法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 4 MARCH 2013

FCCC activities	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
	Conference: "Opportunities for Flemish SMEs in China" – 27 March 2013 – Brugge
Activities by FCCC Structural Partners	China Lecture Café: China's urban transition from a world cities perspective – 7 March 2013 – Ghent
	Cleantech World Café China – 28 March 2013 – Antwerp
Past events	FCCC New Year Reception – 5 February 2013 – Brussels
Finance	Bank card fees for services reduced
Foreign investment	Europe attracts double as much Chinese investment as U.S.
	AmCham South China members confident in Chinese economy
Foreign trade	Hong Kong limits amount of baby formula travelers can export
IPR protection	Stronger protection for calligraphy and paintings called for
Macro-economy	China's economy continues gradual recovery
	Hong Kong remains most globalized economy
	China's number of billionaires second only to U.S.
Petrochemicals	China Petrochemical to acquire Chesapeake assets
	CNOOC gives up control of Gulf of Mexico oilfields
Real estate	Vanke's full-year profit up 30%
	New World Development targeting growth of 30%
	Modest price rises reported for February
	20% capital gains tax on home sales imposed
Retail	Media Markt China to close its China stores
	Giordano hopeful demand will rise in China
Science & technology	Shanghai offers scholarships to attract foreign students
Stock markets	Anta Sports announces special payout to shareholders
	Residents of Hong Kong, Macao and Taiwan to be allowed to trade A-shares
Travel	China to invest CNY100 billion in aircraft engine development

VIP visits	Hu Jintao meets Taiwan's Lien Chan
One-line news	
Announcements	Katho-vives internships
	JLJ Group article: China's wastewater treatment industry
Advertisements	Hainan Airlines, your direct link from Belgium to China

FCCC ACTIVITIES

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.

Conference: "Opportunities for Flemish SMEs in China" – 27 March 2013 – Brugge

The Flanders-China Chamber of Commerce (FCCC), the Province and POM West-Flanders, VOKA and UNIZO are organizing a conference: "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 conference 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 conference is organized with the support of Flanders Investment & Trade.

ACTIVITIES BY FCCC STRUCTURAL PARTNERS

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.

Cleantech World Café China – 28 March 2013 – Antwerp

Flanders Cleantech Association (FCA) and Flanders Investment & Trade (FIT) are organizing the Cleantech World Café China.

- You already have had your first export experience in Europe?

- You are considering to offer your clean technologies on the Asian continent, but you still have a few question marks?
- You like smart partnerships with companies in the region?
- You want to listen to the stories of experienced China entrepreneurs in the cleantech sector?

For whom? Flemish firms offering clean technologies
By whom? Companies with ample experience in China such as Waterleau, Applitek, and Aquaplus tell their stories. FCA and FIT are assisting in cleantech and international entrepreneurship.
What and how? We work together in small groups under the leadership of experienced China entrepreneurs in the cleantech sector. We exchange experiences and best practices:

- Which path did they take?
- Which clean technologies do they offer and did they find a market in China?
- Which are the lessons they have learned? How did they form smart partnerships?

The session will result in first insights into partner search expectations in Asia, so you can consider participation in the FIT-missions to China (September) or other opportunities for business matching.

Date: March 28, 2013 from 17 h. till 20 h., small snacks during the session, followed by a short networking reception on the Royal Terrace with a view of one of the most beautiful railway stations halls in the world, and... a bright cleantech future!
Location: Antwerp Central Station (De la Censerie Room)
Registration: To stimulate interaction, we work in small groups, following registration we expect your attendance or if not possible a correct cancellation. Register here.

More information: Sonja Van den Bergh, e-mail: info@fca.be Tel: +32 295 22 72

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 soon be online at the FCCC website.

FINANCE

Bank card fees for services reduced

Authorities reduced bank card fees for retail merchants on February 25, saving them over USD1 billion. The fees were cut by 37.5% for restaurants and entertainment service providers. The fees for other sectors were reduced by 22% to 24%. There were 3.5 billion bank cards in circulation issued by 338 banks by the end of last year. Card penetration measured by card payments over total retail sales of consumer goods reached 43.5%. “Fee incomes at the commercial banks and China UnionPay will be reduced over time, which exerts financial pressure on their card business. However in the long run, the adjustment will elevate bank card issuance and card penetration, and bring new opportunities to the bank card industry,” the People’s Bank of China (PBOC) said. The central bank wanted to boost the willingness of merchants to accept bank card payments as China strives to raise domestic consumption to power the economy.

- The premium income of life insurance companies rose just 0.23% from last January to CNY1.4 trillion in January, the China Insurance Regulatory Commission (CIRC) said. Liu Yang, Analyst with Shanghai Securities Co, said the life insurance sector has started the new year disappointingly as it faced intense competitive pressure from banks and various wealth management products. Property insurance premiums jumped 23.62% to CNY61.2 billion on account of car insurance making up 75% of the premiums, the CIRC added. January and February are considered as a high season for the insurance industry during which insurers may meet up to 40% of their annual targets.
- The Chicago Mercantile Exchange launched deliverable off-shore yuan futures in Hong Kong by offering three-year contracts worth either USD100,000 or USD10,000. The Bank of China (BOC), a key player in promoting global business in yuan, formed a strategic alliance with the CME Group in March, focused on clearing and settlement, offshore yuan services and futures trading. BOCI Commodities and Futures Limited, a wholly-owned subsidiary of Bank of China (BOC), is a CME Clearing Member. BOC's New York Branch has been selected as one of CME Group's Settlement Bank and Collateral Custodians.
- China's Ping An Bank and China Minsheng Banking Corp may exit the housing loan business due to a change in strategy, a bank source said, adding: "It's partly due to the pressure from capital adequacy requirement."
- China's inflation may increase to 3.11% in 2013, up from last year's 2.6%, due to global monetary easing, according to a report compiled by Xiamen University and the Economic Information Daily. The first half of the year will see a relatively loose stance to deal with the uncertainty of the global economy, with the growth rate of M2, a measure of money supply, to reach 15%.
- Credit card debt in Shanghai rose 29% year-on-year to CNY265 billion last year, while bad the loan ratio stayed below the general ratio of all loan categories at 1.75%. Consumption made through credit cards rose 44% yearly to CNY310 billion. The city had nearly 20.6 million credit cards in circulation, 14% more from a year earlier.
- The efficiency of China's economy is slipping, with money flowing much slower between different sectors than in the past. Liu Yuhui, Director of the financial lab at the Chinese Academy of Social Sciences (CASS) said although financing activities in the country appear to be booming, most of the newly borrowed money is used to repay debts instead of forming revenue among companies. Liu estimated local government debt in the financial system at between CNY13 trillion and CNY14 trillion, with interest rates to be paid each year standing at CNY700 billion to CNY800 billion.
- The Shanghai Futures Exchange is to introduce an asphalt futures contract soon, with trade likely to begin before June. It will be the world's first. The Exchange plans to introduce a crude oil contract later this year. Asphalt is an important downstream product of oil. The current spot price for asphalt is about CNY5,000 a ton. The Exchange will limit daily moves in asphalt futures to 3% of the previous closing price and investors will have to pay at least 4% of the contracts as a margin deposit. The Dalian Commodity Exchange will also soon introduce the world's first coking coal futures contract.
- China Life Insurance warned that net profit for last year would come in about 40% lower than a year earlier at about CNY11 billion. The insurer blamed a drop in investment yield and an increase in impairment losses as the value of its investments fell because of continued weakness in the capital markets. The company reported net profit of CNY7.42 billion for the first nine months of last year and a net loss of CNY2.2 billion for the third quarter.
- Chinese banks' bad loans increased for a fifth straight quarter, the longest deterioration since the data became available in 2004. Loans overdue for at least three months rose by CNY14.1 billion in the fourth quarter to CNY492.9 billion, the China Banking Regulatory Commission (CBRC) said. The net interest margin at the nation's 3,800 lenders contracted to 2.75% in the fourth quarter from 2.77% in the third. The banks' capital adequacy ratio (CAR) strengthened to 13.25% as of December 31. Combined net income at China's banks grew 18.9% last year to CNY1.2 trillion.
- Growing demand has led China's yuan to overtake the Russian rouble as a currency used for global payments, according to SWIFT, the Society for Worldwide Interbank Financial Telecommunication. Use of the yuan in January jumped 24% from

