法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 25 FEBRUARY 2013

FCCC ACTIVITIES

BICCS Lecture: "China's Investment in the EU: A Win-Win Game?" – 28 February 2013, 15:00 h – Brussels

The Brussels Institute of Contemporary China Studies (BICCS) of the Vrije Universiteit Brussel (VUB), with the support of the Flanders-China Chamber of Commerce (FCCC), is organizing a lecture on "China's Investment in the EU: A Win-Win Game?" at Vrije Universiteit Brussel, Rome Room, Level -1, Karel Van Miert Building, Pleinlaan 5, 1050 Brussels, at 15:00 pm on Thursday, February 28, 2013.

Speaker: Prof. Jiang Shixue, Deputy Director of the Institute of European Studies, Chinese Academy of Social Sciences. Professor Jiang is one of China's leading experts on the EU. He has researched and published extensively on issues related to the European economy, and its relationship with China. Prof. Jiang will discuss China's ODI policy and prospects for Chinese investment in the EU.

Programme

15:00 Welcome Prof Gustaaf Geeraerts, Director, BICCS
15:15 Presentation Prof Jiang Shixue, CASS
15:45 Comments Duncan Freeman, BICCS,
16:00 Discussion
17:00 Close

Cost: €30 for FCCC members, €60 for non-members. (Prices are exempted from VAT)

Please fill in the registration form and send it to biccsevt@vub.ac.be.

Conference: Managing China in Transition – Can China's 5th generation leadership get China on a sustainable path? – Friday 15 March 2013, 09.00-11.30 h., The Conference Board, Brussels

The Flanders-China Chamber of Commerce (FCCC) and The Conference Board are organizing the conference "Managing China in Transition – Can China's 5th generation leadership get China on a sustainable path?". The briefing will take place on Friday 15 March at 09h00 at The Conference Board, Chaussée de la Hulpe 178, 1170 Brussels.

Regardless of how China lands – hard, soft or in-between – the next 24 months will be transitional, for better or for worse. Contingency planning will be the key to sustaining growth, and to finding new growth opportunities, new investments, and new alliances. It will also be the key to mitigating risks across a number of evolving scenarios. Whether by design or unavoidable circumstances, slowing growth coupled with confluence of political and social factors is creating acute pressure for policy adjustment and structural change. How will this dynamic shape the operating environment for multinational corporations?

The presenter, David Hoffman, Vice President and Managing Director of The Conference Board's Beijing-based China Center for Economics and Business, has over 25 years of experience in China, including 20 leading the Technology-InfoComms-Entertainment Advisory practice of PricewaterhouseCoopers in China ("TICE Advisory"), where he served the senior-most executives of technology companies, telecommunications operators, information service providers, and traditional and new media companies. David also provided extensive advice to regulators and service providers on sector development strategy, regulatory policy, regulatory risk management, and compliance.

All executives with substantial China responsibilities are welcome to attend.

The programme is as follows:
09h00-09h30 Registration

09h30-09h40 Introduction by Mr Bert De Graeve,
Chairman, Flanders-China Chamber of Commerce
Chief Executive Officer, Bekaert

09h40-11h30 Presentation and discussion by Mr David Hoffman
Vice President and Managing Director of
The Conference Board's Beijing-based China Center for Economics and Business

Moderated by Ethan Cramer-Flood, China Program Specialist, The Conference Board.

To attend, subscribe online before 8 March 2013. Participation fee for FCCC members: €75, non-members: €95.

The Conference Board has a robust and unique China program that began with project research in the early 90s. The China Center for Economics and Business in Beijing provides essential information and insights on China to help members continually deepen their understanding and improve their business planning and performance in China. The China Council Europe and China Council U.S. leverage China Center knowledge and resources to keep senior-most HQ executives who have corporate responsibility for China well informed on and in front of high priority China developments that are critical to their business.

Info evening: "Opportunities for Flemish SME in China" – 27 March 2013 – Brugge

The Flanders-China Chamber of Commerce (FCCC), the Province and POM West-Flanders, VOKA and UNIZO are organizing an info evening: "Opportunities for Flemish SME in China" on Wednesday 27 March 2013 at 18h00 at Provinciaal Hof, Markt 3 in Brugge.

Programme:

18h00	Registration
18h30	Welcome by Jean de Bethune, Vice Governor Economy, Province of West-Flanders
18h35	Introduction by Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
18h40	Opportunities for Flemish companies in the province of Zhejiang, by Mrs Yin Linggu, Senior Advisor, Province of West-Flanders in China
19h00	Testimonials on doing business with China: - Yves Struyve, CEO, Trislot - Eddy Coppieters, CEO, Primus Group - Didier Leclercq, Chief Operations Officer, Vitalo Industries
20h00	Q&A session
20h30	Networking reception

During the info evening you will also receive the publication "FCCC Members' Portraits in China", describing the activities of 18 Flemish companies which have succeeded in China. The publication contains valuable information about how they tackled the very competitive Chinese market.

Registration before March 20 via this link. Fee: members of FCCC, VOKA and UNIZO: €75, non-members: €95.

The evening is organized with the support of Flanders Investment & Trade.

OTHER ACTIVITIES

Group T: How to cooperate successfully with China – Friday, March 1, 2013 – Leuven

"China at full throttle", "The world economy's engine shifts to a higher gear", "Chinese export exceeds all expectations". A glance at newspaper headlines suffices to become aware of China's growing importance in the world. Group T anticipated this development when, almost 20 years ago, it started collaborating with China. The first Chinese bachelor students arrived at Vesalius Campus in 2000. That same year, Group T students visited the People's Republic for the first time. Meanwhile, 250 Chinese students obtained an engineering diploma from Group T. By that time, over 2,500 Group T students and faculty had gotten to know the country.
The Confucius Institute at Group T asked 3 engineers to testify about their experiences during and after their time at Group T.

Program
19:00: Group T-engineers testify:
Andy Motten, PhD-student at Hasselt University
Wei Jun, Product Manager Diagnostic Imaging at Barco
Gao Xue, Software Developer at Alcatel-Lucent
Followed by a reception.

Registration: Entrance is free; you do have to register online, though.
Venue: Group T's Vesalius Campus, Andreas Vesaliusstraat 13, 3000 Leuven.
More info: Group T's International Office 016 30 10 04 internationaloffice@groupt.be

China Lecture Café: China's urban transition from a world cities perspective – 7 March 2013 – Ghent

The UGent is organizing a China Lecture Café on China's urban transition from a world cities perspective on Thursday 7 March from 18:00 to 20.00 h. in KANTL (Koningstraat 18, Gent). Speaker is Prof. Frank Witlox, Faculty of Sciences, Department of Geography.

Many economic and societal changes in contemporary China have a clear-cut urban dimension. One of these dimensions is the very uneven way in which China's 'megacities' are being integrated in the world economy: there are many megacities in China, but only a limited number of 'world cities' are intensively used by key economic actors as bridgeheads between China and the global economy. In this lecture, UGent research carried out in the context of the 'Globalization and World Cities' (GaWC) network is used as a starting point to assess this world city function. An overview of the uneven position of Chinese cities is presented, and subsequently used to reflect on the main causes and consequences of this situation.

