in 141 countries and regions. China's investments in Russia surged 117.8% from a year earlier, followed by those in the U.S., Japan and the ASEAN countries, with increases of 66.4%, 47.8% and 52%, respectively, the Shanghai Daily reports. Li Xunlei, Deputy CEO and Chief Economist of Haitong Securities in Shanghai, said he estimated China's non-financial ODI will increase 30% in 2013.

FOREIGN TRADE

China No 1 provider of high-tech goods to the Netherlands

China was one of the leading providers of high-tech goods to the Netherlands in 2012, ahead of the United States and Germany, according to Li Fei, Economic and Commercial Counselor at the Chinese Embassy in The Hague. Some of the goods were no doubt re-exported to other EU countries. In 2011, the Netherlands imported high-tech goods valued at €96 billion. Of these imports, 18% came from China. More than half of China's exports to the Netherlands are high-tech products, mainly laptops and mobile phones, Li said. Previously, China's shipments to the Netherlands consisted mainly of garments and toys. China overtook the EU in 2006 as the world's largest high-tech products exporter, a position it still holds, Li said. China is also the second-largest source of foreign direct investment (FDI) in the Netherlands, following the U.S. In 2011, 29 of the 193 FDI deals in the Netherlands were done by Chinese companies, and the investment was focused on electronics, high-tech, services and agriculture. As many as 330 Chinese companies have established a permanent business presence in the Netherlands, and investment is growing. In 2010 Chinese companies conducted 24 investment deals and this number increased to 30 in 2011.

- The European Union will not be drawn into a trade war with China, EU Ambassador to Beijing Markus Ederer insisted, a day after trade sources said the European Commission found China illegally subsidized its steel producers. The preliminary finding asked EU members to back punitive tariffs against Chinese steel firms, a move that angered Beijing.
- Palm oil imports by China, the world's biggest cooking oil consumer, are set to plunge this month after the government imposed more stringent inspections of shipments, potentially increasing global inventories. Imports may be 300,000 metric tons in January, less than half of those in December.
- China's trade surplus with the United States shrinks by a quarter when calculated according to the value-added method, according to the key findings of an ambitious project by the OECD and the World Trade Organization (WTO). The notion that an exporting country can calculate how much competitiveness it would lose by letting its currency rise was simply not true in a world of complex trade chains, WTO Director General Pascal Lamy said.
- China's trade surplus of USD231.1 billion in 2012, which saw a year-on-year jump of 48.1% despite the increase in imports, was due to commodity price declines. The trade surplus accounted for about 2.8% of China's GDP in 2012, which falls within international standards, Ministry of Commerce Spokesman Shen Danyang said. The Ministry will take measures to balance foreign trade in 2013, including issuing specific fiscal and financial measures to widen imports and organizing import exhibitions, Shen added.

IPR PROTECTION

High-speed train technology disputed

Fears over intellectual property rights will not derail China's exports of bullet trains, as the technology is home-grown, Vice Minister of Science and Technology Cao Jianlin said. His comments came after Kawasaki Heavy Industries suggested China had not developed its own high-speed technology. The Japanese company teamed up with CSR Sifang, which then produced China's bullet trains after the Ministry of Railways (MOR) launched a bidding process to build a high-speed network. Other global companies, such as Siemens of Germany, Alstom of France and Canada's Bombardier, were also involved. "We did buy trains that could travel at 200 kilometers per hour from Kawasaki, but the purchase was based on legitimate contracts. Chinese companies paid technology transfer fees according to the contracts, so it is nonsense to accuse China of copying their technology," Vice Minister Cao said. By the first half of 2012, China had registered 163 patents on high-speed train technology, with 90% of those held by Chinese companies. "As far as I am concerned, there is not a single legal intellectual property rights dispute over China's high-speed railway technologies," said Tian Lipu, Commissioner of the State Intellectual Property Office (SIPO). "Although we did buy technologies from Germany, France, Canada and Japan, our Chinese scientists 'digested' the technologies we bought legally, and developed our own technology," Tian said.

- China is the world's fastest-growing market for licensing products, having grown from USD1.1 billion in 2005 to USD4.7 billion in 2011, according to Charles Riotto, President of the International Licensing Industry Merchandisers' Association. "That points to the tremendous growth potential for this market," he said. China accounts for only about 2% of the world's licensing market.
- The latest report from Shanghai's IP office shows 357 local companies received nearly CNY800 million in loans using patents and trademarks as collateral. No bad debt has been recorded in the entire time since the first such loan was granted in 2006. IP-collateralized financing is now available in all five metropolitan districts of Shanghai.