December, enabling it to capture 0.63% of global payments, an all-time high. The yuan is now the 13th most used currency. A year ago it was still in 20th place. The year-on-year increase in the use of the yuan for payments, as measured by transaction value, was 171%.

- Citigroup will make development of its credit business a top priority in the Chinese market this year. It will open two credit card sales centers in Chengdu, Sichuan province, and Hangzhou, Zhejiang province, while developing one or two new types of cards. The bank expects to establish broad strategic partnerships with merchants and improve customer service this year. Citi plans to start working with some major online payment companies. The bank has also applied to be in the first batch of foreign lenders allowed to sell local mutual funds.

FOREIGN INVESTMENT

Europe attracts double as much Chinese investment as U.S.

Europe has attracted twice as much investment as the United States from Chinese investors in the past two years for commercial opportunities and political reasons, the Rhodium Group said in a report. Annual flows of Chinese direct investment to the European Union increased from less than USD1 billion before 2008 to an average of USD3 billion in 2009 and 2010, before tripling to more than USD10 billion in the past two years. In the U.S., Chinese direct investment surged from below USD1 billion in 2008 to USD5 billion in 2010, before dropping to USD4.7 billion in 2011 and reaching a record high of USD6.5 billion in 2012, which remained below the levels seen in the EU in the past two years. “Chinese investors seized opportunities to buy into cash-strapped European industrials and assets promising stable long-term returns such as utilities and other infrastructure,” Thilo Hanemann, Research Director of the Rhodium Group and the author of the report noted. For example, China invested more than USD5 billion in EU transport infrastructure and utilities through 2012, while the U.S. attracted close to zero investment in transport infrastructure from China. Hanemann also mentioned national security concerns as an important factor in affecting China’s investment. “Chinese telecommunications equipment firms spent more than three times as much in Europe than in the U.S., where the Committee on Foreign Investment in the U.S. (CFIUS) has interfered with several deals and firms have seen their business diminished by intervention from U.S. government officials, members of Congress and the security community”, the Shanghai Daily reports.

According to Rhodium, investors from China spent USD6 billion on the industrial machinery and vehicle sector in Europe, compared with less than USD3 billion in the equivalent sectors in the U.S. “Europe is a comparatively freer market than the U.S., exerting less interference on commercial and business activities,” said Huo Jianguo, President of the Chinese Academy of International Trade and Economic Cooperation, a think tank affiliated with the Ministry of Commerce (MOFCOM). The Rhodium report, however, found that the U.S. has outpaced Europe in attracting Chinese investment for several high-tech clusters, including aviation and information technology services.

AmCham South China members confident in Chinese economy

Members of the American Chamber of Commerce in South China expect their investment budgets to total more than USD16.5 billion over the next three years, representing an increase of 40% on the previous three years. Despite a sluggish global economy, member companies in the region expressed strong confidence in the market and in China’s economic reforms, according to a survey. The poll asked 425 companies to predict their projected investment spending between 2013 and 2015. The Chamber has more than 2,000 corporate and individual members in the southern Chinese region. “Enterprises simply do not invest such vast amounts of money and effort in a business environment they deem to be uncompetitive or even particularly hazardous,” said Harley Seyedin, President of AmCham South China. “We estimate members hired in excess of 693,000 new employees over the course of 2012 and one very clear trend has been for participants to increasing their focus on the domestic market, rather than on exports.” The survey showed that in 2006, only 35% of companies were primarily focused on serving the Chinese mainland market with goods or services, while 80.5% now consider it their top priority in 2013, compared with 70% last year. Just under 90% of participants to the survey ranked the region’s business environment as “good/acceptable”, “very good” or “outstanding”, while 47% felt it had improved over the past 12 months against 23% who felt it had worsened. 95% of the participants reported either being profitable already or expecting to reach profitability within two years. The list of major concerns is topped by “regulatory issues”. Other major concerns included local competition, rising labor costs, and a lack of skilled and general employees. It was the ninth consecutive year the survey has been conducted. Guo Yuanqiang, Director General of the Guangdong Provincial Department of Foreign Trade and Economic Cooperation, promised to improve the legal rights of foreign investors, and accelerate infrastructure improvements, the China Daily reports.

91% of U.S. companies in China are optimistic over the outlook for their Chinese operations because of the growing importance of the domestic market, but for the second year in a row their business performance fell in 2012. According to the 2012-2013 China Business Report by the American Chamber of Commerce in Shanghai, only 73% of the U.S. companies in China were profitable last year, declining from 78% in 2011 and 79% the year before. For the second straight year, American firms saw a dip in year-on-year performance indicators, including profitability, revenue and operating margins, the survey said. “We should no longer expect China’s economy to grow at the same double-digit rates of years past,” said Brenda Foster, President of AmCham Shanghai. “Steadily rising costs, human resource constraints and an increasingly competitive environment will also be the rule rather than the exception in the years ahead.” The survey also revealed that more than 40% of firms posted higher margins in China than what they achieved globally and nearly two-thirds said revenue growth in China was bigger than their global revenue growth. China was ranked the top investment destination for more than one-fifth of companies, the Shanghai Daily reports.

- Shanghai aims to attract about 35 multinational companies to locate their regional headquarters in the city this year, with foreign direct investment (FDI) to increase by 10%, the Shanghai Commission of Commerce said. Last year, 50 new regional headquarters of MNCs were established in Shanghai while FDI inflow surged 20.5%. By the end of last year, Shanghai had attracted 403 MNC regional headquarters and 351 research and development (R&D) centers.
- China wants its companies to be more environment-conscious and socially responsible when they invest overseas, according to a guide co-produced by the Ministry of Commerce (MOFCOM) and the Ministry of Environmental Protection (MEP). China’s overseas investment surged at an average annual growth rate of 44% between 2008 and 2011.

