



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

# NEWSLETTER | 15 APRIL 2013

## FCCC activities

[Alleviating your risks in China – A practical seminar on preliminary due diligence & managing contract terms – 16 April 2013 – Agoria, Brussels](#)

[Sino-Belgium Business Survey: Are Belgian companies suffering in China or enjoying an excellent year? – Wednesday, 24 April 2013, 17h – KBC Bank, Brussels](#)

[Networking Evening with Chinese Talent at Ghent University – Thursday, 25 April 2013, 17h – Provinciaal Administratief Centrum, Gent](#)

## Activities supported by FCCC

[Lecture Café: Food safety in China: from melamine to mycotoxins – 18 April 2013 – KANTL, Ghent](#)

[Meeting with delegation from Jinan Lingang EDZ – 25-26 April 2013 – Brussels](#)

[Conference: “China's economy at the crossroads” – 7 May 2013 – Barco, Kuurne](#)

[Networking event high schools West Flanders and KULAK – 14 May 2013 – Brugge](#)

## Past events

[Conference: “Opportunities for Flemish SMEs in China” – 27 March 2013 – Brugge](#)

[Conference: Managing China in Transition – Can China's 5<sup>th</sup> generation leadership get China on a sustainable path? – 15 March 2013, Brussels](#)

## Members' news

[AB InBev planning acquisitions in China](#)

### Finance

[Fitch downgrades China's long-term yuan debt rating](#)

[New Chairman appointed at China Development Bank](#)

[VAT trial to be extended nationwide on August 1](#)

[Paris and London vie to become yuan trading center](#)

## Foreign investment

[U.S. states welcome Chinese investment](#)

## Foreign trade

[Export figures could mask capital inflows](#)

[Corn imports almost doubled last year](#)

## IPR protection

[Green Bookmark Campaign counters illegal publications](#)

## Macro-economy

[China's growth to stabilize, says ADB](#)

## Mergers & acquisitions

[Appetite for acquisitions drops to six-year low](#)

## Petrochemicals

[Cheap U.S. gas threat to Chinese refiners](#)

<u>Real estate</u>	<a href="#">Sales of second-hand homes soar to records in Shanghai</a> <a href="#">Grade A office space more expensive in Pudong than Puxi</a> <a href="#">Major developers profit from market rally</a> <a href="#">Inventory of office space expected to rise</a>
<u>Retail</u>	<a href="#">Uniqlo to open its largest store in Shanghai</a> <a href="#">China to become biggest market for L'Oréal</a> <a href="#">Catering industry affected by crackdown on extravagance</a>
<u>Science &amp; technology</u>	<a href="#">China National Deep Sea Center to be built in Shandong</a>
<u>Stock markets</u>	<a href="#">No new IPOs expected in the next few months</a>
<u>Travel</u>	<a href="#">Chinese business travelers to spend more than those of U.S.</a>
<u>VIP visits</u>	<a href="#">China and Australia expand cooperation</a>
<u>One-line news</u>	
<u>Quotes of the week</u>	<a href="#">Xi Jinping</a>
<u>Announcements</u>	<a href="#">Vlasroute.be: Flanders – China Overland 2013</a>
<u>Advertisements</u>	<a href="#">Hainan Airlines, your direct link from Belgium to China</a>

## FCCC ACTIVITIES

### Alleviating your risks in China – A practical seminar on preliminary due diligence & managing contract terms – 16 April 2013 – Agoria, Brussels

Agoria, the EU SME Center, BCECC, FCCC, AWEX, BIE & FIT are organizing an afternoon seminar on how to mitigate risks in China. Join the seminar and discover:

How to find a suitable business partner? Are they reliable? Learn about the main aspects of preliminary due diligence, including:

- Legal due diligence on the legal status of the company – duly registered, having all licenses, company chop, etc. and,
- Financial and operational check – creditworthiness letter, financial statements, capital verification report, on-site check, premises, etc.

How to manage contract terms and reduce risk? There is a misconception that contracts have no value in China and that personal relationship takes precedence in commercial transactions. For successful business and, more importantly, staying safe, you really need both and your sales/purchase contracts can significantly influence the course of your deals, and business achievements in China!

- How to avoid common contractual errors which lead to loss of technology, know-how and competitiveness (also including terms and rights of employment contracts)
- Practical and useful tips on how to protect your business

You will receive practical advice from the EU SME Center expert, the panelists, and have the opportunity to attend a one-on-one consultation session to discuss your individual questions (each for max 20 minutes) with the EU SME Center expert after the seminar.

Programme:

13:30 Registration

14:00 Welcome word by Agoria on behalf of all organizers

14:10 Presentation by the EU SME Center

- How to find a suitable business partner?
- How to manage contract terms and reduce risk?