Frank Witlox holds a Ph.D. in Urban Planning (Eindhoven University of Technology), a Master's Degree in Applied Economics and a Master's Degree in Maritime Sciences (both University of Antwerp).

A free sandwich meal will be provided. Subscribing is free of costs, but mandatory, via https://webapps.ugent.be/eventManager/events/LectureCafes The Lecture Cafés are a joint initiative of the UGent China Platform, the India Platform and the International Office of the Faculty of Bioscience Engineering.

PAST EVENTS

FCCC New Year Reception – 5 February 2013, – Brussels

The Flanders-China Chamber of Commerce (FCCC) organized a Chinese New Year reception on February 5, 2013 at at the Flemish Parliament in 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

Pictures will be online next week.

Invitation China 2.0: New opportunities for Belgian industry and meeting with the Belgian consuls-general in Shanghai and Guangzhou – 30 January 2013 – 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), organized 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 at Havenhuis in Antwerp.

The event marked 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.

Mr Stefaan Vanhooren, Vice-Chairman of the Flanders-China Chamber of Commerce, welcomed the participants. Following an introduction by Mr Philippe Snel, Chairman BenCham in Shanghai, a panel discussion was held focussed on “Wherever there are challenges, there are opportunities. What is China 2.0 and what does it mean to all of us?” 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; and Geert Roelens, CEO Beaulieu. At the reception, there was an exchange of views and networking with the consuls-general.

A radio program with the speakers has been broadcast in Voor de dag on VRT Radio and can be downloaded on the following link:
http://www.radio1.be/programmas/vandaag/belgium-goes-china

MEMBERS' NEWS

Well Mount Purchasing meeting – 5 March 2013 – Wommelgem

Well Mount is organizing its DIY & Garden Section Purchasing Meeting at Well Mount on March 5.

Well Mount has been active in e-commerce in Belgium since 2009. It is a European supplier and distributor with strategic and quantity product at great value prices. Well Mount's premises in Antwerp cover an area of about 16,550 square meters, including office, showroom, store, parking and a central warehouse for the Benelux, United Kingdom, Germany and France.

An important Chinese delegation consisting of 25 manufactures and more than 20 European sales agencies will attend the meeting. Under the theme “Business Opportunities, Cooperation, Service and Development’, the aim is to get market feedback and demand on the company's products range while at the same time providing useful ideas for these Chinese enterprises to explore overseas sales channels, and setting up a business in Belgium. It is also designed to encourage interaction and friendship with local communities.

Programme: 5 March 2013 at Well Mount on ground floor, Uilenbaan 196, 2160 Wommelgem.
Reception starts at 11:00 h.
Welcome speech by Well Mount – Well Mount business models B2B, B2B2C and O2O at 12:00 h.
Buffet/ Refreshments served 12:00 – 13:00 h.
Presentation & one-to-one business conversation 13:00 – 15:00 h.

Please confirm your time of arrival and the persons who will be attending the event so that all necessary arrangements can be made.

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FINANCE

Chinese firms lose interest in insurance

Chinese companies such as Haier Group and China Minmetals Corp in recent years joined foreign insurers in setting up insurance joint ventures in China, but their inability to break the dominance of China’s top insurers has led many of the Chinese partners to retreat. “We may see some Chinese partners in these Sino-foreign ventures exit the market, particularly the non-financial Chinese partners. Many of the JVs aren’t profitable yet, and insurance is no longer a business focus for some of these Chinese partners,” said Peter Enns at Goldman Sachs Group. Some have already scaled back. In May, Haier, known for its washing machines and refrigerators, sold the bulk of its stake in a tie-up with Japan’s Meiji Yasuda Life Insurance Co to unlisted Founder Group, controlled by Peking University. Haier now has around 20% in the venture. Meiji Yasuda holds 29%. In 2009, Chinese consumer-electronics maker SVA Group sold its entire 50% stake in a joint venture with Japan’s Nippon Life Insurance Co to Beijing-based Great Wall Asset Management Co. Foreign insurers seeking to enter China’s life-insurance market have to set up joint ventures with Chinese partners. More than half of the 26 Sino-foreign insurance joint ventures, including the first Sino-foreign joint venture between Manulife International and a unit of Sinochem Group, involve non-financial Chinese partners. Only AIA Group is on its own, with a full license obtained in 1992, after years of lobbying the country’s leaders. The Chinese insurance market is dominated by domestic players, which had 95% of the market by premiums in 2012, according to the China Insurance Regulatory Commission (CIRC). State-owned China Life Insurance Co, privately owned Ping An Insurance (Group) Co, and China Pacific Insurance (Group) Co, dominate the market. Last year, the 26 Sino-foreign joint ventures collected CNY47.5 billion in premiums, or just 4.7% of the overall market, down from 8% in 2007. “Chinese partners, particularly non-financial companies, are frustrated by the time it takes for the ventures to become profitable,” said Stephan Binder, Asia head of the insurance and asset management practice at McKinsey & Co. Only the bigger joint ventures, and those with financial partners, have been growing, the Wall Street Journal reports.

PBOC Governor might not retire

People’s Bank of China Governor Zhou Xiaochuan will retain his post despite reaching the compulsory retirement age of 65 and being left out of the new Communist Party Central Committee in November last year, sources told the South China Morning Post. They added that Zhou would probably be appointed a Vice Chairman of the Chinese People's Political Consultative Conference (CPPCC) next month, giving him state leader status and exempting him from retirement. Bank of China Chairman Xiao Gang, 54, who was made a full Member of the Central Committee in November, is tipped to become Party Secretary of the PBOC, enabling him to eventually take over from Zhou. If Zhou had stepped down next month it would have triggered a round of reshuffles. The new arrangement is seen by the leadership as necessary for maintaining monetary stability amid global financial volatility. Zhou's knowledge of monetary affairs has made him a respected figure around the world. “It's hard to find a suitable candidate in China who can match Zhou in terms of familiarity with international financial system rules and profound academic background,” said Liu Yuhui, Researcher at the Chinese Academy of Social Sciences (CASS). Huang Yiping, Barclays Capital Chief

Economist for emerging Asia, said the PBOC's communication with Western central banks such as the U.S. Federal Reserve and the European Central Bank (ECB) had become more important. He added Zhou would face many highly technical tasks in the years ahead including promoting the yuan, gradually opening the capital account and reforming the interest rate system. There are also reports that Chen Yuan, the 68-year-old Chairman of China Development Bank (CDB), and Li Ruogu, the 62-year-old Chairman of Export-Import Bank of China (Exim Bank), will stay in their posts. Analysts say keeping the financial veterans will help the new leadership consolidate power and win broader support within the Communist Party.