FOREIGN TRADE

Hong Kong limits amount of baby formula travelers can export

The Hong Kong government has limited the amount of baby milk formula that people can take with them when leaving Hong Kong to two cans per person, but is thereby risking violating Article XI:1 of the General Agreement on Tariffs and Trade (GATT), as the rule could also block commercial exports. Bryan Mercurio, Professor of Law at Chinese University, said the rule was an illegal export restraint. In practical terms, there is little chance the measure would be challenged as the mainland is unlikely to invoke WTO dispute proceedings against Hong Kong, while other countries are unlikely to have sufficient interest to do so. The two-tin limit was enacted to curb a shortage of baby formula in the city, widely blamed on large-scale re-exports to the mainland. Parallel traders profited by reselling the formula on the mainland, where much heavier taxes are levied on imports of legitimate baby formula, and domestic brands are widely mistrusted. Under Hong Kong's new law, would-be exporters of baby milk formula must apply for an export license from the Trade and Industry Department. The Hong Kong government said that “GATT expressly allows [the] application of temporary export prohibitions and restrictions to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting member.” At least 45 people have been arrested so far as they attempted to cross into the mainland with more than the permitted amount of infant milk formula. They included 26 Hong Kong residents and 18 mainlanders. One person had a foreign passport. Eight of those arrested were cross-border drivers.

- The World Trade Organization (WTO) has backed the European Union’s challenge to Chinese duties on X-ray scanners, and the EU demanded they be removed immediately. China imposed duties on the security scanners from Europe in 2011 after the EU imposed tariffs on Chinese cargo scanners in 2010, a response the European Union said was purely retaliatory and broke global trade rules. A WTO panel sided with the EU, saying China’s decision to impose duties was not based on an objective examination. China’s Commerce Ministry said it reserved the right to appeal. The duties were imposed for five years in January 2011, at rates ranging from 33.5% to 71.8%.

- A Shanghai court sentenced two female shop owners to one year in prison, suspended for 18 months, for buying duty free goods in South Korea and bringing them into China to sell online in 2012, avoiding tens of thousands of yuan in import taxes. Fan Lin carried 473 cosmetic products, wristwatches, bags and small medical instruments in her luggage and did not declare them as imported goods at customs in Shanghai Pudong International Airport in April 2012. Another woman was caught carrying 307 cosmetics, wristwatches and bags without declaring them.
- China now grows more tomatoes for processing than anywhere except California. Once mashed into basic paste they are shipped mainly to Europe in industrial quantities to be processed into puree, ketchup, pasta sauce and salsa. The extraordinary rise of the country's tomato industry, which barely existed 10 years ago, is troubling growers in countries such as Italy.

IPR PROTECTION

Stronger protection for calligraphy and paintings called for

Government officials and scholars called for stronger copyright protection of calligraphy and paintings at a recent meeting between the National Copyright Administration (NCA) and the China Federation of Literary and Art Circles. Yan Xiaohong, Deputy Director of the NCA, said despite overall achievements in battling piracy in China, efforts to fight the production of counterfeit calligraphy and paintings have fallen short.

- Tianjin set a new record last year when more than 20,000 patents were granted, an increase of 43% over 2011, bringing the inventory of valid patents to more than 52,300. Small high-tech businesses now have about half of the total. Some 2,800 small companies in Tianjin filed their first patent application in 2012.

MACRO-ECONOMY

China’s economy continues gradual recovery

China’s manufacturing expanded at the slowest pace in four months in February, mainly due to the Spring Festival holiday rather than a weakening recovery. The HSBC Flash China Manufacturing Purchasing Managers’ Index slowed to 50.4, compared with January’s final reading of 52.3 which was the strongest in two years. Despite the slowdown, the reading is the fourth consecutive month that manufacturing has been expanding. Qu Hongbin, Chief Economist for China at HSBC Holdings, said China’s economy is still on track for gradual recovery, as indicated by the still expanding employment and the recent pickup of credit growth. Output, new orders and employment were all above 50, showing growth in business and jobs. “We think there is very limited room for further monetary easing given the rising inflation and property prices,” Barclays Economist Chang Jian said. The Consumer Price Index slowed to 2% in January after reaching a seven-month high of 2.5% in December. Li Maoyu, Analyst at Changjiang Securities Co, said consumer prices may grow faster again this month to bring more inflationary pressure. China raised its fuel prices on February 25 with gasoline up CNY300 per ton and diesel CNY290 more per ton. The official PMI from the National Bureau of Statistics (NBS) eased to 50.1 after seasonal adjustments in February, the weakest reading in five months and just above the 50-point level demarcating growth from contraction on a monthly basis. January’s reading was 50.4. The PMI issued by HSBC fell to a four-month low of 50.4 after seasonal adjustments, off January’s two-year high of 52.3 and in line with a flash reading in late February.

Hong Kong remains most globalized economy

High internet penetration helped Hong Kong remain the most globalized economy for the third consecutive year. Widespread accessibility to broadband connections and a high usage of personal computers had made international trade more viable in the city, said Agnes Chan, Regional Managing Partner Hong Kong and Macao at consultancy Ernst & Young. E&Y polled 730 senior business executives worldwide last year to gauge the degree of globalization relative to the gross domestic product (GDP) of the economy. Hong Kong led with a score of

7.81 points, followed by Singapore (6.31) and Ireland (5.63). Hong Kong led in three of five categories: exchange of technology and ideas, capital flow, and cultural exchange. The survey found that computer penetration was 100% in Hong Kong's big companies and 90% among medium-sized enterprises. “The clear lead that Hong Kong posted in the three categories could secure its top place till 2015,” Chan said. Hong Kong ranked second in 2009. But expensive housing, poor air quality and inadequate space in international schools had hindered foreign labor migrating to Hong Kong, said Chan. Foreigner workers must now pay even more for a home in the city after the government began levying a 15% buyer's stamp duty for the purchase of residential property by non-permanent residents. In terms of trade, Singapore led Hong Kong due to its robust sea trade.

China’s number of billionaires second only to U.S.

China has the second largest number of dollar billionaires after the United States, most of them involved in property, according to the latest Hurun Global Rich List. There were 1,453 dollar billionaires as of January 17, 409 based in the U.S. and 357 in China. Europe has 324. Hong Kong-based business magnate Li Ka-shing, 84, is China’s, and Asia’s, richest person with USD32 billion. In second and third place in China in the Hurun list are Lee Shau Kee, 85, with USD23 billion; and Thomas Kwok, 62, and Raymond Kwok, 61, and family, with USD20 billion, all Hong Kong-based property tycoons. Zong Qinghou, 67, owner of beverage company Wahaha Group, is the richest person on the mainland with USD13 billion. Nearly a third of China’s billionaires earned their fortune in the real estate industry. The value of new home purchases jumped 10.9% last year to CNY5.34 trillion across the country. More than 984.6 million square meters of new residential properties were sold in 2012. Zong Qinghou and Wang Jianlin, 59, of property developer Wanda, with USD12.5 billion, were the only mainlanders to make it into the global top 100. The wealth of the top 10 richest people in the world rose 22% from a year ago, or by USD250 million a day, the report said. The Hurun report estimated the total wealth of the world’s dollar billionaires at USD5.5 trillion, roughly the size of China’s gross domestic product (GDP) last year. Hurun estimates there are more than 4,000 dollar billionaires in the world when hidden wealth is taken into consideration, the Shanghai Daily reports.