MACRO-ECONOMY

China's power consumption up a modest 5.5% in 2012

China's power consumption rose only 5.5% last year, totaling 4.96 trillion kilowatt-hours, the National Energy Administration (NEA) said in a report. It increased 11.7% in 2011. Power use by the primary sector was flat at 101.3 billion kWh, rose 3.9% in the secondary sector to 3.67 trillion kWh, while the tertiary sector used 11.5% more at 569 billion kWh. China added 87 million kilowatt of power generation capacity last year, including 19 million KW of hydropower, 51 million KW of coal-fired plants and 15.37 million KW of wind power, the NEA said. China's combined installed generation capacity stood at 1.14 billion KW at the end of 2012, including 249 million KW of hydropower, 819 million KW of coal-fired plants, 12.57 million KW of nuclear capacity and 62.37 million KW of wind power. This year, China aims to add 21 million KW of hydropower, 18 million KW of wind power and 10 million KW of solar power capacity.

China reveals Gini coefficient

China has 2.7 million U.S. dollar millionaires and 251 billionaires, according to the Hurun Report, but 13% of its people live on less than USD1.25 per day according to United Nations data and the average annual urban disposable income is just CNY21,810. "The roots of inequality lie in the growth model adopted over three decades ago," said Yolanda Fernandez Lommen, head of the Asian Development Bank's China economics unit. China's Gini coefficient stood at 0.474 last year, down from 0.477 in 2011 and from a peak of 0.491 in 2008, Ma Jiantang, Director of the National Bureau of Statistics, told reporters at a press conference on last year's economic performance. China had not provided an official Gini coefficient since 2005, claiming that it was too difficult to calculate given rampant under-reporting of incomes, particularly by the wealthy. A recent survey by a Chinese university in Chengdu, the Southwest University of Finance and Economics, put the country's Gini coefficient at 0.61 in 2010. Beijing announced it will release its own Gini coefficient for last year, becoming the first Chinese city to announce such a plan.

Chinese GDP up 7.8% in 2012

The Chinese economy expanded 7.8% last year, the government said, as annual growth slowed for a second straight year. But gross domestic product grew 7.9% in the final three months of last year, the National Bureau of Statistics (NBS) said, ending seven straight quarters of slowing growth. China's retail sales rose 14.3% last year from the year before, it said. Retail sales rose 15.2% in December compared with the same month in 2011. The NBS also said production at China's factories, workshops and mines rose 10.0% last year from the year before, and industrial output increased 10.3% in December year-on-year. The economy grew at its slowest pace in 13 years last year, though a year-end spurt supported by infrastructure spending and a jump in trade signaled the foundation for the stable growth path Beijing says is vital for economic reform may be in sight. Evidence of a burgeoning recovery in exports, stronger than expected industrial output and retail sales, together with robust fixed asset investment, all indicated that Beijing's pro-growth policy mix has gained sufficient traction to underpin a revival without yet igniting inflationary risks. While consumption made the biggest contribution to growth last year, with a 51.8% share, Q4 marked the third consecutive quarter of decline. With China's consumers still relatively poor – average annual urban disposable income was just CNY21,810 in 2011 – it remains too hard for the government to rely on them to help compensate for any shortfall from the export sector.

Data released alongside GDP numbers showed home prices extending a slow rise in December, with an average rise of 0.3% month-on-month in 70 major Chinese cities, the fifth month in the last six to show an increase, despite government efforts to temper prices. Real estate investment, which accounted for 13.8% of China's gross domestic product (GDP) last year, rose 16.2% from a year earlier and remains a key component of overall fixed asset investment. Annual fixed asset investment (FAI) growth was 20.6% last year. Of the 7.8% growth, consumption contributed 51.8%, surpassing investment's 50.4%, while net exports dragged it down by 2.2%. Net exports have been a negative factor for the economy in the past three years. Last year, China's industrial production rose 10% year-on-year, down 3.9 percentage points from that in 2011. China's GDP for the first time passed USD8 trillion, or about 55% the size of the U.S. economy.

China's working-age population shrank in 2012. By the end of December China's population aged between 15 and 59 was 937.27 million, a decrease of 3.45 million from 2011. "In 2012 for the first time we saw a drop in the population of people of working age... We should pay great attention to this fact," said NBS Director Ma Jiantang. "The demographic dividend that has driven growth in China for many years is now coming to an end," he added.

- Academics warn that labor in China's agricultural sector is becoming increasingly scarce. The Annual Report on China's Urban-Rural Integration 2012, released by the Chinese Academy of Social Sciences (CASS), said: "As a great number of rural laborers are moving to cities and industrial sectors, an inadequate labor force is gradually becoming a key factor hindering the country's grain output." China's annual grain output rose 3.2% last year to hit 589.57 million tons.
- Shenzhen has set a GDP growth target of 9% this year, the lowest in decades, with the city government admitting that double-digit growth rates are a thing of the past. Mayor Xu Qin told Shenzhen People's Congress delegates the city recorded gross domestic product growth of 10% last year, unchanged from 2011 and the lowest since Shenzhen became a special economic zone (SEZ) in 1979. Shenzhen boasted average annual economic growth rates of more than 27% between 1980 and 2006.
- The top 1% of Chinese families in terms of wealth make an average CNY1.51 million per household a year, according to a study by the Chengdu-based Southwestern University of Finance. More than 3.7 million families in China have total assets worth more than CNY10 million. Almost 20 million have more than CNY3.05 million.
- The World Bank cut China's economic growth forecast for this year to 8.4% from 8.6% previously amid rising concerns about weaker exports and higher inflation. Since 2008, when the global financial crisis began, China has been trying to trim reliance on exports and focus on domestic consumption to play a bigger role in driving its economy forward.
- China Power Investment Corp, one of the China's five largest state-owned power producers, announced a record profit of CNY5.33 billion for 2012. Revenues rose 13.76% from a year earlier to CNY179.4 billion, Lu Qizhou, the company's General Manager, said at an annual work meeting. The company's hydropower sector made a profit of CNY3.98 billion in 2012, almost double the previous year. Its thermal power sector reported a profit of CNY3.57 billion last year, compared with a loss of CNY3.64 billion in 2011.