Foreign banks in China to limit wage growth

Foreign banks in China will limit wage growth this year by being selective in creating new positions, recruitment agency Robert Walters said. Some experienced bankers might get pay increases of 20% to 30% when changing jobs, similar to 2012, the report said. Foreign banks in China planned to expand headcount by 56% in the 2012-15 period as revenue grew 20% a year, a PricewaterhouseCoopers (PwC) survey found last year. “If you look at the past few years, there's been quite rapid wage inflation in China, and employees are changing jobs for significant incremental gains in their salaries,” said Mark Ellwood, Singapore-based Managing Director of Robert Walters Asia. “There's going to be more stabilization in 2013.” In Beijing, where the local offices of lenders such as JPMorgan Chase are based, foreign banks are offering mainly front-office, corporate banking jobs that focus on generating revenue, according to the survey. In Shanghai, executives with overseas experience and expertise in areas such as risk, compliance and preventing money laundering were in strong demand due to new regulations, Robert Walters said. A Shanghai-based head of compliance might receive a base pay of CNY1.1 million to CNY2.3 million this year, compared with CNY1 million to CNY2.2 million in 2012, the survey found. The maximum figure for a Chief Financial Officer (CFO) inched up to CNY2.6 million from CNY2.5 million, the South China Morning Post reports.

- A whistle-blowers’ telephone hotline has been launched in Shanghai in an effort to clamp down on banking operations that breach regulations. The China Banking Regulatory Commission's Shanghai Supervision Bureau said that as many as 74 banks and the city’s Banking Association had signed up for the service.
- China remains the largest foreign creditor of the United States after it increased its holdings of U.S. Treasury bonds by USD19.7 billion in December, the U.S. Treasury Department said. December was the third consecutive month in which China increased its holdings of U.S. Treasury securities. A total of USD1.202 trillion in U.S. treasury bonds were held by China at the end of 2012, compared with USD1.183 trillion in November, and USD1.151 trillion at the end of 2011.
- China’s government bonds fell after the central bank drained funds from the financial system for the first time in eight months. The People’s Bank of China (PBOC) conducted CNY30 billion of 28-day repurchase agreements on February 19 and didn’t offer any reverse contracts that add cash to the money market. The contracts were offered at a yield of 2.75%, unchanged from the previous sale of similar-maturity securities on June 19.
- ABC International, a unit of the Agricultural Bank of China (ABC), plans to hire more traders for yuan bonds in Hong Kong, expecting issuance to rise further after tripling in two years to a record last year. It is seeking a bigger share of the so-called dim sum debt market after climbing to fifth place among underwriters this year from tenth last year. Yuan debt sales, excluding certificates of deposit, are set to surpass last year's CNY112 billion, it predicts.
- Listed Chinese insurance companies have posted disappointing growth in premiums last month. The premium income for New China Life Insurance Co fell 10.3% in January from the same month of last year, while China Life Insurance Co said its premium income fell 4.7%. However, China Ping An reported its life insurance premiums rose 22% last month from a year earlier, while property and casualty premiums gained 19%, outperforming rivals. Of the four listed insurers, China Pacific Insurance Co has not yet released its January data.
- China Construction Bank (CCB) offered about USD300 million for Rabobank Group’s Indonesian unit. The Beijing-based bank has submitted a non-binding offer in the first round of bidding. Sumitomo Mitsui Financial Group, Japan’s second biggest bank by

market value, has also bid for the business. CCB is seeking to expand abroad after profit growth slowed in 2012. The bank made 99% of its revenue from China in 2011.

- The Bank of England and the People's Bank of China (PBOC) plan to sign a deal soon on a three-year currency-swap arrangement as London strives to become an offshore center for yuan trading. BOE Governor Mervyn King and his PBOC counterpart, Zhou Xiaochuan, met in Beijing last week. Seventeen countries have currency swap agreements with China, and Britain is not one of them.
- South Africa's largest healthcare insurer, Discovery Holdings, is to increase its stake in Ping An Health Insurance Co to 24.99% from 20%. The transaction is likely to be finalized by the second quarter of next year. Thailand-based Charoen Pokphand Group (CP Group) received approval to buy HSBC's 15.57% stake in Ping An Insurance Co, parent of Ping An Health Insurance, replacing it as the insurer's largest stock holder earlier this month. Ping An Health Insurance is based in Shanghai, with a registered capital of CNY625 million.

FOREIGN INVESTMENT

FDI drops at faster pace in January

Foreign direct investment (FDI) in China fell at a faster pace in January, the Ministry of Commerce (MOFCOM) said. Inbound investment, excluding funds flowing into financial sectors, dropped 7.3% year-on-year to USD9.27 billion. December saw a fall of 4.5%. It was the eighth month of decline and the deepest since July's plunge of 8.7%. Ministry Spokesman Shen Danyang admitted the drop was "not small" but said there were positive signs as the number of foreign companies newly established in China increased by 34.3% to 1,883 last month. Dariusz Kowalczyk, Senior Economist at Credit Agricole CIB in Hong Kong, said the January fall "likely reflects weaker perception of China's growth among foreign businesses after the economy slowed to a 13-year low last year and as its growth potential has been lowered by weaker outlook for main export markets." Kowalczyk added: "We expect that later in the year FDI will rebound modestly, as global business confidence improves and on delayed impact of the Chinese growth recovery toward the end of 2012." Last month, the Ministry announced that foreign direct investment posted its first annual fall in three years to USD111.7 billion in 2012, compared to 2011's record high of USD116 billion. China's manufacturing sector absorbed USD4.43 billion in FDI in January, representing an annual decline of 5.8%. Funds flowing into the service sector fell 9.8% from a year earlier to USD4.03 billion, led by a 14% cut in foreign investments in the real estate market. Investment from the 27-member European Union surged 81.8% to USD820 million during the month. Two countries in particular stand out. Investment from Sweden jumped a massive 4,060.4% year-on-year and investment from Denmark rose 325.2%. "The rebound of EU investment in China is mainly owing to China's continued economic expansion and the necessity to invest in production facilities close to the market," said Fredrik Erixon, Director of the European Center for International Political Economy, a think tank in Brussels. Capital from Japan fell 20% to USD640 million while U.S. investment was down 20% to USD270 million. Investment from Hong Kong declined 10.2% to USD5.7 billion. China's non-financial outbound direct investment (ODI), meanwhile, continued its upward trend in January, the Ministry said, rising 12.3% to USD4.91 billion as domestic investors pumped money into 777 overseas companies, the Shanghai Daily reports.

- Hitachi Construction Machinery, the world's third-biggest maker of building equipment, has restored operations in China after closing its plant in Anhui province for half a month last year as the economy cooled. The excavator plant has gradually increased production since the end of the year as demand for small diggers used in housing construction recovers.

FOREIGN TRADE

China requires testing of U.S. pork for ractopamine

China wants a third party to verify beginning March 1 that U.S. pork shipped to the country is free of ractopamine, a feed additive that promotes lean muscle growth. China is the third-largest market for U.S. pork. The requirement for third-party testing could hurt U.S. pork exports to the Chinese mainland and Hong Kong, valued at USD886 million last year. China maintains that there are serious concerns about the safety of ractopamine, despite scientific evidence that it is safe. The United Nations has agreed on acceptable levels. Steve Meyer, President of Iowa-based Paragon Economics, said China was trying to protect the domestic industry. He said that any move by China to ban pork imports from the United States would benefit exporters like Canada, Brazil and the European Union. Lean hog futures at the Chicago Mercantile Exchange fell sharply on rumors of the Chinese action.