- Xianyang in Shaanxi province will spend more than CNY12 billion to build a massive reservoir, the largest of its kind in the province. The 230-meter-tall arch dam is expected to be completed within eight years, generate 330 million kilowatt hours of electricity and provide 500 million cubic meters of water for neighboring cities.
- China's manufacturing activity grew at the slowest pace in four months in February, but it has to be noted that the Chinese New Year fell in February this year as opposed to January last year. The HSBC flash purchasing managers' index (PMI) retreated from a two-year high of 52.3 in January to 50.4 in February, according to preliminary results. The flash PMI was above the threshold of 50, which indicates an expansion, for the fourth consecutive month. The new export orders sub-index fell to 49.8 from January's 53.7, indicating weak export demand.
- Job seekers aiming to change jobs in China in 2013 can expect an average pay increase of 15% to 25%, up slightly from last year, due to the strong demand for labor from multinational companies, a Robert Walters survey said. The expected pay increase declined from the 15% to 30% range in 2011 but was up slightly from 15% to 20% last year.
- Many workers who flock to the cities feel alienated and have low self-esteem. Migrant workers still feel like outsiders and say their only sense of happiness comes from their families, a Renmin University survey has found. They also see themselves as the bottom of society and feel alienated because they have no influence on their lives or society in general, the survey found, with young migrant workers even gloomier about their prospects. The survey of 2,011 migrant workers was conducted in 20 major cities. The survey also found that migrant workers were not necessarily happier in more economically developed cities.
- Pressure to tighten monetary policy and macro-economic controls is easing as inflation will be “relatively low” this month due to slowing food-price gains, People’s Bank of China Adviser Song Guoqing said. He estimated first-quarter economic expansion would accelerate to 8.3%.
- China's gross domestic product (GDP) will grow at an annualized rate of about 8% in

the first quarter of this year, while the consumer price index will rise an annualized 2.6%, according to the State Information Center, a leading government think tank. Fixed-asset investment will grow 21%.

- Shanghai was ranked China's best city in carrying out economic restructuring in 2011 and 2010, a report by the Shanghai University of Finance and Economics said. Based on core indicators including economic growth, innovation capability and social harmony, Shanghai's Development Transition Index was 76.9 and 73.5 in 2011 and 2010 respectively, better than China's average of 48.5 and 45.9. Shanghai was followed by Beijing, as well as Guangdong, Jiangsu and Zhejiang provinces.
- Almost half of all provinces are setting their growth sights lower in the wake of the central government's emphasis on the quality of expansion over speed, a sign of an increased focus on tackling rising debt. Fourteen provinces had set lower targets for gross domestic product (GDP) expansion this year than in 2012 and the other 17 left their goals unchanged, Nomura said. The weighted average target has dropped to 9.9% from 10.3%, Citigroup calculated. Regional expansion targets this year range from 7.5% in Shanghai to 14% for Guizhou.
- Not a single Chinese company was ranked in the top 50 of Fortune Magazine's annual "World's Most Admired Companies List" for 2013, indicating that they still need to raise their international reputation. Only nine Chinese firms appeared in the top 10 firms named across some 57 different industry groupings. The list was heavily-skewed in favor of U.S. companies as the top 13 companies in the survey were from the U.S., with the list topped by Apple, followed by Google and Amazon. The first non-American company was BMW at 14, followed by Toyota Motor Corp at 29, and Singapore Airlines at 31.

PETROCHEMICALS

China Petrochemical to acquire Chesapeake assets

China Petrochemical Corp (Sinopec) will pay USD1.02 billion cash to buy 50% of Chesapeake Energy Corp's Mississippi Lime assets. The assets in Oklahoma produced 46,000 barrels of oil a day at the end of 2012, according to the Sinopec International Petroleum Exploration and Production Corp. About 93% of the payment will be due on closing expected next quarter, Chesapeake, based in Oklahoma City, said. "While Chesapeake has many quality assets, Chinese oil companies care more about their drilling and shale-fracking technology," said Laban Yu, Hong Kong-based Analyst at Jefferies Group. "The reason Chinese oil companies have gone after Chesapeake in the past year was also because they wanted to apply the technology to tap the world's No 1 shale gas reserves in China." CNOOC has bought USD1.65 billion of assets from Chesapeake since 2010. Chesapeake reported that Mississippian output had tripled in the fourth quarter from a year earlier. Net proven reserves were about 140 million barrels of oil equivalent (BOE) as of December 31. Sinopec's purchase reflects 425,000 net acres, according to Chesapeake. Companies in China are keen to get the know-how of drilling in such unconventional fields. State-owned CNOOC acquired Canadian oil and gas company Nexen for USD15.1 billion, while U.S. company Pioneer Natural Resources said last month that it would sell a stake in its assets in the Wolfcamp shale field of Texas to Sinochem for USD1.7 billion. Sinopec struck a deal with Devon Energy in January last year to buy a third of the U.S. oil and gas producer's interest in five developing fields for about USD2.2 billion. A unit of Sinopec signed a contract to buy Canadian oil and gas explorer Daylight Energy for more than USD2 billion in October 2011.

CNOOC gives up control of Gulf of Mexico oilfields

The China National Off-shore Oil Corp (CNOOC) has been barred from controlling Gulf of Mexico oilfields under the terms of its USD15 billion takeover of Canadian firm Nexen. Its purchase of Nexen includes about 200 deep-water leases in the Gulf. The company surrendered operating control of them to quell U.S. national security concerns. Nexen controlled platforms in the near-shore West Delta oilfield within 80 kilometers of the U.S. Naval Air Station Joint Reserve Base at Belle Chasse, Louisiana, southeast of New Orleans. Other state-owned companies, including Norway's Statoil and Brazil's Petroleo Brasileiro, do control drilling and production in the Gulf. Nexen said on February 12 it had received approval from the Committee on Foreign Investment in the United States (CFIUS) for its takeover by CNOOC. CNOOC will still own the Gulf of Mexico assets, be allowed some general oversight, and collect revenue from the properties, but it will not be the "operator". Castor Pang, Analyst with brokerage firm Core Pacific-Yamaichi, said the change helped to accelerate completion of the deal. Pang said CNOOC might have lost the right to decide on the output of the Gulf fields by becoming a non-operator. “It may affect its plan to meet its own output target,” he said. CNOOC announced in January that it aimed to achieve oil and gas output this year of 338 million to 348 million barrels of oil equivalent (BOE), close to its target of the previous year, the South China Morning Post reports.