MERGERS & ACQUISITIONS

Cashing out becomes difficult for PE firms

With the door to initial public offerings (IPOs) in China largely shut, private-equity firms which invested there are having a tough time cashing out. They are sitting on more than USD130 billion of investments in China and are under pressure from investors to find an exit, Shenzhen-based advisory firm China First Capital said in a report. In October, the China

Securities Regulatory Commission (CSRC) stopped approving new listings over worries that a glut of offerings would further weigh on sagging share prices. Analysts say they don't expect the CSRC to approve any IPOs until at least March. The regulator approved 220 IPOs of companies backed by private-equity or venture-capital firms in 2010, but that fell to 165 the following year and 97 last year, according to China Venture. China's secondary buyout market – where private-equity firms sell to each other – remains immature. Among the handful of such deals, Actis Capital sold a majority stake last month in Beijing hot-pot chain Xiabu Xiabu, for which it had paid USD50 million in 2008, to U.S. firm General Atlantic for an undisclosed amount. When a private-equity firm does sell a Chinese portfolio company, the size of the deal tends to be small. Last year's biggest sale was MBK Partners' USD320 million sale of a majority stake in Luye Pharma Group, which it bought in 2008. The buyer was AsiaPharm Holdings.

Caterpillar discovers fraud at Chinese subsidiary

Caterpillar has uncovered accounting misconduct at the Siwei branch of ERA Mining Machinery, a Chinese company it acquired last year, forcing it to take a charge of about USD580 million, representing almost one-tenth of its 2012 earnings. Doug Oberhelman, Caterpillar Chief Executive, said: "The actions carried out by these individuals are offensive and completely unacceptable. This conduct does not represent, in any way, shape or form, the way Caterpillar does business or how we expect our employees to work". Caterpillar said the misconduct had been "purposely designed to overstate the profitability of the company prior to our acquisition". It added that it first became concerned in November, when, during a check of Siwei's inventory being conducted as part of the integration process, it identified discrepancies "between the inventory recorded in Siwei's accounting records and the company's actual physical inventory". No one has been arrested or charged in connection with the misconduct. Siwei employs about 4,000 people in Zhengzhou, Henan province.

- China Mengniu Dairy Co, the country's biggest dairy producer, confirmed it has been in talks to acquire China Modern Dairy Holdings. The acquisition would give Mengniu more control over its milk supply as concerns about safety in the nation's dairy industry linger. The Ma'anshan-based Modern Dairy supplies Mengniu with unpasteurized milk.
- Stryker Corp, a manufacturer of specialty surgical and medical products, has offered to buy Trauson Holdings Co for USD764 million in cash to expand in the Chinese orthopedic market. Trauson is China's largest maker of pelvic reconstruction plates and other products used in trauma surgery. Orthopedic implant sales in China will almost double to USD2.7 billion by 2015, vaulting the country past Japan as the biggest market after the U.S., according to Frost & Sullivan, a market research firm.

PETROCHEMICALS

Price reforms expected in natural gas sector

With natural gas imports on the rise, analysts say urgent changes are needed to fix severe price distortions in the system. The biggest event in China's natural gas sector this year is expected to be a long-awaited nationwide price increase and further reforms of the antiquated pricing system. PetroChina, which has suffered tens of billions of yuan of annual losses importing gas at international prices and selling at lower prices set by Beijing, will be the main beneficiary of the reform, while subsidized end users will end up losing out. Already, Sichuan province announced a gas price increase of 16% to 20% early last month, a Jefferies research report said. Zhejiang province is also seeking Beijing's approval for an approximate 25% hike to city-gate prices, according to industry media ICIS. Beijing last year asked Guangdong and Guangxi to start trials to link domestic gas prices to imported fuel to make prices more market-oriented. Eastern China is tipped to be next. Imports' share of total consumption rose to 21.6% in 2011 from just 1.8% in 2007. Based on import and consumption projections, this could further rise to as high as 40% by 2015. China's natural gas prices remain at least 40% below the usual levels in Asia, which have been closely linked to crude oil prices due to tight supply, but the Chinese government has been cautious in raising energy prices partly for fear of stoking consumer inflation. Mirae Asset Securities head of energy research Gordon Kwan said he didn't believe higher gas prices will trigger significant inflation in China as natural gas currently makes up less than 4% of China's energy mix, the South China Morning Post reports.