14:55 Coffee break

15:10 Panel discussions by

- Jan Kriekels, CEO, Jaga NV
  - Ghislain Gilliot, CEO, Simonis Plastic SA
  - Olivier du Roy, ex Country Manager China, Solvay
- moderated by Professor Johan Erauw (– also for the Q&A) of Ugent University

16:20 Q&A

16:50 Reaction with possible suggestions by EU SME Center

17:05 End + Networking Cocktail

17:05 In parallel – one-on-one consultation sessions

Interested to join the seminar? Thanks to register only via the [link in Dutch](#) or the [link in French](#).

As the number of one-on-one sessions with the EU SME Center Expert is limited, it will be on first come first served basis. Please send us your one-on-one consultation session request together with your event registration.

### Sino-Belgium Business Survey: Are Belgian companies suffering in China or enjoying an excellent year? – Wednesday, 24 April 2013, 17h – KBC Bank, Brussels

Last year the Chinese economy expanded by 7.7%, a rate of growth largely seen as a continued 'slowdown'. How did your company perform by comparison? The results of the 2013 Sino-Belgian Business Survey set the performance of Belgian companies in the right context. When we talk about the growth of Belgian businesses in China are we comparing apples and pears? Equally importantly, how do Belgian businesses feel about the future of their business in China?

Moore Stephens Verschelden, together with the Flanders-China Chamber of Commerce, Flanders Investment & Trade (FIT) and the Benelux Chamber of Commerce, are organizing a discussion on the results of this year's survey with a panel of leading business figures and independent experts on Wednesday, 24 April 2013, 17h at KBC Bank, Havenlaan 2B, 1080 Brussels.

#### Agenda

- |                |  |
|----------------|--|
| 16h30 – 17h00: | Registration   |
| 17h00 – 17h05: | Welcome by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce       |
| 17h05 – 17h15: | Introduction by Mr Philippe Snel, Chairman Benchem Shanghai                              |
| 17h15 – 18h05: | Panel discussion moderated by Mr Andries Verschelden, Partner Moore Stephens Verschelden |
|                | - Mr Tim Van den Bossche, Vice President Global Marketing & Strategy, Agfa Graphics      |
|                | - Mr Filip Goris, Regional Manager China & India, Recticel                               |
|                | - Mr Wim Buyens, Senior Vice President Projection Division, Barco                        |
|                | - Mr Thomas Baert, Owner & CEO, Chinafloors  |
| 18h05 – 18h30: | Q&A session  |
| 18h30 – 19h30: | Networking Reception   |

Please sign up using [this link](#) before 19 April 2013.

Members: €30, Non-members : €45

### Networking Evening with Chinese Talent at Ghent University – Thursday, 25 April 2013, 17h – Provinciaal Administratief Centrum, Gent

The Flanders-China Chamber of Commerce, Ghent University and the Province of East Flanders, are organizing a networking evening with Chinese talent studying at Ghent University. This event will take place on Thursday 25 April at 17h at the Provinciaal Administratief Centrum (PAC), Woodrow Wilsonplein 2, 9000 Ghent.

This networking event will give you the opportunity to introduce your company to Chinese students, which are mostly from the faculties of: Engineering Sciences & Architecture, Bioscience Engineering, Sciences, Veterinary Sciences, Law, Economics & Business Administration, Medicine & Health Sciences and Pharmaceutical Sciences.

The programme is as follows :

- 17u00: Welcome by Mr Hedwig De Pauw, Director Economic Affairs and International Relations, Province of East Flanders
- 17u05: Welcome by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
- 17u10: "Strategies for finding an employer in Europe" by Mr Patrick Meirlaen, Managing Partner at The Future Alliance and Partner at the International Executive Search Federation (IESF)
- 17u30: Presentation of the participating companies and networking between students and business leaders.  
Networking reception hosted by the Province of East Flanders
- 19u30: End of programme

This event is an ideal way to meet about 100 Chinese students and to broaden your network. During this event, you will have the opportunity to present your company via a presentation and a promotional stand.

This evening is organized with the support of Flanders Investment & Trade. If you are interested in attending, please sign up using the [following link](#) before 18 April 2013.

Participation for member company: €75, Non-members: €115.

## ACTIVITIES SUPPORTED BY FCCC

### Lecture Café: Food safety in China: from melamine to mycotoxins – 18 April 2013 – KANTL, Ghent

The next Lecture Café will focus on food safety in China on Thursday 18 of April from 18:00 h. to 20.00 h. in KANTL, Koningstraat 18, Ghent. The speaker will be Prof. Sarah De Saeger of the Faculty of Pharmaceutical Sciences, Laboratory of Food Analysis at the Department of Bioanalysis.