- Vice Premier Wang Qishan said an important consensus had been reached with Russia on boosting oil trade, following talks with his Russian counterpart, Arkady Dvorkovich, at the Great Hall of the People in Beijing. The two governments endorsed their respective enterprises' negotiations on gas supplies via the east pipeline, with Russia set to deliver 38 billion cubic meters each year. The two sides will also continue feasibility research on liquefied natural gas (LNG) cooperation.
- Shenzhen-based vessel fuel supplier and oil trader Brightoil Petroleum reported a net loss of HKD871 million for the last six months of last year, compared with a net profit of HKD965 million for the same period a year earlier. Revenue dropped 35% to HKD23.6 billion, hit by a depressed market in the shipping industry.
- Petrobras’ Chief Executive Maria das Gracas Foster was in China negotiating a partnership with China Petroleum & Chemical Corp (Sinopec) to finish work on two oil refineries in two northeastern states of Brazil by 2018. Petrobras’s cash flow is also under strain as the government has forced it to sell petrol at a loss in recent years. China has recently agreed to invest in other oil producing countries in exchange for guaranteed oil supplies.
- Keyuan Petrochemicals, a China-based petrochemical company, agreed to pay USD1 million to settle securities fraud charges in the United States.The Securities and Exchange Commission (SEC) accused the company, whose shares traded in the U.S. through a so-called reverse merger, of failing to disclose to investors related-party transactions involving its Chief Executive and others. Nasdaq suspended trading in Keyuan shares in October 2011, and delisted them in April last year. The company’s shares continue to trade in the over-the-counter (OTC) market.
- China National Petroleum Corp (CNPC) plans to spend CNY15 billion to upgrade the quality of its fuel to China IV from China III. The country's largest oil companies announced the upgrade plans after air pollution in Beijing hit hazardous levels in January.

REAL ESTATE

Vanke’s full-year profit up 30%

China Vanke’s full-year profit rose 30% on increased property sales amid recovering sentiment among buyers. Net income totaled CNY12.55 billion last year. Revenue jumped 43% year-on-year to CNY96.9 billion. “A notable improving momentum across the country since the second half of last year – in terms of volume and price – helped boost Vanke’s sales and profit,” said Sky Xue, Analyst with China Real Estate Information Corp. “Its strategy to focus on the mass market projects also prevented it from being affected too much by the country’s tightening (property) measures.” About 90% of Vanke’s projects were homes no larger than 144 square meters as the developer focused on small and medium-sized homes as the mainstream products in China due to limited land resources and rapid urbanization. Full-year contracted sales gained 16% to CNY141.2 billion, an industry record, according to the company.

New World Development targeting growth of 30%

New World Development is targeting growth of up to 30% in property sales for the year to June after achieving a strong performance in the second half of last year. The developer generated HKD9.2 billion from contracted sales in the previous financial year. The company planned to generate between HKD11 billion and HKD12 billion from contracted sales. It aims to sell 3,300 flats. Chairman Henry Cheng said the company planned to achieve double-digit growth in property sales every year for the next five years. Despite the Hong Kong government releasing a fresh round of tightening measures for the property market, he believes the policies will only be able to cool the market in the short term. “It will have a small impact in the market. But the impact will be limited and people will buy property again after they get used to the policies. In the long term, the government has to solve the housing problem by balancing demand and supply," Henry Cheng said, adding that New World would not revise its sales target. The developer announced its underlying profit, excluding gains from property revaluation, had surged 45% to HKD4.1 billion for the six months to December last year. Net profit jumped 91% to HKD9.99 billion, thanks to strong growth in property sales. Revenue climbed 28% to HKD24.46 billion. The group's mainland property arm – New World China – saw its net profit grow 29% to HKD2.32 billion in the six months to December last year. The company's contracted sales jumped 101% to CNY8.48 billion. A number of commercial projects being built in cities such as Shenyang, Guangzhou and Wuhan may help total rental income to double in five to six years.

Modest price rises reported for February

Home prices in China rose for the ninth consecutive month in February, though at a slower pace. The average price of new residential properties across 100 major cities climbed 0.83% from a month earlier to CNY9,893 per square meter, decelerating from January's 1% increase, the China Index Academy said. Forty-one of the 74 cities that posted gains saw an increase of more than 1%. Changshu in Jiangsu province led February's gainers with a 4.05% rise. Twenty-six cities reported price drops, with nine retreating by more than 1%. In the country's 10 largest cities, the average price for a home rose 1.1% from January to CNY16,596 per sq m, with Shenzhen and Guangzhou both seeing gains of more than 2%. Prices rose 1.33% in Shanghai and 0.86% in Beijing. China's home prices rose by 145% between 2003 and last year, from CNY2,359 a sq m to CNY5,791 a sq m, with growth in some major cities far higher than the nationwide average. Average prices in Beijing rose 365% to CNY20,700 a sq m, while Shanghai's rose 341% to CNY22,595 a sq m.

20% capital gains tax on home sales imposed

The Chinese government has instituted a 20% individual income tax rate on capital gains by home sellers, up from 1% of the sales price at present. "The measure will definitely lead to a sharp drop in property transactions and change people's expectations," said Ji Gang, Senior Director in the Investment Department of real estate service provider Savills Property Services (Beijing) Co. Meanwhile, for cities that experience soaring property prices, the branch of the central bank could further hike down payments and mortgage rates for second-home buyers, in line with the price target set by local governments. Down payments for second-home purchasers could be increased to 70% from 60%, and the mortgage rate could be hiked to 1.3 times the benchmark interest rate instead of the current 1.1 times. "Tightening financing is a shortcut to curb the price hike, as quite a number of bank loans in January go to property developers and individual buyers," said Ji. Time is still needed to see if home prices will drop after those new measures, Ji added. For Zhu Zhongyi, Vice President of the China Real Estate Association, first-time home buyers will be the driving force for the property market after all the new measures are in place. Potential home buyers and sellers are also waiting for the two sessions of the nation's legislature (NPC) and advisory body (CPPCC) to see if more detailed real estate policies will be launched, the China Daily reports. Shanghai saw a rush to sell houses over the past days after the central government said the tax would be introduced.

- The Ministry of Land and Resources has ordered its local branches to report this year's plans for residential land supplies by the end of March, and is expected to unveil a national plan in April. The Ministry will require cities affected by tight housing supplies to increase and stabilize residential land supplies and impose tougher inspections on cities that have seen rising housing or land prices for more than three consecutive months. Chinese cities have all failed to fulfill residential land supply plans over the past three years. China's land supplies for real estate shrank 4.2% year-on-year in 2012 to 160,300 hectares, with housing land stocks falling 11.5% to 110,800 hectares.
- China may see a mild increase in property transactions involving international investors in 2013, fueled by the economic recovery, according to LaSalle Investment Management. It said the best opportunities in China's real estate this year include modern warehouses.
- Sino Land's underlying profit jumped 80.5% to HKD4.48 billion in the six months to December due to strong property sales. Including the property revaluation surplus of HKD3.63 billion, net profit soared 75.8% to HKD8.11 billion from HKD4.61 billion a

year ago. Contributions from property sales, including those of associates, were HKD3.88 billion, up 128% from HKD1.7 billion a year ago, while gross rentals grew 9% to HKD1.56 billion from HKD1.43 billion. Sino Land said it had a land bank of about 40.5 million sq ft, of which 64% was residential, 24.4% commercial, 5.3% industrial, 3.6% car parks and 2.7% hotels.

- A move by Ping An Bank to ban its regional branches from approving mortgages may signal that Beijing is set to tighten controls on the property market to calm record prices, sources said. Ping An's move came a week after the Chinese government restated its intentions to expand a pilot property tax program to more cities as it urged local governments again to control prices of new homes.
- Developer Beijing Capital Land has raised its sales revenue target for this year by two-thirds to CNY20 billion, despite reporting a 14% decline in underlying profit to CNY820 million for last year. Company President Tang Jun said the group saw CNY13.3 billion in sales revenues for the year, up 11% on its original target. Tang said the decline in profit came despite increased sales because average selling prices fell 17.9% to CNY7,682 per sq m as prices on some projects were adjusted to encourage sales. Turnover rose 21.4% to CNY9.13 billion because of an increase in projects completed and occupied during the year, but gross margins dropped six percentage points to 27%.