CNPC misses 2012 production target

China National Petroleum Corp (CNPC) missed its 2012 targets because of unrest in various countries around the world such as Sudan. Its overseas production reached 104 million metric tons in 2012, or about 2 million barrels a day, the second successive time the company has achieved more than 100 million tons of output outside China. However, the output was still more than 15 million tons less than its annual target. The company's overseas share of production last year was 52.4 million tons, up 1.4% from 2011. Its global oil and gas trade volume reached more than 300 million tons for the first time, up 18.5% annually, and was valued at USD230 billion, up 19.7% year-on-year. One notable area of success was its oil output in Rumaila, Iraq's biggest oilfield, which reached more than 25 million tons in 2012 – 5.2 million tons more than its target and the highest output of its overseas projects. China's overall domestic crude oil output will reach 207 million tons in 2012, a record high, according to Zhu Fang, Deputy Director of the Information and Marketing Department of the China Petroleum and Chemical Industry Federation. Although China's crude output has been increasing, domestic consumption has been rising faster. In 2011, China's crude output was 203 million tons, a 1% rise year-on-year, while consumption was 453 million tons, a 3.3% increase, according to the China Petroleum Enterprise Association. Zhu said the country's oil consumption will be around 470 million tons in 2012 and more than 500 million tons in 2013, the China Daily reports.

- China, the world's second-largest oil consumer, imported 271 million metric tons of crude oil last year, a rise of 6.8% year-on-year, as demand remained high despite an economic slowdown. The value of the imports jumped 12.1% year-on-year to USD220.67 billion due to surging prices. Analysts have predicted a higher reliance on imported oil in the years to come, as China is still in a phase of rapid urbanization and industrialization.

REAL ESTATE

House prices continued rising in December

House prices continued to rise in a growing number of Chinese cities in December, the National Bureau of Statistics (NBS) said. Excluding government-funded affordable housing, prices rose in 54 of the 70 cities tracked by the Bureau, compared with 53 in November and 35 in October. Prices were flat in eight cities while the remaining eight registered falls. Guangzhou led with a monthly increase of 1.2%, double that of November. Year-on-year, new home prices rose in 40 of the 70 cities, an increase of 15 from November. Between January and December, the value of new home purchases, excluding government-funded apartments, jumped 10.9% from 2011 to CNY5.34 trillion. By sales volume, 984.68 million square meters of new residential properties were sold in 2012, a year-on-year increase of 2%. Investment in residential development jumped 11.4% last year to CNY4.93 trillion, 68.8% of the country's overall investment in real estate development, the Shanghai Daily reports.

- Zhai Zhenfeng, former Director of the Erqi District's Housing Administration Bureau in Zhengzhou, the provincial capital of Henan, has been arrested on suspicion of taking advantage of his post for personal gain, as it was confirmed that he had been the owner of 31 homes, before selling seven of them. Twenty of the houses were in a residential complex built by Zhai's family-run real estate development firm.
- Chinese property stocks rose on the news that the government is likely to postpone the expansion of its trial property tax to more cities. Wang Kang, Chief Accountant of the State Administration of Taxation, said "property taxes impact the national economy and people's livelihood and an expansion needs to be discussed more widely". A pilot scheme has been in place in Shanghai and Chongqing since early 2011. If property prices soar rapidly in the near future, the government might still expand the tax scheme, analysts said.
- Land prices in major Chinese cities were generally stable in 2012 as they only posted a 2.3% rise to CNY4,620 per square meter on average from a year earlier, the Ministry of Land and Resources said. By the end of 2012, prices for residential land fell in 27 of the 105 surveyed cities compared to a year earlier, while those in over 80% of the cities grew no more than 5% annually, according to the Center for Land Price of the China Land Surveying and Planning Institute (CLSPI).

- New house sales have increased in major Chinese cities in recent weeks, as consumers expect prices to rise further. The number of newly built housing units sold in 54 major cities soared 103% year-on-year in the first 13 days of 2013, reaching 104,800 units, according to figures from Hong Kong-based real estate agency Centaline Group. During the first two weeks of the year, more than 90% of 40 major cities monitored by the China Index Academy posted larger housing transaction numbers than a year earlier.
- A 308-meter-high, 81-floor luxury apartment block will be built on Shennan Boulevard, Shenzhen's busiest main road, early this year. The project would be the highest of its kind in Asia.