A free sandwich meal will be provided. Subscribing is free of costs, but mandatory, via <https://webapps.ugent.be/eventManager/events/LectureCafes>

In recent years, China made a concerted attempt to tackle food safety issues. Indeed, the 2008 melamine milk scandal, in which at least three babies died and another 54,000 were hospitalized after drinking adulterated milk was an important turning point. International events, including the 2010 Shanghai World Exhibition, were excellent opportunities to convince the world on China's efforts in food safety improvement. Food safety always becomes an issue when industries modernize, and not just in China. This presentation will give an insight in China's food safety policy. This will be illustrated with examples of chemical contaminants and current ongoing food safety research.

Prof. Sarah De Saeger graduated as a pharmacist at Ghent University (1994) and obtained a PhD in Pharmaceutical Sciences at Ghent University (1999). Since 2005 she is appointed as a professor in food analysis and food safety in the Faculty of Pharmaceutical Sciences at Ghent University. Currently, she is heading the Laboratory of Food Analysis at the Department of Bioanalysis. She is coordinating the research group MYTOX ([www.mytox.be](http://www.mytox.be)).

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.

### Meeting with delegation from Jinan Lingang EDZ – 25-26 April 2013 – Brussels

A delegation from the Jinan Lingang Economic Development Zone in Shandong province is visiting Esco Couplings in Diegem in Belgium on April 25 and 26, 2013. The delegation has asked Esco to introduce them also to other companies in Belgium, especially but not limited to those manufacturing car components, to see if there are opportunities for these companies to invest in Lingang.

The delegation will be in Brussels on 25 April during the whole day and on 26 April in the morning.

If you are interested in meeting this delegation either at Esco Couplings in Diegem or at the Agoria Diamant Building in Brussels, please contact [k.devalkeneer@efeco.com](mailto:k.devalkeneer@efeco.com) or [yizhen.wang@agoria.be](mailto:yizhen.wang@agoria.be).

### Conference: “China's economy at the crossroads” – 7 May 2013 – Barco, Kuurne

The Chamber of Commerce of West-Flanders, in cooperation with the Flanders-China Chamber of Commerce (FCCC), is organizing a conference “China's economy at the crossroads: opportunities and challenges, also for Flemish entrepreneurs...” by Professor and China expert Jonathan Holslag, Research Director at the Brussels Institute of Contemporary China Studies (BICCS) at the Vrije Universiteit Brussels (VUB). The conference will take place at Auditorium Barco, Ringlaan 5, 8520 Kuurne on Tuesday, 7 May 2013, from 18h30 till 20 h. The conference will be followed by a network reception.

Participation for VOKA and FCCC members: €75 (excl. VAT), Non-members: €95 (excl. VAT). Cancellations accepted in writing until five days prior to the conference.

More info: [www.voka.be/west-vlaanderen](http://www.voka.be/west-vlaanderen) - Tel 056 26 13 93 Mail: [griet.witdouck@voka.be](mailto:griet.witdouck@voka.be)

### Networking event high schools West Flanders and KULAK – 14 May 2013 – Brugge

The province of West Flanders is promoting international internships of students at high schools in West Flanders and at KULAK, including in China. To strengthen the network of internships in China, the province, POM West Flanders and the Flanders-China Chamber of Commerce (FCCC), are organizing a networking event on 14 May 2013 at the residence of the Governor, Burg 3 in Brugge. During the networking event companies and educational institutions can discuss internships in China in the academic year 2013-2014, mainly in “IWT” (Master-Bachelor) and “Business administration and trade” (Bachelor).

Programme:

- 19:30 h. Welcome by Mr Carl Decaluwé, Governor
- 19:40 h. Introduction of the China strategy of the province of West Flanders by Mr Jean de Bethune, Vice Governor
- 19:50 h. Introduction of the opportunities China offers in the economic and academic fields in (West) Flanders by H.E. Liao Liqiang, Ambassador of the People's Republic of China in Belgium (t.b.c.)
- 20:00 h. Networking dinner offered by the province of West Flanders

Registration and info: Charlotte Deduytsche, Provinciebestuur West-Vlaanderen T: 050403482  
E: [charlotte.deduytsche@west-vlaanderen.be](mailto:charlotte.deduytsche@west-vlaanderen.be)

## PAST EVENTS

### 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 organized a conference: “Opportunities for Flemish SME in China” on 27 March 2013 in Brugge.

Following a word of welcome by Jean de Bethune, Vice Governor Economy, Province of West-Flanders and an introduction by Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, Mrs Yin Linggu, Senior Advisor, Province of West-Flanders in China, presented an interesting overview of opportunities for Flemish companies in the province of Zhejiang. Her speech was followed by testimonials on doing business with China presented by Yves Struyve, CEO, Trislot; Eddy Coppieters, CEO, Primus Group; and Didier Leclercq, Chief Operations Officer, Vitalo Industries.