RETAIL

Media Markt China to close its China stores

Media Markt China will close its seven Chinese stores on March 11. The move marks the end of the company’s two-year foray into the Chinese market. The store on Shanghai’s Huaihai Road will remain operational to serve as a customer service center before closing its doors for good in late April. Media Markt entered the Chinese market in November 2010. It was expected to open more than 100 stores across China by 2015. Qi Xiaozhai, Director of the Shanghai Commercial Economic Research Center, said Media Markt missed the best timing to explore the Chinese market because major domestic electronics retailers had already consolidated their market shares before its arrival. “The service and experience Media Markt provides are unparalleled in the Chinese market, but it ignored its prices, the deciding factor, the thing that most Chinese customers care about the most when buying an electronics product,” said Qi. Over the past few years, a number of foreign retail giants withdrew from China. In 2011, United States-based Best Buy said it would close all of its nine outlets across the Chinese mainland and its regional retail headquarters in Shanghai. French construction group Compagnie de Saint Gobain also pulled out its La Maison brand from the Chinese market, while U.S.-based Mattel closed its six-story flagship Barbie store in Shanghai. Analysts said that these examples do not necessarily indicate a failure of Western retail models, but only show the companies’ inability to better understand the Chinese market. Understanding what Chinese consumers really want should be the companies’ most important task, they said. Many companies failed looking at the costs of operating their business. Overseas retailers have more than 20% of Shanghai’s retail market share, the Shanghai Daily reports.

Giordano hopeful demand will rise in China

Casual clothing chain Giordano International's China revenue dropped 6% year-on-year to HKD1.9 billion and gross profit fell 5% to HKD1.07 billion. Chairman Peter Lau commented: “In the first two months this year, our sales situation has improved [on the mainland]. Gross profit margin has increased during the period.” He also expected generally weak demand would only improve slowly and intense price competition was likely to remain for some time until excess inventory levels in the marketplace were reduced. China remained the company's key market and Giordano would expand its operations there as market demand started to recover. Lau expected 80 new outlets for Giordano's female clothes line to be opened on the mainland this year. The company, whose design center in Dongguan now develops products directly aimed at the Chinese market, said Giordano would look for growth opportunities in third and fourth-tier cities. In Hong Kong, the company achieved a 3% increase in sales to HKD1 billion. Robust growth in other markets was reported, particularly in Southeast Asia, offsetting declining sales on the mainland and in Taiwan.

- Around 75% of respondents to an online survey conducted by the People's Daily Online said food prices have the largest impact on their lives, while 15% pointed to rising home costs and rent. 77% of respondents believe the consumer price index will rise by a large margin this year. China's CPI rose 2.6% annually in 2012, below the government's target of 4%, with food prices up 4.8% year-on-year.
- Yum Brands will tighten its monitoring of suppliers and improve testing of poultry as it aims to reverse a steep drop in business at its KFC restaurants in China after a chicken safety scare. Diners began avoiding Yum's nearly 5,300, mostly KFC, restaurants in December after news reports and government investigations in China focused on chemical residue found in a small portion of its chicken supply.
- The sale of fireworks and firecrackers saw a sharp decrease during the Lunar New Year compared with last year, sources with the Beijing municipal government's Fireworks Administration Office said. A total of 370,000 cartons of fireworks were sold in the city, a 35% decrease compared with the 570,000 cartons sold in the same period last year. This year, residents were allowed to set off fireworks within Beijing's Fifth Ring Road from February 9, Lunar New Year's Eve, through February 24, the Lantern Festival.
- Domestic consumption of luxury products hit a five-year low from January 20 to February 20, which covers the Chinese Lunar New Year. Chinese people spent USD830 million on luxury goods in the country, down 53% year-on-year, and less than one-tenth of the consumption overseas. Overseas luxury products' consumption by Chinese people during the same period reached USD8.5 billion, an 18% year-on-year rise.
- Shenzhen-listed Suning Appliance Co's net profit plunged 44% in 2012 from a year earlier to CNY2.68 billion. Suning blamed the drop to slower sales growth and competition posed by strong e-commerce rivals. Although Suning's 2012 revenue rose 4.78%, it was a sharp slowdown from the 24% jump in 2011. Same-store sales last year fell 12.38% from a year earlier due to the slowing macro-economy and the expiration of several incentive measures designed to encourage home appliance buying.
- l'Oreal, the world's largest cosmetics group, said its sales growth in China slowed from 18% a year ago to 12.5% in 2012 due to unfavorable macro-economic conditions. Sales in China totaled CNY12.1 billion last year, consolidating China's position as the third-largest market for the French company.
- IKEA chocolate cake, Kraft cheese, Shiseido sunscreen cream and Nestlé Crunch chocolate bars were among substandard products destroyed or sent back by China's quality watchdog in its latest checks.

SCIENCE & TECHNOLOGY

Shanghai offers scholarships to attract foreign students

Shanghai has set up a website where foreign students studying at local universities can apply for scholarships in a push to encourage more outstanding students to study in the city. Students can apply on the website www.study-shanghai.org. About 51,000 foreign students, mainly from South Korea, Japan and the United States, were studying in Shanghai in 2012, but only a third of them were in long-term degree programs. The Shanghai Education Commission hopes the number of foreign students will increase to 70,000, a 37% gain, by 2015. The scholarship is expected to help at least 70% of foreign students studying in long-term degree programs. Foreign students coming to the city to receive postgraduate education at local universities can receive CNY40,000 per year in scholarship. It can be used for tuition, living expenses and insurance for foreign students. Those who come to study undergraduate courses in the city can receive up to CNY20,000 per year. The city began offering scholarships to international students in 2005 and over CNY25 million is granted to students every year, the Shanghai Daily reports.

- China is looking to increase its share of the global commercial satellite launching business, targeting a 15% share by 2020, Deputy Director of the China Academy of Launch Vehicle Technology, Liang Xiaohong, said. China currently has 3% of the global market. Liang also said China's first solid-fuel rocket that could be launched on short notice would be ready to make its first flight by 2016.

- China's next manned space mission will launch sometime between June and August, carrying three astronauts aboard the Shenzhou-10 to the orbiting lab module Tiangong-1. China seeks to build its own space station by 2020. General assembly has been completed on the Shenzhou-10, and the spacecraft is being tested and all tests have been completed on the modified Long March-2F rocket that will carry it into space. This summer's mission will be China's fifth manned space mission since the first one in 2003. By 2020, China could have more than 200 spacecraft in orbit, about a fifth of the world's total.
- The British Wellington College plans to open its second China branch in the Pudong Qiantan business area after signing an agreement with the financial zone's authority. It will be completed and start enrollment in August 2014. The school will recruit foreign passport holders between 3 and 18 years old and plans to have 1,500 students.
- Xu Xiaoming, 56, former President of the University of Shanghai for Science and Technology, accused of taking CNY1.13 million in bribes between 2001 and 2011, stood trial at the Shanghai No 2 Intermediate People's Court. He was in charge of managing school-run industries.
- China has seen a surge in the number of students returning to the country after studying overseas, the Ministry of Education said. More than 272,000 people returned last year, 86,700 more than in 2011, a 46% increase. At the same time, 399,600 students went abroad, up 17.65%. Of the 2.64 million students who have gone abroad since 1978, 1.09 million have returned. The number of returnees has risen year-on-year. In 2011 the return rate reached 36.5%. The top two reasons why more students are returning are more economic opportunities and career development. Some believe that China, as an emerging economy, has more opportunities than the U.S.