- The European Union has threatened to expand tariffs on steel pipes from China to curb import competition for EU producers. The EU opened an inquiry into whether Chinese makers of seamless pipes and tubes that have an external diameter exceeding 406.4 millimeters and that aren't made of stainless steel are sold below cost. The EU already imposes anti-dumping duties on imports of Chinese seamless pipes and tubes with an external diameter not exceeding 406.4 millimeters and of stainless steel seamless pipes and tubes.
- The U.S. Department of Commerce announced its final determination in duty investigations against drawn stainless steel sinks from China. It claimed that Chinese producers and exporters sold drawn stainless steel sinks in the U.S. market at dumping margins ranging from 27.14% to 76.53% and that they received subsidies of 4.8% to 12.26%. Imports of drawn stainless sinks from China were estimated at USD118 million in 2011. The U.S. International Trade Commission is scheduled to make its final determination on or before April 5.
- After adjustments due to seasonal factors, foreign trade growth in January eased from December's 10.2% and increased 8.1% year-on-year, with exports rising 12.4% and imports increasing 3.4%.
- Palm oil imports by China, the biggest cooking oil consumer, are predicted to jump 14% in February on optimism that stricter quarantine inspections won't hurt trade. Shipments are likely to rise to as much as 400,000 metric tons from about 350,000 tons in January.
- U.S. Immigration and Customs Enforcement (ICE) agents mounted a sting operation against two major firms illegally importing honey from China, avoiding USD180 million in anti-dumping duties. The offense involved Chinese honey either being mis-declared as another commodity or trans-shipped through other countries such as India, Russia and Thailand to avoid trade duties. Five people have been arrested and charged and the two firms, Honey Holding of Texas and Groeb Farms of Michigan, agreed to pay fines of USD1 million and USD2 million respectively.

IPR PROTECTION

Huawei and ZTE obtain most invention patents

Huawei Technologies Co and ZTE Corp were granted the most invention patents in China in 2012, said Gan Shaoning, Deputy Director of the State Intellectual Property Office (SIPO). Huawei acquired 2,734 invention patents and ZTE 2,727. A Shenzhen-based subsidiary of Taiwan's Foxconn ranked third, with 1,099 patents. China's automakers BYD and Chery were also among the top 10 company patent holders. Eight of the top 10 are in the private sector. A total of 217,105 invention patents to domestic and overseas applicants were authorized in 2012, up 26.1% from the previous year. Of the total number of invention patents, 143,847 were granted to domestic firms, up 28%. However, Gan said China's invention patents are still behind foreign countries in areas such as optics, semiconductors, transportation, audio-visual technologies and medical and pharmaceutical technologies.

MACRO-ECONOMY

Job hopping started earlier this year

This year many employees were looking for new jobs earlier than usual, some even before the Spring Festival. Pessimism about the industries affected by the economic downturn encouraged employees to search for new jobs as soon as possible, said analysts. It forced businesses to start looking for new staff before the festival to cope with the exodus of existing workers. About 27% of the job hoppers said they were quitting because of their company's poor prospects, according to a report on job-hopping from ChinaHR.com. Many companies reduced pay rises this year because of fears about the economy, the main reason chosen by 26% of job-hoppers looking to move on, according to ChinaHR's report. Only 0.8% of respondents to the survey said they will increase their employees' salaries by 20% or more in 2013. The percentage was 2.7% in 2012. The number of companies awarding pay rises between 11% and 20% also fell from 16.7% in 2012 to a predicted 11.2% in 2013, according to the agency's report. ChinaHR.com also discovered financial, real estate and electrical appliance manufacturing industries have more job hoppers compared with other industries so far this year. Other employees are trying to keep their jobs as there are few job opportunities in the market at the moment. If the employees really want to change jobs, the automotive and retail industries would be good choices, according to Max Price, a Partner at Antal China, a United Kingdom recruitment and headhunting company. Companies in these industries want experienced people rather than fresh graduates. He nonetheless suggested people should be cautious about changing jobs and should stay three to five years with a company before moving on, the Shanghai Daily reports. Inland provinces are holding job fairs to attract migrant workers home to work, leading enterprises in coastal manufacturing hubs to fear increasingly serious labor shortages.

Agreement signed to develop Central China Economic Belt

Mayors of four provincial capital cities in central China – Changsha, Hefei, Nanchang and Wuhan – signed a strategic partnership agreement called the Wuhan Consensus, vowing a coordinated effort in building the Central China Economic Belt. The four cities, all located along the middle reaches of the Yangtze river, will take part in regular meetings in order to carry out regional cooperation. The Central China Economic Belt is dubbed the country's "fourth economic powerhouse." The three other economic circles are the Pearl River Delta, the Yangtze River Delta and the Bohai Bay area encircling Beijing and Tianjin municipalities and Hebei province. The new economic belt covers an area of 440,000 square km encompassing Hunan, Anhui, Jiangxi and Hubei provinces, with 40 cities and a population of 160 million. Each of the four provincial capitals saw their GDP growth rate exceed the national average of 7.8% last year. Wuhan is known as one of China's iron and steel production bases and has booming machinery manufacturing and photo-electronic industries. Changsha is famous for its culture and engineering machinery sector. Hefei has aimed at building itself into China's leading electric appliance production base. Nanchang is China's traditional aircraft production base, the Shanghai Daily reports.

- Komatsu, the Japanese maker of construction equipment whose sales have fallen for seven consecutive quarters in China, expects demand from the country to recover this year, aided by stimulus spending. The world's top producer of diggers forecasts China demand to grow 5% to 10% in the year starting April 1, President Kunio Noji said. The yen's slide to its lowest level since May 2010 will also help boost competitiveness, he said.
- Shanghai will prioritize investment in innovation and infrastructure, boosting consumption, and supporting public welfare in its fiscal expenditure this year, Mayor Yang Xiong said. The city will also expand the value-added-tax trial for some service firms this year. The trial, which started on January 1, 2012, has reduced tax for more than 130,000 participating companies by a total of CNY4.5 billion in the first half of last year.
- China's economy is set to expand at a faster rate this year than last year's 7.8% amid policy easing and credit extension, Moody's Investors Service said in a report. Gross domestic product (GDP) growth will likely hit the upper half of the 7.5% to 8.5% range this year, the report said. Moody's said economic growth may range between 7% and 8% over the next five years through 2017 due to continued financial market reforms and the introduction of sound regulations. But Moody's warned that unchecked non-bank financing such as wealth management products may exert pressure on the financial system.
- Business conditions in China continue to improve, according to preliminary data from Market News International, a unit of Deutsche Boerse. It said its latest Flash MNI China Business Sentiment Indicator pointed to strong growth in February, with rises in new orders and production, helping the indicator rise to 61.79, compared with a final reading of 551.56 for January. It also said growth in both new orders and production accelerated during the month.

MERGERS & ACQUISITIONS

Private companies boost M&A deals

In 2012, the number of overseas deals by private companies in Zhejiang province reached 63, accounting for 33% of the national total of 191 deals. A recent PricewaterhouseCoopers (PwC) report said that the value of M&A deals done by private companies increased 171% last year. “The slowdown of China’s economic growth and the uncertainties in the global economy last year spurred the outbound deals,” said Ma Shuzhong, Professor at the International Economy Department at Zhejiang University’s College of Economics. Zhejiang company owners last year mainly focused on acquiring brands, technologies and distribution channels in industries like manufacturing, new energy, wholesale and business services. They believed that overseas investments are one of the best ways to boost exports. The surge in overseas acquisition deals by private companies in Zhejiang came as China’s outbound M&A deals also soared in 2012. The PwC report said that the increasing value of private companies indicates that “the private sector will be the key driver of future China outbound M&As”.