### Conference: Managing China in Transition – Can China's 5<sup>th</sup> generation leadership get China on a sustainable path? – 15 March 2013, Brussels

The Flanders-China Chamber of Commerce (FCCC) and The Conference Board organized the conference “Managing China in Transition – Can China's 5<sup>th</sup> generation leadership get China on a sustainable path?” on 15 March at The Conference Board in Brussels.

Following an introduction by Mr Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce (FCCC) and Chief Executive Officer of Bekaert, Mr David Hoffman, Vice President and Managing Director of The Conference Board's Beijing-based China Center for Economics and Business, gave an interesting presentation on how this transitional period in China will shape the operating environment for multinational corporations.

The conference was moderated by Ethan Cramer-Flood, China Program Specialist of The Conference Board.

## **MEMBERS' NEWS**

### **AB InBev planning acquisitions in China**

Anheuser-Busch InBev plans acquisitions in China as business is growing at a "double-digit" rate, CEO Carlos Brito said at the Boao forum in Hainan. "We have parts of the country where we have no breweries but where we sell our brands. It makes sense to have the production place closer to the consumption place," he said. Brito added the growth potential of the beer market in China was "humongous," with per-capita consumption levels of the beverage much lower than elsewhere in the world. AB InBev plans to build breweries in west China over the next three years and to expand beyond the coastal provinces, he said. AB InBev made an unsuccessful bid to buy Guangdong-based Kingway Brewery Holdings' brewery assets last year.

## **FINANCE**

### **Fitch downgrades China's long-term yuan debt rating**

For the first time, Fitch Ratings has downgraded one of its sovereign ratings of China, citing the rapid expansion of credit in the country. It cut China's long-term local-currency debt rating to A-plus from AA-minus. "Risks over China's financial stability have grown. Credit has grown significantly faster than GDP since 2009. China experienced the second-fastest expansion of credit, behind only Qatar, between the end of 2009 and the end of June 2012," Fitch said. The stock of bank credit extended to China's private sector represented 135.7% of GDP at the end of 2012, the third-highest of any Fitch-rated emerging market. Fitch believes the total amount of credit in China's economy, including credit created by various forms of shadow banking, reached 198% of GDP at the end of 2012, up from 125% at the end of 2008. "The proliferation of other forms of credit beyond bank lending is a source of growing risk," it said. Fitch estimated the debt of local governments rose to CNY12.85 trillion at the end of last year, or 25.1% of GDP, up from 23.4% a year earlier. "Lack of transparency over the indebtedness of local governments is a shortcoming for China. China has a less favorable record on inflation management than its peers," Fitch said.

A report by rival ratings agency Moody's said: "The latest Chinese bank results signal a deterioration in asset quality. We expect more non-performing loans to surface throughout 2013, because of worsening indicators such as the level of special-mention loans and delinquent loans." Moody's has not, however, downgraded its ratings of Chinese banks. It said it did not see a significant deterioration of their asset quality within the next 18 months because delinquencies among local government financing vehicles had been "limited" so far. "We also see receding pressure on real estate developers that alleviates our concern [over] rising delinquency in their borrowing, thanks to strong demand for housing as well as efforts by developers to conserve cash," it said. Fitch affirmed China's long-term foreign-currency rating at A-plus with a stable outlook, citing the country's huge USD3.39 trillion of foreign reserves. Fitch Ratings also downgraded the local-currency credit ratings of China Guangdong Nuclear Power Holding, China National Petroleum Corp (CNPC) and China Petroleum & Chemical (Sinopec) to A-plus from AA-minus, and those of China Yangtze Power to A-minus from A and Aluminum Corporation of China's rating to BBB-plus from A-minus. Official data showed only 55% of new social financing took the form of bank lending in the 12 months to February, down from 76% in 2009, illustrating the increasing importance of the shadow banking system.

### **New Chairman appointed at China Development Bank**

In the latest reshuffle in the financial sector, Hu Huaibang, Chairman of Shanghai-based Bank of Communications (Bocom), was appointed to replace Chen Yuan as Chairman of the China

Development Bank (CDB). Hu, 58, is a finance veteran. He was Dean of the Chinese Academy of Finance between 1999 and 2000, before taking positions at the People's Bank of China (PBOC), the China Banking Regulatory Commission (CBRC) and sovereign wealth fund manager China Investment Corporation (CIC). He has been Communist Party Secretary and Chairman of Bocom since September 2008. With Hu in the lead, CDB was expected to support a wider range of firms looking to expand overseas. The 19-year-old CDB, wholly owned by the government, initially served as one of the country's three policy lenders with a mandate to support state-backed projects. Since the financial crisis, CDB has been a frequent backer of overseas acquisitions of energy and resources by state-owned enterprises (SOEs).