STOCK MARKETS

Anta Sports announces special payout to shareholders

Sportswear retailer Anta Sports Products announced a special payment despite a sharp fall in profit: a final dividend of HKD0.17 plus a special payout of HKD0.08 per share for last year. Its share price rose on the news. The proposed dividends, along with that for the interim period, would represent a distribution of 72% of Anta's annual net profit, against 61% in 2011. Turnover fell 14.4% to CNY7.62 billion due to sluggish consumption demand, a high inventory level and increasing discounting pressure. Net profit dropped 21.5% to CNY1.36 billion, while its gross profit margin shrank by 4.3 percentage points to 38%. As of December, Anta had 8,075 Anta-brand stores, 300 Fila-brand stores and 833 children's sportswear stores on the mainland and overseas. The company plans to cut the number of Anta stores to 7,600 but increase the number of children's stores to 1,000.

Residents of Hong Kong, Macao and Taiwan to be allowed to trade A-shares

Mainland-based residents of Hong Kong, Macao and Taiwan will soon be able to invest in mainland-listed stocks, injecting new vigor into the lackluster stock market. The China Securities Regulatory Commission (CSRC) has officially endorsed the policy change and the rule would take effect shortly. The change would allow nearly 500,000 mainland-based people from the three areas to buy A shares, although analysts said it would be difficult to predict how much fresh capital they would bring to the market. “It's targeted at killing two birds with one stone,” said Z-Ben Advisors Chief Researcher Howhow Zhang. “In the short term, it helps boost confidence in A shares, while taking a long view, it's a necessary step towards free cross-border capital flows.” Last year, the CSRC massively expanded the renminbi qualified foreign institutional investor (RQFII) scheme, which allows foreign institutions to invest offshore yuan in the mainland's capital markets. It would soon scrap the 20% stock investment cap on RQFII funds. At present, bond purchases must make up at least 80% of the assets in RQFII funds. Beijing has allotted an RQFII quota of CNY270 billion for Hong Kong institutions, but only CNY70 billion of quota has so far been granted.

- Zheng Tuo, 45, former Fund Manager at the Bank of Communications Schroders Fund Management Co, was charged with exploiting insider information to trade in 11 stocks worth CNY46 million, making CNY12 million in illegal personal profit, the Shanghai No 1 Intermediate People's Court heard. He traded the stocks from February to August 2009 by using accounts opened by his former wife and former sister-in-law. Zheng had broken the law by instructing relevant parties to trade stocks with inside information. Zhang said he was not involved in any transaction.

- The China Securities Regulatory Commission (CSRC) said it has started preparing for the public housing fund to invest in stocks and will work with relevant departments to improve the management and investment of the fund. Currently, the fund is only allowed to invest in national debt and bank deposits. At the end of 2011, the public housing provident fund amounted to CNY2.1 trillion, according to data from the Ministry of Housing and Urban-Rural Development.
- Xinchen China Power, a manufacturer of light-duty petrol and diesel engines, plans to raise USD113 million through a Hong Kong initial public offering (IPO) to expand its production capacity. Xinchen, controlled by Hong Kong-listed Brilliance China Automotive, which operates a joint venture with German carmaker BMW, is offering 313.4 million shares at an indicative price range between HKD2.20 and HKD2.80 each, representing a price-earnings ratio of seven to nine times based on forecast earnings for this year. Under a greenshoe provision proceeds could rise to as much as USD130 million.
- Two major privatization plans of U.S.-listed Chinese companies appear to be moving in different directions, with hotel operator 7 Days moving closer to its plan to de-list, while outdoor advertising specialist Focus Media's plan appears to be derailing. Both companies launched their plans last year at the height of a confidence crisis for U.S.-listed China stocks that saw many companies' shares fall sharply.
- The China Securities Regulatory Commission (CSRC) still has not set a date to allow new initial public offerings (IPOs). It said that underwriters for pre-listed enterprises first must complete re-evaluations of their companies' financial situations. IPOs have been suspended for four months. On January 8, the Commission said it would re-examine the finances of more than 800 companies that had submitted IPO applications. As of February 21, the CSRC had finished IPO examinations for 19 companies, still leaving 176 for listing at the Shanghai Stock Exchange and 693 for Shenzhen awaiting approval.

TRAVEL

China to invest CNY100 billion in aircraft engine development

China will invest at least CNY100 billion in a national research and development (R&D) project for aircraft engines. Shenyang Liming Aero-Engine and Xian Aero-Engine, two research and industrial complexes under the Aviation Industry Corp of China (AVIC), will lead the project. Brokerage firm Guangda Securities said that China will become the biggest buyer of aircraft and aircraft engines within 20 years and will need around 3,000 aircraft by 2026, creating demand for around 6,500 aircraft engines worth USD65 billion. China’s past failure to pay enough attention to aviation engine research, together with a shortage of skilled workers in industrial manufacturing, has contributed to its long-time inability to develop and produce reliable engines, experts said. Even the most advanced domestically developed engine – the Liming WS-10 Taihang turbofan engine – fails to apply the cutting-edge techniques of single crystal turbine blades and a powder metallurgy turbine disk, according to aviation industry insiders. “As a conservative estimate, we will witness major breakthroughs in the development of indigenous, advanced aircraft engines within at most 10 years,” Aviation Industry Analyst Wang Ya’nan said. In addition to investment from the central government, AVIC has set aside CNY10 billion for a long-term plan spanning until 2030 to develop advanced aviation engines, the China Daily reports.

- A 150-kilometer high-speed rail link between two hubs in Zhejiang province, Hangzhou and Ningbo, will start in July and cut travel time between the cities to 40 minutes. Trials began in February.
- Korean Air hopes to persuade billionaires in southern China to charter its luxurious private jets, which can accommodate up to 28 passengers. The airline's private jet charter unit, established in 2007, operates from Seoul with a fleet of aircraft including the Boeing Business Jet (BBJ), which can accommodate 16 to 28 passengers for flights of under 12 hours; and a Global Express XRS, which can accommodate up to 13 passengers for flights up to 12 hours.
- China's biggest hot-air balloon club, based in Tianjin, is urging the government to take

steps to stop illegal flights and balloon manufacturing in China. Cheng Peng, General Manager of the club, said that there were nearly 100 active hot-air balloon clubs, but only four or five were licensed to train pilots and organize flights. Materials were often illegally made and did not meet safety standards, he added. China's market for hot-air balloons is still relatively small compared with countries such as the United States, mainly because of the Chinese military's strict control over air traffic, but the industry has been experiencing rapid growth over the past couple of years.