PETROCHEMICALS

China’s foreign oil output surges

China is on track to produce enough crude oil outside its borders to rival Opec members such as Kuwait and the United Arab Emirates, after its state-owned oil companies spent a record USD35 billion buying foreign rivals last year. The International Energy Agency (IEA) calculated China’s national oil companies will produce 3 million barrels a day abroad in 2015, almost double their 2011 overseas output of just over 1.5 million b/d and equivalent to Kuwait’s annual output. “China is set to become a major producing country outside of its borders,” Fatih Birol, Chief Economist at the IEA, told the Financial Times on the sidelines of IP Week, an annual gathering of the oil industry in London. “A significant part of the increased foreign production comes from [merger and acquisition] transactions last year.” The surge of acquisition activity by Chinese oil companies – and their investment in unconventional drilling technologies – is reshaping the global oil industry. They are also keen on acquiring key technologies through the acquisitions, particularly for deepwater drilling and extraction of shale gas and oil sands deposits.

China Gas negotiating joint ventures with Sinopec

Natural-gas distributor China Gas has made steady progress in negotiations with Sinopec on forming joint ventures. The two firms were in advanced talks on setting up a venture to distribute liquefied petroleum gas (LPG) produced by Sinopec's oil refineries and sell compressed natural gas (CNG) at its petrol stations, China Gas Chief Financial Officer Eric Leung said. China Gas would inject its LPG distribution assets into the proposed joint venture, and the company would become a non-exclusive distributor of the gas from Sinopec in regions where China Gas has LPG storage facilities. “We are also in talks on Sinopec's possibility to raise its stake by buying more China Gas shares,” Leung added. China Gas' retail sales of the gas amount to about 1 million tons a year, while Sinopec's domestic refineries produce about 12 million tons a year. On the proposed CNG joint venture, Leung said Sinopec might let China Gas convert some of its 30,000 petrol stations in select cities in more than 10 provinces so that they can also sell the gas to private cars and commercial vehicles. Sinopec may share some of the profit from the CNG retailing business. China Gas runs about 160 CNG stations that serve taxis and buses in suburbs. Leung said the firm aimed to add 30 to 40 such stations each year.

CNOOC increases stake in coalbed methane producer

China National Offshore Oil Corp (CNOOC) said it will buy 20% of China CBM’s shares from the China National Coal Group Corp (ChinaCoal), becoming China CBM’s largest shareholder, controlling 70% of the company’s shares. ChinaCoal will hold the remaining 30%. The deal is still awaiting approval. China CBM, the country’s largest state-owned coalbed methane producer, owns exploration and mining rights to areas totaling 18,200 square kilometers. By the end of 2011, China CBM’s proven coalbed methane reserves had hit 107 billion cubic meters and its annual output capacity was 1.1 billion cubic meters. The Ministry of Land and Resources said that the country aims to produce 16 billion cubic meters of coalbed methane and put 7.4 billion cu m into use in 2013. The country aims to produce 30 billion cu m of coalbed methane yearly by 2015 under a national development plan for coalbed methane released last year. The deal is CNOOC’s latest move to tap unconventional gas after its take-over of Nexen.

- Sinopec Corp said it does not have a definitive timetable for possible acquisitions of its parent company Sinopec Group’s overseas assets after its share placement earlier this month fueled speculation about such moves. Sinopec, the listed arm of the group, said that it had raised USD3.1 billion via the sale of 2.85 billion new Hong Kong-listed shares, which analysts said will be used to purchase the overseas upstream assets of its parent Sinopec Group. The company said the proceeds from the share placement will be used for general corporate purposes, which include funding working capital, repaying existing loans and conducting project investment.
- China has set ambitious targets to exploit its reservoirs of shale gas, but experts say it will fail to meet those targets. The country produces no commercial quantities of shale gas, yet it has set a target of 80 billion cubic meters (BCM) by 2020, or 23% of total expected demand. Output in 2020 is likely to be 18 BCM, the average estimate of seven analysts surveyed by Bloomberg. Chris Faulkner, Chief Executive of the Texas-based shale driller Breitling Oil and Gas, which is in talks in China, said China's production targets were not realistic. Awarding shale gas prospects to inexperienced companies in the second auction, and government price controls on natural gas, is likely to ensure imports continue to rise, analysts said.
- PetroChina has agreed to invest in two natural gas exploration projects in Western Australia in partnership with ConocoPhillips. PetroChina has agreed to acquire a 20% interest in the Poseidon field in Browse Basin, off the coast of north-west Australia. It will also buy a 29% stake in the Goldwyer onshore shale gas project in the Canning Basin in Western Australia. The two companies will also sign an agreement to jointly explore for gas trapped in shale rock formations over an area of 2,000 square kilometers in the Neijiang-Dazu area in China’s Sichuan basin.
- Oil and energy firm Citic Resources reported a net loss of HKD1.28 billion last year, against a net profit of HKD2.2 billion a year earlier. The loss was partly due to one-off gains in 2011 from the disposal of the group's interest in the Codrilla coal-mining project and Australian-based mining firm Macarthur Coal. Excluding these one-off gains, net profit for last year jumped 107.4% to HKD235.9 million. Revenue grew 25.8% to HKD48.43 billion.
- China has raised fuel prices by more than 3% in response to higher global crude oil rates. Gasoline went up by CNY300 per ton while the diesel price rose CNY290 per ton. Prices vary from province to province. The price adjustment was the first since November 16 when China cut gasoline and diesel prices by CNY310 and CNY300 per ton respectively.

REAL ESTATE

Property details more difficult to collect

A regulation making it harder to uncover property details in some Chinese cities has raised questions over whether the new rule is aimed to protect personal information, as claimed, or to prevent scandals being exposed. Recently several scandals came to light in which government officials, bankers and businessmen were nicknamed “house sisters,” “house brothers” and “house uncles” because of reports that they owned multiple properties. The scandals were exposed because household information was made available by merely providing the names of alleged multiple property owners. Several localities introduced stricter rules such as the requirement to provide the detailed location of the property or its registered ownership number. Many people believe the new regulations are designed to protect corrupt officials and prevent details of their properties being made public. Guangzhou officials said that in the case of Li Yunqing, dubbed the “house auntie” and said to own 24 properties worth CNY15 million, she had bought the properties with legal income and money left by her father. Li’s household information had been illegally acquired, they said. Real-name inquiries of residents’ real estate assets have never been available in Beijing, according to the Beijing Commission of Housing and Urban-Rural Development, because it goes against a 2008 regulation by the Ministry of Housing and Urban-Rural Development on real estate assets registration. “The public may not have the right to know the assets of residents, but they should have the right to know the assets of officials. The new measures would certainly make it more difficult for the public to supervise officials,” said Zhu Lijia, a public administration expert at the Chinese Academy of Governance. Zhu said he believes real estate assets are not part of residents' privacy rights as they fall under the scope of personal credit information, and the public should have access to the information when necessary.