RETAIL

Liquor and watches lose appeal among super rich

Luxury liquor and expensive watches lost their allure as gifts among China's super rich following government crackdowns on corruption and the lavish lifestyles of some officials. The country's premium liquor brand, Moutai, dropped out of the Top 10 preferred brands for gifting by men among the country's millionaires, falling to 13th place from 5th the previous year, according to the Chinese Luxury Consumer Survey 2013, which surveyed 551 Chinese residents with a personal wealth of CNY10 million or more. Chateau Lafite was the only drinks brand to make the Top 10 brands for gifting by men, ranking in 10th place. Luxury watches, mostly Swiss, were shunned by China's super rich, after some officials who sported the watches were accused of corruption. Swiss watchmaker Longines was the only watch brand to make the list, ranking 15th with men and replacing Rolex, which was 9th in 2012 but dropped off the list this year. "This year, there is a clear trend toward gifting more modestly priced top luxury goods," the report said. The top five brands for gifting by men are Louis Vuitton, Apple, Hermes, Chanel and Cartier. The top five brands for gifting by women are Chanel, Louis Vuitton, Cartier, Tiffany and Apple. The survey found only one in four millionaires "extremely confident" about the future of the economy. The number was at a four-year low, the Shanghai Daily reports.

Media Markt retail stores stop operating in China

German retailer Metro has decided to end the operation of its Media Markt stores in China. The group's wholesale business would not be affected, Metro added. Media Markt, a consumer electronics subsidiary of Metro's Media-Saturn Holdings, entered China in 2010, when it opened its first Chinese flagship store in Shanghai. Media Markt China is now jointly operated by Metro and Foxconn Technology Group. Metro said the decision to discontinue its business operations in Media Markt China "was prompted by the experiences and forecasts deriving from the two-year test phase that expired at the end of December." "After carefully analyzing all alternatives, we have decided not to continue our business activities," said Olaf Koch, Chairman of the Management Board of Metro. Metro opened 12 wholesale stores in China last year, which will continue to operate.

- Food authorities in Henan province ordered an investigation into poultry company Doyoo Group that reportedly bought sick and dead chicken from farms, then resold the sick ones to fast food restaurants such as KFC and McDonald's and processed the dead ones into animal feed. Chinese law requires that chickens that die in the feeding process should be burned and buried on location. Sick chickens that cannot be cured as regulated should be killed and disposed of the same way.
- Solid demand from global retailers will help prime retail rents in Shanghai to increase between 2% and 3% this year despite abundant supply, according to James Macdonald, head of research at Savills China. Six prime location retail projects, including Sun Hung Kai Properties' International apm on Huaihai Road M., Jing An Kerry Center on Nanjing Road W. and l'Avenue in Hongqiao, are scheduled to open in the city this year, adding a total of 400,000 square meters of premium retail space to the city's current inventory, according to CB Richard Ellis.
- Chinese food company Wahaha Group Co said it will enter a partnership with the English Premier League soccer club Manchester United. The three-year deal will see the popular drinks brand become the club's first official soft drinks partner in China.

- Electrical appliance retailer Gome is closing its six shops in Hong Kong, throwing some 100 people out of work – starting on February 1. The company announced that it would be switching its Hong Kong business focus to wholesale trade. The Gome Group was founded in Beijing in 1987 and has about 1,070 mainland stores. It opened its first Hong Kong retail outlet in Mongkok, selling digital and audiovisual products. It was listed on the Hong Kong Stock Exchange in 2004. At its peak, there were more than 10 branches in the city.

SCIENCE & TECHNOLOGY

Military experts win top science award

Explosion mechanics expert Zheng Zhemin and radar engineer Wang Xiaomo won China's top science awards. Their awards were presented by President Hu Jintao at a ceremony in Beijing. Zheng, 88, a Member of both the Chinese Academy of Sciences (CAS) and the Chinese Academy of Engineering (CAE), has devoted himself to research in the areas of elastic mechanics, explosive processing and underground nuclear detonations. Wang, 74, a CAE member, has been engaged in radar-related research and design for the past 30 years. He is regarded as the "father" of aerial warning and control systems in China. Wang built domestically-developed, electronically-steered phased-array radar for the Kongjing-2000 and Kongjing-200, two AWACS planes in service with the People's Liberation Army (PLA) that have also been exported to countries such as Pakistan. Zheng and Wang were each awarded CNY5 million. At the ceremony, Communist Party General Secretary Xi Jinping said China needs to realize a growth pattern driven by innovation. He encouraged Chinese scientists and researchers to follow the example set by the award winners. Premier Wen Jiabao called for a closer integration of research entities and enterprises, as well as promising to support enterprises wishing to establish research and development (R&D) centers. He said China needed breakthroughs in the development and marketing of high-tech products. Chemist Richard N. Zare from the United States and another four foreign experts from the U.S., Canada, Denmark and Japan received the International Cooperation Award in Science and Technology. Chinese moon orbiter Chang'e-2, as well as another two projects, were honored with the State Special Award for Scientific and Technological Progress. Another 41 projects received second-level prizes in the State Natural Sciences Award competition. No first level prizes were awarded, the ninth time in the past 13 years that they were not awarded, the Shanghai Daily reports.