VIP VISITS

Hu Jintao meets Taiwan's Lien Chan

President Hu Jintao told the visiting Honorary Chairman of Taiwan's Kuomintang, Lien Chan, that cross-strait ties had made “major progress” since 2005. Analysts saw Hu's comment as an effort to cement his legacy as a key figure in the thawing of ties between the mainland and Taiwan before he is succeeded by Communist Party General Secretary Xi Jinping. Hu praised Lien for his efforts in the peaceful development of cross-strait ties in the past eight years. Lien invited Hu to visit Taiwan after his retirement.

ONE-LINE NEWS

- Between February 18 and 22, a total of 10 earthquakes, all of a magnitude 4 or greater, struck China, according to the China Earthquake Network Center. Eight of the earthquakes occurred in Sichuan province on February 19. A 4.8-magnitude quake that hit Guangdong province was felt in Hong Kong. Authorities denied that it signaled a massive earthquake in the near future. Professor Wan Tianfeng of the China University of Geosciences said the recent earthquakes, which were all below magnitude 6 and not destructive, constituted normal seismic activity.
- Macao casino operator MGM China broke ground for its HKD20 billion Cotai project. It expects the resort to open to customers in the middle of 2016. The joint venture between Pansy Ho and MGM Resorts International now runs one casino on the Macao peninsula. It lacks a presence on the busy Cotai strip, which hosts a cluster of casinos operated by rivals including Sands China and Galaxy Entertainment. MGM's Cotai project will have 1,600 hotel rooms, 2,500 slot machines and up to 500 gaming tables.
- The All-China Federation of Trade Unions (ACFTA) will prioritize setting up unions in all overseas-funded companies that have been operating in the country for more than five years, particularly the world’s four-biggest audit firms, it said. Of the roughly 200,000 foreign-funded corporations in China, 91.4% had union representatives by the end of 2012. China’s Trade Union Law stipulates that a corporate unit with 25 employees or more should set up a union.
- China led developing countries in growing biotech crops last year. The country was the world’s sixth-largest grower of biotech crops in 2012, according to a report by the International Service for the Acquisition of Agri-Biotech Applications (ISAAA). The nation’s total growing area for biotech crops was 4 million hectares, with cotton the dominant crop. China ranked fourth among developing countries in terms of biotech crop growing area, following Argentina, Brazil and India.
- The first session of the 12th CPPCC National Committee, the Chinese parliament’s advisory body, started in Beijing on March 3 and will last till March 12. New leaders of the top advisory body will be elected at the session. Current Chairman Jia Qinglin delivered a report on the work of the Committee over the past five years. An editorial in the People’s Daily said the Communist Party should tolerate different opinions or even sharp criticism.
- Glencore International, the largest publicly-traded commodities supplier, said it will not complete its USD33 billion take-over of coal producer Xstrata by March 15, as it awaits approval from China. It is the third time Glencore has pushed back the deadline for the deal to create the world's fourth-largest mining company.

ANNOUNCEMENTS

Katho-vives internships

Katho-vives university college (member of the association KULeuven) is exploring the opportunities for future internships in Belgian companies operating in China. This college offers a broad variety of schooling and training in human resources management. Companies willing to open internships for these highly motivated students in the future are requested to inform Mrs. Dominique Maes, head of foreign internships, at Dominique.maes@katho.be
By the aforementioned mail or by a visit (Beijing from 25 March to 2 April 2013, followed by Shanghai from 2 April to 6 April) Mrs Maes will match the companies' wishes (desired educational background of the intern, duration,…) with the possibilities of the institution.

JLJ Group article: China's wastewater treatment industry

China has undergone massive urbanization and industrial development over the last three decades. Such growth has been coupled with significant challenges in regard to environmental protection; China has some of the world's most polluted lakes, rivers, and cities. In 2011, investment in pollution treatment exceeded USD6.3 billion with a CAGR of ~5% from 2000 to 2010. China's water resource per capita is among the lowest in the world. Additionally, there are severe regional water imbalances as about 80% of the water supply is in the South, while Northern and Western China experience regular droughts. Moreover, based on China's Environmental Quality Standards for Surface Water, only 61% of China's 7 largest watersheds reach the water quality level of Type III or above, which is applicable as centralized sources of drinking water, protected areas for common fishes, and swimming areas. The quality standards include 5 levels, Type I the least polluted to Type V the most. Both the water scarcity and water pollution have made wastewater treatment extremely important for China's development. The full article is available at www.jljgroup.com

ADVERTISEMENTS

Hainan Airlines, your direct link from Belgium to China

Hainan Airlines, your direct link from Belgium to China.

Hainan Airlines is your 5 Star Airline awarded by Skytrax,
operating direct flights from Brussels to Beijing.
Save time, fly in comfort and have the possibility to connect
to 50 domestic destinations including Hong Kong and Taipei.

A seamless connection and a convenient transfer service will bring you via Beijing to your destination in Hong Kong.

FOUNDING MEMBERS

STRUCTURAL PARTNERS

Your banner at the FCCC website or newsletter

Companies interested in posting a banner/an advertisement on the FCCC website, FCCC weekly newsletter or bi-weekly sectoral newsletters are kindly invited to contact the FCCC at: info@flanders-china.be

Organisation and founding members FCCC

President: Mr. Bert De Graeve, C.E.O., NV BEKAERT SA
Vice-President: Mr. Stefaan Vanhooren, President Agfa Graphics, Member of the Executive Committee of the Agfa Gevaert Group, NV THE AGFA-GEVAERT GROUP SA
Secretary and Treasurer: Mr. Dirk Mampaey, Senior General Manager Corporate Services, NV KBC Bank SA
Executive Director: Ms. Gwenn Sonck
Members of the Board of Directors and Founding Members:
Mr. Bert De Graeve, C.E.O., NV BEKAERT SA
Mr. Jozef De Mey, Chairman of the Board, NV AGEAS SA
Mrs. Elisabeth Schraepen, Public Affairs Manager, Belgium and Luxembourg, NV AB INBEV SA
Mr. JP Tanghe, Senior Vice President, NV BARCO SA
Mr. Kris Verheye, Vice President Corporate Division, NV BELGACOM SA
Mr. Johan Verstraete, Vice-President Marketing, Sales & Services Weaving Solutions, NV PICANOL SA
Mr. Luc Maton, General Manager Asia Region, NV AHLERS SA
Mr. Marc Stordiau, Member of the Board of Directors, NV DEME SA
Mr. Stephan Csoma, Senior Vice-President Government Affairs, NV UMICORE SA
Mr. Dirk Mampaey, Senior General Manager Corporate Services, NV KBC Bank SA

Membership rates for 2013:

- Large enterprises: €975
- SMEs: €385

Contact:

Flanders-China Chamber of Commerce
Voldersstraat 5, B-9000 Gent
Tel.: +32 9 264 84 86/82 – Fax: +32 9 264 69 93

E-mail: info@flanders-china.be
Website: www.flanders-china.be

Share your story:
To send your input for publication in a future newsletter mail to: info@flanders-china.be

Flanders Investment & Trade
Government of Flanders - Belgium

This newsletter is realized with the support of Flanders Investment & Trade.

The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com. Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.