China Vanke enters the U.S. market

China Vanke, the biggest developer listed on Chinese exchanges, has entered a property venture in San Francisco, its first foray into the U.S. real estate market. The company signed the deal on February 12, Chairman Wang Shi said. Vanke bought 70% of 201 Folsom Street, a mainly high-end residential project owned by Tishman Speyer Properties, Jinsong Du, a Hong Kong-based Property Analyst at Credit Suisse Group, has said in a note to clients, citing information from Vanke. The development will comprise about 669 residential units, according to Credit Suisse. Chinese developers are starting to venture overseas, chasing wealthy locals who are buying apartments as the government restrains the property market at home. Xinyuan Real Estate Co in September took control of a lot slated for more than 200 units of housing near New York's Brooklyn waterfront for USD54.2 million, a deal the Beijing-based company said was the first of its kind by a Chinese firm in the U.S. The San Francisco deal is Vanke's first outside Asia and comes after the company's Hong Kong unit jointly won a HKD3.43 billion bid for a site in the city, marking its entry into a new market. The San Francisco project will target Chinese mainland buyers, according to Credit Suisse, the Shanghai Daily reports.

"Although China is an immense market which could accommodate further growth, it will inevitably become more competitive going forward. Expansion into overseas markets is a natural solution to this," Mizuho Securities Asia Analyst Alan Jin said. He expected more mainland developers to expand overseas. With the authorities forbidding residents from buying more than two homes, a growing number of investors are turning to overseas property. "That's certainly an important reason and a common one among Chinese developers aiming for overseas expansion," Jin said. For example, Country Garden plans to sell some flats in Malaysia to mainland buyers while Vantone Real Estate's first residential project in Taiwan will also cater for the mainland market. Jin said such projects would be small but the main purpose at this stage was to gain experience rather than profits. "China Vanke is positioning itself for an emerging big trend six to eight years down the road," BNP Paribas Research head Lee Wee Liat said. Up to now, 12 Chinese developers have expanded overseas. Greenland Group said last year it would speed up its plan to build a residential-commercial-hotel project in Sydney at a cost of CNY8 billion, the South China Morning Post reports.

More homes sold during Lunar New Year holiday

China's major cities saw a dramatic surge in the amount of residential floor space sold during the Lunar New Year holiday. Of the 27 main cities tracked by the China Index Academy, 21 cities saw more residential property floor space sold during the week-long holiday that began on February 9. Guiyang, capital of Guizhou province, led all cities with an astonishing 2,675% year-on-year growth during the holiday. Wenzhou, Zhejiang province, saw a 1,433% growth in gross floor-area transactions. Chengdu, capital of Sichuan province, saw its residential property transactions surge 227.78% from a year ago, topping the 10 major cities surveyed. Six cities saw fewer property transactions during the holiday, with Wuhan (Hubei province) slumping 93.56%, and Shenzhen (Guangdong province) sliding 92.86%, leading the decline. Hu Jinghui, Vice President of 5i5j Real Estate Service Co in Beijing, said home buyers tend to clinch deals before Lunar New Year on expectations that property prices will continue to rise. Separately, figures from Shanghai Centaline Property Consultants showed newly built home sales in Shanghai rose 165.35% during the holiday period compared with last year. Property prices averaged CNY24,056 per square meter, up 40.69% year-on-year. Considering that the Lunar New Year is a traditional low season for property trading, this year's trading is a result of increased transactions and land purchasing ahead of the holiday, said Ke Xiaojuan, Analyst at Shanghai Centaline Property Consultants. She predicted the property market will pick up further after the annual sessions of the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) in March, the China Daily reports.

- London elbowed its way past Hong Kong to regain the title as the world's most expensive market in which to rent office space, while Rio de Janeiro jumped to the No 3 spot from No 8, according to a report by global real estate services firm Cushman & Wakefield. Beijing's central business district (CBD) was ranked No 7, down from No 6 last year.

- China may impose tighter housing policies by raising the borrowing costs for second home buyers. The government is expected to unveil more policies to rein in property speculation before or after the National People's Congress (NPC) annual session in March. Second-home buyers may need to put down 70% of the property price as initial payment, with interest rates 30% above the benchmark rates. Second-home buyers now have to make an initial payment of 60% of the property price, which was raised from 40% in 2011. The interest rates are marked up by 10% over the benchmark.
- The central government has issued a fresh warning that it will roll out a property tax trial across the nation to rein in any sharp rises in home prices. The property tax is presently implemented only in Shanghai and Chongqing on a pilot basis. "It was a clear message that the property tax would be expanded within this year," said Yang Hongxu, Chief Researcher at E-House (China). "It's not easy to speculate which cities will do so," he added.
- House prices continued to gather pace across the country in January, with more than 70% of cities recording monthly and yearly gains. Prices rose in 53 of the 70 cities tracked by the National Bureau of Statistics (NBS), little changed from December's 54. Prices were flat in seven cities while the remaining 10 registered falls. Shenzhen led with a monthly increase of 2.2%, immediately followed by 2.1% in Beijing and 2% in Guangzhou.
- Hong Kong doubled the sales tax on properties costing more than HKD2 million. The stamp duty will increase to 8.5% of the purchase price for all properties, Hong Kong Financial Secretary John Tsang said. The Hong Kong Monetary Authority also tightened mortgage terms for commercial properties and parking spaces. Home prices have doubled in the past four years on near-record low mortgage rates, an influx of Chinese mainland buyers and a lack of new supply. Prices of offices rose 23%, while those of retail spaces advanced 39% in 2012. Hong Kong has the world's highest shop rents and is the world's second-most expensive place to rent office space.

RETAIL

Liquor makers fined for price monopoly

China's top liquor makers, Kweichow Moutai and Wuliangye Yibin, have been fined CNY449 million for breaking price monopoly rules, as the government gets tough on anti-competitive practices. The two firms admitted they had charged penalties to distributors who sold their baijiu alcohol products at lower prices than the producers had required. The National Development and Reform Commission (NDRC) started an investigation last month. The penalty was equivalent to about 1% of the companies' combined revenue last year. Kweichow Moutai and Wuliangye Yibin are the first two leading domestic firms to be subjected to such fines since the anti-monopoly laws came into effect five years ago. Moutai and Wuliangye's products, mostly priced between CNY1,000 and CNY2,000 a bottle, are among the most popular gifts during the traditional Chinese festivals, and their prices have climbed sharply in recent years.

Suning to sell more general merchandise

Suning Appliance Co, China's largest home appliance retailer, will include more general merchandise to diversify its revenue stream. By the end of this year, all of Suning's existing outlets will also serve as pickup points for orders placed on Yigou, its online shopping unit. Last year, Yigou's sales hit CNY18.3 billion, more than triple from 2011, but still fell short of the CNY20 billion target. The retailer also set up three independent business management centers to run its chain store, e-commerce and sourcing as a part of its business transformation process after it changed its name to Suning Commerce Group last week, Chairman Zhang Jindong said in Nanjing. Fan Zhijun, General Manager of Suning's Shanghai management center, said general merchandise will make up about half of the goods sold in Suning outlets by the end of this year. The size of home appliance counters will be cut to give more space to general merchandise.