## VAT trial to be extended nationwide on August 1

The Chinese government, led by Premier Li Keqiang, plans to cut CNY120 billion of taxes payable by firms in the service sector by expanding and deepening a trial of value-added tax (VAT). The VAT trial is expected to be extended nationwide from August 1. The government said the reform was aimed at “injecting new vigor into enterprises, creating new growth engines, adding jobs, increasing residents' incomes and bolstering economic growth”. The VAT trial started in Shanghai at the beginning of last year and was later extended to 10 other cities and provinces. Under the reform, logistics service providers and other service firms, such as those in information technology, are subject to a tax based on the value they add to their finished products instead of a sales tax based on total sales. The government also said that the reform would be extended to other sectors, including filmmaking and film broadcasting and distribution. The decision was in line with expectations and showed the new government's determination to ease tax burdens, said Wang Yao, Dean of the Department of Public Finance and Taxation at the Shanghai Lixin University of Commerce. In Shanghai, the trial proved unsuccessful last year, with about two-thirds of business owners complaining about an increase in their tax liabilities, according to a survey by the China Federation of Logistics and Purchasing (CFLP). Many invoices the companies obtained from their suppliers were rejected by the tax authorities as invalid. At a later stage, the reform will be extended to railway transport, postal services and telecommunications industries. The reform is expected to be completed by the end of 2015.

## Paris and London vie to become yuan trading center

Paris is vying to become a major offshore yuan trading hub in the eurozone with a view to setting up a currency swap agreement with China, according to the Governor of the Bank of France, Christian Noyer. He said the launch of such a facility will encourage use of the yuan in the eurozone as a trade settlement currency as well as an investment currency. Paris has been accelerating the race with London to become a leading yuan trading center for Europe after the Bank of England said in March it had signed a three-year currency swap agreement with China that will allow the British central bank to supply CNY400 billion to British banks. Yuan deposits in Paris amount to CNY10 billion, making the French capital the second largest pool for the Chinese currency in Europe after London. Nearly 10% of Sino-French trade is settled in yuan, according to the French central bank. Noyer considers the yuan's internationalization to be the first step toward its full convertibility, which will make the renminbi yuan (RMB) one of the three major international currencies, together with the dollar and euro,” French Foreign Minister Laurent Fabius paid a two-day visit to Beijing last week.

- Local governments may have more than CNY20 trillion of debt, former Finance Minister Xiang Huaicheng said. That is almost double the figure given in a 2011 report by the National Audit Office (NAO). He said that since he retired, he was no longer “within the system”, and that his comments were based on his own estimates. Xiang served as Finance Minister from 1998 to 2003. The public did not need to be alarmed by the level of government debt because as a ratio of gross domestic product (GDP) it was “not particularly high”, Xiang added.
- The yuan is rising in tandem with the U.S. dollar for the first time since 2011, a sign Chinese policymakers are confident economic growth will pick up from its slowest pace in 13 years. Chinese exports have held up better than many investors thought. The last time the yuan and the dollar strengthened in lockstep was in the final three months of 2011, an appreciation that foreshadowed the biggest expansion in Chinese manufacturing in more than a year.
- Chinese banks extended CNY1.06 trillion of new yuan loans in March, the People's

Bank of China (PBOC) said, above economists' estimates of CNY850 billion. "The strong first-quarter results reflect pent-up demand from the end of 2012 and a pickup in demand after the Chinese New Year holiday," Barclays said in a report. The data showed the banks are comfortably on target to extend CNY9 trillion in new credit this year. Total social financing was CNY2.54 trillion in March, more than double that in February. M2 rose 15.7% in March.

- On the first day of direct trading between the yuan and the Australian dollar the amount totaled AUD250 million, equivalent to about 70% of daily commerce between China and Australia. The Australian dollar became the third major currency to have direct trading links with the yuan on April 10 after the U.S. dollar and the Japanese yen. Trade in goods and services between the two countries was valued at AUD127.8 billion in the year to June 30, 2012.
- The yuan reached a record high on April 12 as the central bank fixed the midpoint against the U.S. dollar at the strongest level ever at CNY6.2506 per U.S. dollar. Barclays Capital expects the yuan to strengthen 2% against the greenback this year.