- The number of international schools registered in China has skyrocketed in the past 12 years, from 22 to 338, according to Nicholas Brummitt, Managing Director of the UK-based International School Consultancy Group, as more and more affluent Chinese parents prefer their children to have an international education and to be prepared to go to a university abroad. Enrollment has risen by 25 times in the same period, to 184,073 students. International schools in Beijing or Shanghai generally are limited by law to foreign passport holders, but not in provincial cities, where growth in private education is booming.
- The Chinese government approved a plan on infrastructure construction for science and technology projects in the next two decades. The plan aims to boost innovation capability, support science and technology breakthroughs, and accelerate infrastructure construction on projects.
- The 7th China Bio-industry Convention, the largest annual event for the biotechnology industry in China, will be held in Kunming from June 20 to 23. The event will serve as a means of offering networking and partnership opportunities to research organs and enterprises in the industry, said Yang Shengli, Director of its Organizing Committee.
- China has three of the world's top 20 influential cities and innovation centers, according to a ranking published by the Shanghai Academy of Social Sciences. Hong Kong – fourth on the list – follows New York, London and Paris. Shanghai is 11th and Beijing 15th among the 70 largest international cities. This is the first time that China has published a comprehensive ranking of the world's influential cities, adding innovation capacity as an important measurable indicator besides economic scale.

STOCK MARKETS

China to raise foreigners' investment quota

China could increase the quota for foreign institutions allowed to invest in the country's securities market by as much as 10 times in a bid to speed up the reform of its capital market. "The combined value of foreign investments under the Qualified Foreign Institutional Investment (QFII) and Renminbi Qualified Foreign Institutional Investment (RQFII) schemes accounts for only 1.5% to 1.6% of China's A-share markets," Guo Shuqing, Chairman of the China Securities Regulatory Commission (CSRC), told a conference in Hong Kong. Tong Bin, Analyst with Hua'an Securities, said: "Currently, China's stock market is dominated by retail investors who represent 90% of total investors. But the future trend is that institutional investors will take up the majority of the market." Guo said China's "long-term policy" was to open capital markets. "Our goal is to make it easier for non-residents to issue or trade securities in domestic markets," Guo said. "We will further increase the investment quota, reduce investment restrictions and lower the investment threshold for QFII and RQFII schemes."

Launched in 2002, the QFII program is now the main gateway for foreign investors to invest directly in China's securities markets. The RQFII scheme, dubbed the "mini QFII," was introduced at the end of 2011 to offer overseas investors a channel to invest in mainland stock markets with offshore yuan. Guo's comments came after a series of measures aimed at relaxing rules on foreign investment. On December 14, China abolished the USD1 billion ceiling for sovereign wealth funds, central banks and foreign monetary authorities participating in QFII. No new upper limit has been specified. Last April, the amount of money that foreigners can invest in the domestic capital market through the QFII scheme was expanded to USD80 billion from USD30 billion. China has also sped up the approval process for QFII applicants. China's securities regulator issued QFII licenses to 74 foreign companies in 2012, compared to 29 in 2011 and 13 in 2010. By the end of last year, China had granted QFII licenses to 209 foreign institutions and had allocated a combined QFII quota of USD37.4 billion. Guo also said that China was preparing a trial program that would give Chinese individual investors direct access to overseas capital markets as the country seeks a greater role for its currency in global markets, the Shanghai Daily reports. Shanghai's stock index rose to the highest level in seven months following the news. "About CNY2 trillion would be added to the domestic stock markets if the investment quotas of QFII and RQFII were increased ten-fold," said Liu Ying, Analyst at Huatai Securities. Shares also surged on optimism over China's economy which is set to grow 8% this year, the Development Research Center of the State Council said in a report.

Chinese companies' interest in U.S. stock exchanges wanes

Chinese companies are deserting U.S. stock markets in record numbers as regulatory scrutiny mounts and the advantages of a U.S. listing slip away. Twenty-seven China-based companies with U.S. listings announced plans to go private through buy-outs last year, up from 16 in 2011 and just six in 2010, according to investment bank Roth Capital Partners. Before 2010, only one to two privatizations a year were typically done by China-based companies. In addition, about 50 mostly small Chinese companies "went dark," or de-registered with the U.S. Securities and Exchange Commission (SEC), ending their requirements for public disclosures. That was up from about 40 in 2011 and the most since at least 1994, when the SEC's records start. Companies with a limited number of shareholders can voluntarily go dark and rid themselves of the cost of public filings without buying out investors, but those investors often suffer as the value of their shares falls. Just three Chinese companies successfully went public on U.S. exchanges last year, down from 12 in 2011 and 41 in 2010. About 300 China-based companies still have shares trading in the United States on exchanges or over-the-counter (OTC) between individual dealers. Bankers are aggressively pitching the idea of companies pulling out of the United States and re-listing elsewhere, saying they can get a better share price in Hong Kong or mainland China. "The idea is that the markets here understand the China story better and will therefore hopefully assign a higher valuation to the stocks," said Mark Lehmkuhler, Partner at Davis Polk in Hong Kong. A failure by U.S. regulators to reach an agreement soon with China on accounting oversight may push more Chinese companies to abandon their U.S. listings, the South China Morning Post reports.