- Chinese online retailer Jingdong Mall said that its cash reserve has topped CNY15 billion after the Beijing-based company raised about USD700 million from international investors. "With the new funding in place, Jingdong will be able to focus on long-term development," said Liu Qiangdong, Founder and CEO. Jingdong is the nation's second-largest business-to-customer (B2C) platform after Tmall, owned by Alibaba Group Holdings.

- Beijing retail sales rose 8.2% year-on-year to CNY1.06 billion during the Spring Festival, the China Chain Store and Franchise Association said. Outside the capital, the country's retail sales were also greatly boosted by the holiday shopping spree, the Ministry of Commerce (MOFCOM) said. The revenue of shops and restaurants across the country hit CNY539 billion, a year-on-year increase of 14.7%. Food sales were up 9.8%, jewelry sales surged 38.1% and garment sales rose 6.3%.
- Amway Company, the largest multinational direct-selling company by sales and network coverage, said that sales in China, its largest market worldwide, reached CNY27.1 billion in 2012, compared with CNY26.7 billion a year earlier. Last year, the company invested CNY600 million in China to set up a plant in Guangzhou and a botanical R&D center in Wuxi, Jiangsu province.
- Gome Electrical Appliances said that its controlling shareholder Huang Guangyu had no plan to sell his interest in the retailer and there was no discussion with any potential buyers to do so. The company issued the announcement in reaction to media reports on the rumored sale.
- U.S. mall operator Taubman Centers set up a second joint venture with Beijing Wangfujing Department Store (Group) Co, one of China's largest department store chains, to open a shopping center in Zhengzhou, Henan province. The mall is scheduled to open in the second quarter of 2015. Taubman invested USD35.5 million and will have a majority interest in the project along with the Chinese firm, while Maple (Zhengzhou) Real Estate Development Co will have a minority stake. In August last year, Taubman and Wangfujing announced their first retail project in Xian.

SCIENCE & TECHNOLOGY

Tianjin building tech city for SOE R&D

Tianjin is building a 30-square kilometer tech city in its Binhai New Area responsible for research and development work at central state-owned enterprises (SOEs). A 40 sq km ancillary area nearby will help industrialize the research. Wen Bing, Director of the Architecture Design Institute of the China Architecture Design & Research Group, is in charge of the overall planning for the tech city. The blueprint calls for 10 leading researchers and 100 high-end professionals to take residence in the tech city by 2015. The plan also calls for 10 world-class research and development institutes as well as 50 other research institutes to be located there. R&D spending should reach 10% of the area's GDP.

- China's spending on research and development (R&D) rose 17.9% to CNY1.02 trillion last year, representing 1.97% of the gross domestic product (GDP) in 2012, up from the 1.84% and 1.75% registered in 2011 and 2010 respectively, the National Bureau of Statistics (NBS) said. China's annual R&D spending grew on average by more than 20% for six straight years since 2006 before slowing slightly last year.

STOCK MARKETS

CSRC opens up mutual funds market

The China Securities Regulatory Commission (CSRC) has given the green light to brokerages, insurers, hedge funds, private equity and venture capital groups to launch mutual funds as part of efforts to bolster institutional buying in the stock market. The decision is expected to introduce more than 50 new competitors to the mutual fund sector. The CSRC said in a statement that the liberalization was aimed at bolstering the growth of the mutual fund sector and the capital market. Brokerages and insurers with total assets of no less than CNY20 billion each will be eligible to sell mutual funds to the public from June 1. Institutions such as hedge funds will also qualify to issue mutual funds if they have at least CNY2 billion of capital under management. Currently, China's 77 mutual fund houses manage a combined CNY2.89 trillion of funds that invest in stocks and bonds. Mutual funds that can raise capital through public offerings are the major financial institutions focusing on equity investments in China. The CSRC hopes the liberalization will help attract more retail investors to hand their money to professional asset managers for equity buying. Many of the more than 100 million retail investors have lost their savings due to poor investment decisions made during roller-coaster rides on the market. Institutional investors account for just some 14% of the total turnover on China's stock markets, far less than the 50% to 60% share generated by such investors in Western markets, the South China Morning Post reports. Analysts estimated that at least 50 non-mutual fund institutions would apply to issue mutual funds.

- Bank of Shanghai and China Everbright Bank are relaunching their plans to go public in Hong Kong to raise a combined USD2.5 billion. Boosted by a recovery in valuations among listed Chinese banks since early September, the share offers could go ahead as soon as the second quarter.
- A group of investment funds is suing the Chinese and United States affiliates of Deloitte Touche Tohmatsu, blaming them for investor losses at ChinaCast Education. The funds, all in the U.S., are seeking to recover tens of millions of dollars of investment losses from Deloitte, which audited the Chinese company's financial statements. The lawsuit was filed in Manhattan. ChinaCast, which provides post-secondary education and e-learning in China, sold shares in the U.S. on the Nasdaq stock exchange. It was delisted last year for failing to file its 2011 annual report.
- China's Bank of Chongqing is turning to the Hong Kong market for a planned USD500 to USD600 million initial public offering (IPO) this year after waiting for almost five years to list on the mainland. The city lender in western China made the decision because there are too many companies waiting for IPOs and the government has not made clear policies and criteria for listings of city and rural commercial banks in Shanghai or Shenzhen.
- Several first-tier major mainland securities houses, including China International Capital Corp (CICC), Shenyin Wanguo Securities and China Merchants Securities (CMS) issued bonus letters to their employees in Hong Kong and mainland China which disappointed their recipients because the bonus was equal to just one or two months' salary. That level was on par with the bonus payments some Wall Street banks offered to most of their Hong Kong-based mid-level or junior employees this year. Some even didn't get a bonus at all. Many Chinese securities firms have become more cautious about hiring after years of rapidly expanding headcounts.
- The Shanghai stock index suffered its biggest weekly loss in nearly 21 months last week, as profit-taking and mounting uncertainties over monetary policies hit the market. Closing at 2,314.16 points, the index lost 4.9% last week.
- A group of 11 brokerages will be allowed to borrow shares of 90 listed "blue-chip" companies from institutional investors for use in short selling from February 28. The 90 stocks available for borrowing represent CNY9.3 trillion in tradable capitalization, nearly 50% of China's A-share market. Analysts predicted the impact of the initiative will be market neutral.
- Shanghai-listed Zhejiang Southeast Electric Power Co said it plans to swap its U.S. dollar-denominated B shares for renminbi-denominated shares trading on the exchange's main A-share board. The move is the first B-to-A conversion plan approved by the China Securities Regulatory Commission (CSRC).
- The China Securities Regulatory Commission (CSRC) approved six new Qualified Foreign Institutional Investors (QFIIs), bringing the total number to 213. China has quickened the approval process for QFIIs to attract more foreign investors. It approved 72 QFIIs in 2012, up from 29 in 2011. The CSRC has also lowered the entry threshold, including lowering the QFII asset requirements to USD500 million from USD5 billion.