## FOREIGN INVESTMENT

### U.S. states welcome Chinese investment

The "China Provinces and U.S. California Joint Working Group on Trade and Investment Cooperation" has been established to promote Chinese investments in the U.S. state of California. The six Chinese provinces and municipalities involved in the working group include Shanghai, Jiangsu, Shandong, Guangdong and Chongqing. Chinese cumulative investment in California is worth USD1.4 billion, the highest of any state in the U.S. More than 70 U.S. companies from California and around 100 Chinese entrepreneurs attended a business exchange conference on the occasion of the establishment of the working group. In the past, the U.S. government has objected to some Chinese investment deals, but California Governor Jerry Brown said that the U.S. government has its own foreign policy, which has nothing to do with those of state governments. "We are totally open to China – it's about jobs, and it's about investment," said Brown. "Chinese local governments are willing to develop investment cooperation with California in sectors including infrastructure, energy, agriculture, manufacturing, biological medicine and tourism," added Brown. In 2012, California's exports to China were worth USD14 billion, a 300% growth from 2000 and the highest of any U.S. state. Last week, contracts were signed for the establishment of a pharmaceutical plant, a private equity firm, a zero-liquid-waste discharge project and technology on renewable marine resources, all in California. The California-China Office of Trade and Investment, the state's first foreign trade office to be set up in a decade, will serve as a hub for California companies interested in entering or expanding in China, as well as for Chinese firms seeking investment opportunities in California. To build up a "California brand," Shanghai is preparing to organize a California Week in September.

- By the end of March, 439,800 foreign-funded enterprises had been set up in China, down 0.18% from the end of December. The combined registered capital of foreign companies, however, has continued to grow steadily, rising 1.33% from the end of December to CNY11.98 trillion at the end of March.
- Synutra International has been given approval by China's commerce authorities to invest €100 million in the construction of a milk factory in France's Western Brittany with production expected to begin in the first half of 2015. Synutra's first overseas factory, it will supply cheese products to the European market and allow for whey powder to be shipped to China.

## FOREIGN TRADE

### Export figures could mask capital inflows

Mainland Chinese shipments to Hong Kong showed an unusual surge recently, fueling speculation about a capital rush into the mainland through inflated export bills. Mainland exports to Hong Kong surged 93% in March from a year earlier to USD48.4 billion, the strongest growth since March 1995. But there was a 6.5% decline in mainland exports to the United States and a 14% drop in shipments to the European Union. While the mainland reported 44.9% year-on-year growth in exports to Taiwan in March, data released by Taipei



showed the island's mainland imports shrank by 1.2%, Société Générale noted. Faster capital inflows would put upward pressure on the yuan, which would in turn hurt Chinese exports. Total exports to Hong Kong of USD48.4 billion in March were almost double the USD26.8 billion in Chinese exports to the U.S. – China's second-largest export market – last month. Over the first quarter, China's imports from the U.S. rose 20.1%, from Russia 70.1% and New Zealand 31.1%. China's exports jumped 18.4% and imports increased 8.4% during the January-March period, resulting in a trade surplus of USD43 billion for the first quarter, Customs data showed.

## Corn imports almost doubled last year

Corn overtook rice as the largest food product in China for the first time last year, according to a Chinese Academy for Social Sciences (CASS) report. Domestic corn production grew 8% to 208 million metric tons, while rice output edged up just 1.6% to 204 million tons. Another major grain, wheat, grew 2.7%. China also imported 5.2 million metric tons of corn in 2012, up 197.1% over the previous year, while rice imports surged 296.2% to 2.37 million metric tons. China's total agricultural products trade deficit increased by 44% to USD48.94 billion last year. The country's grain self-sufficiency rate dropped to 98% last year. China's agricultural products dependency on international markets reached 21.1% in 2012, up from 20.7% in 2011. Guo Wei, Director of the Rural Branch of the National Policy Research Office at the State Council, said that people should be made aware of the issue of food security. "China's foodstuffs demand has expanded fast mainly because food has been used for purposes other than basic feeding," said Guo. For example, while Chinese grain consumption has been reduced to 60% of 1990's level, meat consumption has risen 44.7% compared to 1990, poultry consumption has risen 209%, and milk consumption 296%. He suggested reining in grain use in non-food processing, and improving the Chinese people's diet by reducing consumption of meat and poultry. The report also projected that in 2013 China's producer prices for agricultural products will increase 8%, and consumer prices for food will rise 7%, of which grain prices will gain 8%, oil 6% and vegetables will pick up 10% in price, the China Daily reports.