Equity transfer system for non-listed companies launched

China's equity transfer system for non-listed small and medium-sized enterprises was introduced in Beijing last week, opening up a national over-the-counter (OTC) and off-exchange market to satisfy growing financing demand, the China Securities Regulatory Commission (CSRC) said. After the launch, the shares of the companies in the four pilot zones – including Shanghai and Tianjin – will be traded in Beijing. CSRC Chairman Guo Shuqing said that the current proportion of companies that directly raise money from the equity market is “too small”. So far, there are about 1,400 companies listed in Shanghai and 1,050 in Shenzhen, only 0.02% of the total number of Chinese state-owned and private companies. At the end of 2012, the Shanghai benchmark stock index increased 3.17% year-on-year, and the value of the mainland stock market surpassed Japan to become the second-largest in the world, according to Guo. “The development route of the OTC market will be designed based on market demand,” Yao Gang, Vice Chairman of the CSRC said. According to the CSRC, there were 878 companies on the waiting list for IPOs by January 10. China’s first OTC market pilot program started in 2006 in Beijing’s Zhongguancun, a high-tech industrial park, with about 100 non-public companies. In August last year, the Chinese government approved a plan to expand the pilot zones for the new OTC equity market. Pilot areas were set up in the Zhangjiang High-tech Industrial Development Zone in Shanghai, the East Lake High-Tech Development Zone in Wuhan, and Tianjin’s Binhai High-Tech Industrial Development Area. By the end of December, 200 companies from the four pilot zones had listed equities on the regional OTC market, the China Daily reports.

Chinese brokerages report declining profits

Chinese brokerages reported declining profits for a third year in 2012 as jittery investors and a sluggish market for initial public offerings (IPOs) added to weak trading conditions. According to the Securities Association of China, China's 114 brokerages earned a combined CNY32.9 billion last year, down 16.6% from 2011. The decline followed a drop of 50% in 2011 and 16.8% in 2010. The association said 15 brokerages failed to post a profit last year but did not release their names. Trading commissions collected from clients normally account for 60% of brokerages' revenues. The China Securities Regulatory Commission (CSRC) slowed IPO approvals last year to underpin the beleaguered market, denting the brokerages' underwriting business. “Brokerages' earnings were within expectations,” said Dazhong Insurance Fund Manager Wu Kan. “They must double efforts to compete with other financial institutions in the asset management sector.” China’s 114 brokerages’ total profits of CNY32.9 billion in 2012 were less than the net income of USD7.48 billion by Goldman Sachs. Haitong Securities said that its 2012 earnings fell about 2.5% to CNY3 billion. The CSRC is now encouraging brokerages to develop their asset management businesses, including offering consultancy services and managing assets for clients. By the end of last year, total assets under management by brokerages were valued at CNY1.89 trillion, about a quarter of the total assets in the trust sector.

- Zoomlion Heavy Industry Science & Technology, seeking to boost investor confidence after an anonymous letter questioned its sales, said business surged last year after it offered new products and hired more people. The company had 31,018 workers by the end of June last year, 7.6% more than at the end of 2011, according to the company's annual and interim reports.
- China's foreign exchange regulator has increased the amount that Kuwait's sovereign wealth fund can invest directly in the Chinese securities markets to USD1 billion from USD300 million awarded in March last year. The quota allows the fund to buy yuan-denominated stocks and bonds. Only five other overseas investors in China have quotas as large as USD1 billion: Qatar Holding, the Hong Kong Monetary Authority, Norway's Norges Bank, Government of Singapore Investment Corp, and Singapore's Temasek Fullerton.

TRAVEL

Building of Beijing’s second airport approved

The building of Beijing’s new international airport was approved by the central government. It will be located in the south of the capital. “The rapidly increasing number of passengers has forced the airport in Beijing to run at near-full capacity,” said Liu Weimin, Professor at the Civil Aviation Management Institute of China. “A second airport is needed to divert passenger flow.” Beijing Capital International Airport has been ranked as the world’s second-busiest airport for three consecutive years. It handled 81.8 million passenger trips last year, up 4.2% from the previous year, and second only to Atlanta's Hartsfield-Jackson International Airport in the United States. According to the Civil Aviation Administration of China (CAAC), large-scale construction will commence next year, and the airport is scheduled to open before the end of 2018. It will be located near the border between Beijing's southern suburban Daxing district and Hebei province. It will cost at least CNY70 billion and have six runways for civil use and one for military use. The airport will be able to handle 70 million passenger trips annually by 2025. A rail line will be built to connect the airport with the city center, according to the National Development and Reform Commission (NDRC). Passengers will be able to reach the airport within 30 minutes from Beijing South Railway Station with trains running on the 37-kilometer line. The plan to build a second airport in Beijing was proposed as early as 2008, but it was not approved until the end of last year. The new airport will be built close to Nanyuan Airport, which is mainly for military use. Some flights handled at Nanyuan Airport will move to the new airport after it is completed.