TRAVEL

Airlines report losses for third consecutive month

Air China, China Southern Airlines, China Eastern Airlines and other Chinese carriers collectively reported CNY1 billion in losses last month. Passenger demand declined at all three major carriers. Air China's revenue passenger kilometers (RPK), which multiplies the number of paying passengers by the distance travelled, decreased 1.5% year-on-year last month, and fell 2% and 1% at China Eastern and China Southern respectively. The drop in passenger demand was partly due to seasonal factors, given that the Lunar New Year holiday fell in January last year, leading to a higher base for comparison. Meanwhile, the impact from high-speed railways on passengers' air travel demand has been growing. At the same time, airlines expanded capacity and are offering rock-bottom fares to boost demand. Promotional tickets with discounts of as much as 92% were available for a 75-minute flight from Beijing to Taiyuan, according to online ticketing agents. Tickets for China Eastern's Beijing-Nanjing flight were also available for as little as CNY100, a 91% discount to the full fare. Chinese airlines are cutting short-haul routes while increasing long-haul services. Air China announced Beijing-Geneva and Chengdu-Frankfurt flights this month.

- An Airbus A320 on a domestic flight made an emergency landing at Taiping Airport in Harbin. China Southern Airlines flight CZ 3624 to Guangzhou returned to Harbin after the housing on the plane's left engine had fallen off. The passengers left in another plane and the cause of the problem is being investigated.
- Travel agents have slashed the cost of tour packages following the Lunar New Year holiday, with some operators offering discounts of up to 40%. Unlike in the past, when reservations fell sharply after the week-long holiday, domestic travel to popular tourism sites across the country remains popular. Trips to Southeast Asia are among the bargains being offered.
- The Chinese government approved plans to take part in the building of a high-speed railway line in Iran. The project would cost at least USD1 billion, but the firms participating had not yet been chosen. The United States, the European Union and their allies have tightened sanctions on Iran, but China and Iran have maintained "normal business cooperation", Foreign Ministry Spokesman Hong Lei said.
- China's railway industry saw a significant rise in fixed asset and infrastructure investment during January. Fixed-asset investment worth CNY20.99 billion was agreed, up 70.9% on the same period last year, while infrastructure investment rose 62.3% to CNY14.18 billion from a year earlier.
- Hunan provincial authorities plan to build seven new airports across the province by 2015, in a bid to make Hunan the main transport hub of the central and southern regions. Hunan currently has five airports.
- Tibet received more than 2.78 million tourists during the Lunar and Tibetan new year holidays, which started one day apart this year. Tourists helped bring the area more than CNY200 million in income.
- Singapore and Malaysia announced plans to build a high-speed rail link, which in the future could be connected to China. The rail link would cut travel time between Singapore and Kuala Lumpur to 90 minutes. The target year for completion is 2020. The current Singapore-Kuala Lumpur service takes over seven hours. ASEAN is contemplating a link that will run from Singapore to Kunming in southwest China, but estimates that there are 4,069 kilometers of missing links that need to be built, or existing railways that need to be upgraded, in several countries.
- Beijing is planning to further develop its public transportation network, and 46% of residents are expected to travel by subway and bus this year. The proportion was the highest in the country in 2012, and it is expected to reach 50% in 2015. Beijing now has 442 km of subway lines, the longest in China. By the end of 2013, the length will reach 465 km.

VIP VISITS

FM Yang visits South Africa and Russia

Foreign Minister Yang Jiechi's first trip abroad after the Chinese New Year took him to South Africa and Russia. The trip is likely to pave the way for Xi Jinping's maiden visit abroad as President to the two countries after the annual NPC and CPPCC sessions in March, said Da Wei, Expert with the China Institutes of Contemporary International Relations. South Africa will host the fifth annual BRICS Summit from March 26 to 27. Yang's trip comes on the heels of Russian President Vladimir Putin's presentation of a new foreign policy concept which put relations with China as one of the country's priorities. The guideline hailed the similar stance shared by Russia an China on core international issues, saying it is a basic element for regional and global stability. Russia will strengthen cooperation with China through the UN Security Council, G20, BRICS, East Asia Summit and the Shanghai Cooperation Organization (SCO) to address emerging regional and global challenges, according to Xinhua News

Agency.

- Shinsuke Sugiyama, Director of Asian and Oceanian affairs at Japan's Foreign Ministry, held talks in Beijing on the Diaoyu islands dispute and the situation on the Korean peninsula. He met Wu Dawei, China's Special Representative for Korean Peninsula affairs. Taiwan ruled out cooperation with Beijing on the Diaoyu dispute with Japan.
- The Honorary Chairman of Taiwan's ruling Kuomintang Party, Lien Chan, met General Secretary of the Chinese Communist Party Xi Jinping in Beijing. He is also scheduled to meet President Hu Jintao. Lien made history in 2005 for his fence-mending trip to Beijing, where he met Hu and reached consensus on peaceful development of relations between Taipei and Beijing.

ONE-LINE NEWS

- Commentators described penalties for corruption in Chinese football as inadequate after 33 people were banned for life and Shanghai Shenhua were stripped of the 2003 league title. A number of clubs and individuals were punished by the Chinese Football Association for widespread match-fixing scandals. The measures would not deter corruption, analysts said, because ever more money was flowing into the sport.
- Patients will in the future be able to pay after they receive medical treatment rather than before, as is the current practice, China's Ministry of Health revealed. More than 20 provincial regions are carrying out pilot programs of the new payment method. But the "pay after" method would not be adopted nationwide in the short term due to the country's immature social credit system and insufficient medical insurance.
- A cashless casino bar in Hainan was shut down by authorities, two days after a Reuters report drew attention to it. Beijing allows casinos only in Macao, where last year they raked in USD38 billion from punters, many from the mainland. Jesters, part of the newly opened Mangrove Tree Resort World in Sanya Bay, Hainan, offered hotel guests the chance to win points that could be used to pay for accommodation, luxury goods, jewelry and artwork for sale at the resort.
- The Second Plenum of the 18th Central Committee of the Communist Party of China (CPC) will be held in Beijing from February 26 to February 28, according to a decision of the Political Bureau chaired by General Secretary Xi Jinping. A draft on institutional restructuring of the central government will be discussed at the meeting.

ANNOUNCEMENTS

EU SME Center article: Are you ready for China?

A short article by the EU SME Center highlights the Center's services in general and the new SME business tool 'Are you ready for China?' in particular. With the economy in the EU still in the process of recovery, European small and medium-sized businesses (SMEs) have been looking to other markets in hope of growth. Being the world's biggest market as well as the fastest growing major economy, China has been attracting a lot of attention, but due to cultural, political and social differences still remains a major challenge for entrepreneurs. To lower the barriers, the EU SME Center was founded in Beijing in 2010 to provide practical and trustworthy help to European SMEs.

Having produced more than 80 publications and answered a large number of enquiries since its inception, the Center has acquired a wealth of knowledge about the most common challenges presenting themselves to European SMEs looking to sell or invest in China. Putting this knowledge to good use, it recently published a series of diagnostic business tools entitled 'Are you ready for China?', designed to work as a step-by-step introduction to the Chinese business environment. The diagnostic kit includes an online quiz, entitled 'Gauging your readiness', which is intended to serve as a self-assessment tool tailored to help entrepreneurs check their level of readiness regarding the China market and pointing them towards further resources to improve their understanding of less well-known business areas. It comprises one general and four specialised modules on 'your business', 'your product', 'your people' and 'your money'. At the end of each module a final score is given, indicating the level of readiness to enter the Chinese market and a list of links to further sources of information that might be helpful in closing the remaining gaps. More information on the Center is available at www.eusmecentre.org.cn.

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