- 21 countries initiated 77 trade remedy investigations targeting Chinese products last year, up 11.6% from 2011, the Ministry of Commerce (MOFCOM) said. The probes involved USD27.7 billion, an annual surge of 369%. Among the most notable cases was the European Union's antidumping probe into imports of solar panels and key parts from China, which involved more than USD20 billion. More than half of the world's countervailing measures are directed against China.
- Christie's plans to hold an auction in Shanghai this autumn after the Chinese government granted it a license to open a wholly-owned subsidiary, the first such license given to a foreign auction firm. Shanghai aims to become an art powerhouse in its own right, rivaling Hong Kong. Steven Murphy, Chief Executive of Christie's, said he believed the issuing of the license would significantly boost the art business in China. Christie's major competitor, New York-based Sotheby's, has previously gained a toehold in China in the form of a joint venture with the state-owned Beijing Gehua Cultural Development Group, and can only hold auctions through the JV.
- China's first quarter trade with the U.S. rose by 10.8% from a year earlier to USD118.2 billion, while trade between the China and the EU fell 1.9% to USD124.4 billion. The trade data also showed a strong rebound in Chinese imports in March following a slump in February that was partly due to the effects of the long lunar New Year holiday, with imports rising 14.1% to USD183 billion, a much larger figure than analysts had expected. China posted a trade deficit of USD884 million for March. For the first quarter, China posted a trade surplus of USD43.07 billion, compared with a surplus of just USD660 million in the first quarter of 2012.
- China's exports to the Democratic People's Republic of Korea (DPRK) fell 13.8% in the first three months of this year to USD720 million, while imports from the DPRK rose 2.5% to USD590 million. China is the DPRK's biggest trading partner.
- China and the European Union held trade consultations over solar panels and telecoms, with Beijing calling for dialogue, rather than confrontation, to deal with trade friction. China's trade with the European Union decreased 1.9% year-on-year to USD124.41 billion in the first quarter.

## IPR PROTECTION

### Green Bookmark Campaign counters illegal publications

The National Copyright Administration launched the nationwide Green Bookmark Campaign 2013 on April 1 in an effort to increase copyright awareness. During the campaign, which lasts until World Intellectual Property Day on April 26, green bookmarks will be distributed in more than 2,000 schools, cinemas, theaters, bookstores and residential communities across China. Pirated publications seized last year will also be destroyed in the period.

- Cartier will be compensated a total of CNY180,000 by three Chinese companies which infringed on its trademark in advertisements at the Shanghai-based Yihaodian online supermarket. The ads included words such as “Cartier’s Classic Style” and “Cartier included”. Cartier had demanded a total of CNY1.1 million in compensation.
- The State Intellectual Property Office (SIPO) will expand its annual patent analysis to cover 12 new sectors this year. The topics to be added include industrial robots, satellite positioning and navigation, LED lighting, and the “Internet of Things”. The addition will expand the scope of the analysis to cover 38 sectors in total. The total number of categories will be increased to 50 by 2015. To date, 16 reports on different industries have been published.
- Police in Fuzhou, Fujian province, recently solved a large-scale piracy case involving illegal software worth more than CNY280 million in potential retail value. The four suspects made pirated copies of industrial control software since 2007 and sold them nationwide at prices that ranged from CNY1,000 to CNY2,000. The genuine software sells for as high as CNY100,000. The suspects earned illegal income totaling around CNY800,000.

## MACRO-ECONOMY

### China’s growth to stabilize, says ADB

“Following the rebound in economic activity since September 2012, growth (in China) is expected to continue picking up in the first half of 2013 and stabilize for the remainder of the year, as the impact of stimulus implemented in mid-2012 fades,” the Asian Development Bank (ADB) said in a report. It cautions that the Chinese economy this year will remain “vulnerable” and is subject to several downside risks including the weak global economy, volatile food prices in China due to the weather, a possible rise in resource prices, and a surge in government debt for infrastructure construction. Further, China’s aging population and rising wages are also showing signs of eroding the competitiveness of the economy, threatening its growth potential, the report said. The ADB expects China’s economic growth to slow to 8% in 2014 as the government makes greater efforts to comply with more stringent environmental targets as well as instituting reforms to ensure a more inclusive growth. “The new leaders have indicated their intention to focus on quality, efficiency and the sustainability of economic growth, replacing the previous pursuit of fast-track growth,” the report said. “In implementing its programs, the new government will be challenged by the risks and by the complexity of the reforms.” President Xi Jinping said China will sustain “relatively high” economic growth but refrain from seeking growing too fast as the country needs to balance industrial development and green and sustainable development, the Shanghai Daily reports.

China’s economic recovery unexpectedly slowed in the first three months of this year as the annual rate of growth eased back to 7.7% from the 7.9% pace set in the final quarter of last year, the National Bureau of Statistics (NBS) announced on April 15.