- BOC Aviation, the Singapore-based aircraft leasing subsidiary of Bank of China (BOC), has placed a new order with Airbus for 50 A320s, with a total value of USD5 billion, including 25 new A320neo aircraft that will enter service from late 2015.
- Visitor numbers in Macao last year did not increase significantly despite casinos raking in record high revenue. Based on preliminary figures, the city saw 28 million visitors in 2012 – only a 0.3% increase from the previous year – said Macao Government Tourist Office Director Maria Helena de Senna Fernandes. The annual visitor growth was 12.2% in 2011 and 14.8% in 2010. Of the 28 million visitors to Macao, 25 million were from the Greater China region, including mainland China, Hong Kong and Taiwan. Last year, 14 million visitors stayed overnight in Macau – a 5% increase from the year before – with nearly nine million of them staying in hotels, a 10% rise from 2011.
- About 5,209 km of new high-speed railways will be put into operation in 2013, 2,738 km more than last year, UBS forecast. In 2012, about 250 standard sets of high-speed trains were delivered in China, and UBS projected the Ministry of Railways (MOR) will place new orders for 400 trains this year following the completion of the high-speed railway network. According to UBS estimates, 60% of the trains will operate at a maximum speed of 200 km per hour, and the rest at up to 300 km per hour.
- Cathay Pacific and its wholly-owned subsidiary Dragonair are cutting back on hot meals on some short haul flights. Since January 1, Dragonair has replaced hot meals with sandwiches for flights to Taiwan and Manila. Cathay is already serving sandwiches on Taiwan flights. The cost-cutting measures are expected to be unpopular, given Asian travelers' penchant for hot meals.
- As many as 35.5 million flights will be made in China during the six-week Lunar New Year travel period, up 5.2% year-on-year, the Civil Aviation Administration of China (CAAC) forecast. The period runs from January 26 to March 6.
- The Ministry of Railways (MOR) will increase planned investment this year by 30% from last year to CNY650 billion, Minister Sheng Guangzu said at the annual national work conference. Actual rail investment usually turns out higher than budgeted, as Beijing has a tradition of increasing spending on infrastructure to bolster economic growth.
- Passenger volumes at Cathay Pacific Airways and Dragonair grew 5% last year from the year before to 29 million. Holidaymakers helped boost passenger numbers last month by 2.5% year-on-year. However, performance in business class and first class was weaker than expected, the carrier said. A rebound in cargo demand towards year-end eased the fall in cargo tonnage to 5.3% for the year.
- Taxis in Shanghai can now be hailed through a smartphone app. Passengers pay CNY4 for each booking, paid together with the cab fare. The application was developed by Shanghai Dazhong Transport Group and three telecom operators. Taxis within 500 meters of the passenger will receive a signal. The first to respond can send its vehicle information to the passenger. Dazhong's 9,000 cabs are included in the service, and other operators will join as Dazhong upgrades its dispatch center. The Android version of the app is available at 51yangzhao.com, or via the Android app store, while an iPhone version will be available after Chinese New Year.
- China Southern Airlines has no immediate plan to cancel orders of the incident-prone Boeing 787-8 Dreamliner but that will change if systemic problems are found. "If the FAA [U.S. Federal Aviation Administration] finds that there are failures in the design of

the B787, we will ditch the order without doubt," a China Southern Executive said. "For now, we don't have plans to do so," he added. The Guangzhou-based carrier ordered 10 B787-8s, with the first plane expected to be delivered in the second half of next year. The Civil Aviation Administration of China (CAAC) is still in the process of certifying the B787.

- The Ministry of Industry and Information Technology (MIIT) has ordered internet portal operators to discontinue browser plug-in services aimed at helping users grab hotly sought-after train tickets for Lunar New Year travel. Some train tickets were sold out within 20 seconds of going on sale on the Railways Ministry's website. The site registered daily hit rates as high as 1.5 billion, prompting officials to blame plug-in services offered by internet portals.

ONE-LINE NEWS

- China will offer up to CNY300,000 as a cash reward to people who report on others who violate food and drug safety laws. Frequent media reports refer to cooking oil being recycled from drains, carcinogens in milk, and fake eggs. In 2008, milk laced with the industrial chemical melamine killed at least six children and sickened nearly 300,000.
- Multiple-entry visas, valid for up to five years, will soon be offered in a bid to attract more top talent. The Exit and Entry Administration Law, which comes into effect in July, will also introduce a six-month visa for short-term hires. About 550,000 foreign experts were working in China in 2012. The Ministry of Public Security is also drawing up a draft regulation, which may make foreigners who work in China for 10 consecutive years eligible for a green card.

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