- China’s annual consumer inflation eased to 2.1% in March from February’s 3.2% while producer price deflation deepened from 1.6% in February to 1.9% in March. “Lower inflation will greatly ease investors’ concerns that the policymakers would begin to tighten monetary conditions,” Zhu Haibin, Chief China Economist at JP Morgan in Hong Kong, told Reuters. Much of the drop in the headline CPI was explained by a drop in food prices which economists say are normalizing after a seasonal spike in February caused by the Lunar New Year holiday. In the first quarter, China’s inflation rose 2.4%, below the government’s target for 2013 of 3.5%.
- Even though grain production has grown for the past nine years, China must continue

to boost investment in agriculture because demand for food is set to soar due to an increasingly affluent population and rapid urbanization, members at a panel discussion at the Boao Forum for Asia warned. Agriculture Minister Han Changfu said Asian nations should deepen agricultural cooperation to ensure food security in a region where 560 million people are malnourished. He called for more spending on agriculture to improve productivity, better training for farmers to improve their skills, and better storage to avoid waste.

- Chinese engineering companies last year generated USD117 billion in revenues from contracts outside China – a 10-fold increase over the past decade, according to the Chinese government. Five of the world's top 10 contractors are now Chinese, according to the Engineering News Record, a trade publication.
- Zheng Yuesheng, Spokesman and Director of the Statistics Department at the General Administration of Customs, apologized for citing unconfirmed investment data from online sources he didn't identify. Zheng said the National Development and Reform Commission (NDRC) had approved CNY7 trillion of investment projects in the fourth quarter of 2012, which was incorrect.

## MERGERS & ACQUISITIONS

### Appetite for acquisitions drops to six-year low

The appetite for acquisitions among Hong Kong businesspeople has dropped to the lowest level in six years, battered by renewed worries about the euro-zone's debt problems, accounting firm Grant Thornton said. The firm expects overall sentiment to gradually recover in the third quarter after policymakers in Beijing unveil their implementation program for the 12<sup>th</sup> Five Year Plan. The share of local firms planning to pursue acquisitions fell to 18% this year, the lowest level since 2008, while the proportion of mainland executives looking to buy assets slipped to 28%, a three-year low, according to the Grant Thornton report, based on a survey of 200 Hong Kong and 400 mainland executives.

- He Jintao, the son of former Politburo Member He Guoqiang, has quickly raised USD200 million from investors for its Nepoch private equity fund, and is expected to reach a target of as much as USD500 million by mid-year, in the latest example that so-called "princelings" remain active, even as President Xi Jinping launched a new campaign against corruption and nepotism. Nepoch has already made two investments, including one in the technology, media and telecom sector, which is a restricted area for foreign investors.

## PETROCHEMICALS

### Cheap U.S. gas threat to Chinese refiners

Sinopec Shanghai Petrochemical has warned that cheap natural gas in the United States and coal from the mainland pose serious competitive threats to Chinese crude oil refiners. The subsidiary of Sinopec will have to cut costs and boost the uniqueness of its products, Vice Chairman Wang Zhiqing said. He said about a dozen firms in the U.S. have plans to build over 10 million tons of annual ethylene output capacity in the next three to five years, using gas as the raw material. Wang said petrochemical products made from low-cost U.S. gas may find their way on to the Chinese market. Another threat comes from domestic producers of petrochemicals using coal as feedstock. So far only Shenhua Group and Datang International Power Generation have entered commercial production of downstream chemicals from coal that directly competes with producers that use crude oil. The central government has received applications to exploit coal-based chemicals totaling 50 million to 60 million tons of annual output capacity. Such projects first turn coal into methanol before processing methanol into polypropylene (PP) and polyethylene (PE) used to make plastic products.

- China won't adjust gasoline and diesel prices in the first review under a new mechanism because international crude costs have remained relatively stable. There will be no change to tariffs because the average global crude cost in the past 10 working days was "basically" the same as when China last revised fuel prices, the National Development and Reform Commission (NDRC) said.

## REAL ESTATE

### Sales of second-hand homes soar to records in Shanghai

Sales of second-hand homes in Shanghai soared to a record last month. More than 67,500 units were sold in March, up 365% from February, at an average cost of CNY17,013 per square meter. On March 1, the central government unveiled several new measures to rein in property speculation, which included tough enforcement of the capital gains tax. Over 35% of the pre-owned homes sold last month cost between CNY1.2 million and CNY3 million, while nearly 20% were priced from CNY600,000 to CNY900,000, Century 21 China Real Estate said. Shanghai's pre-owned housing index rose for the 10<sup>th</sup> consecutive month in March amid record sales. The index gained 45 points, or 1.72%, from February to 2,661 last month, the Shanghai Existing House Index Office said. Across the city, prices rose in 128 of the 130 tracked areas in March by an average 1.73% from February, according to the Office.

### Grade A office space more expensive in Pudong than Puxi

Grade A office rents in the Pudong New Area of Shanghai surpassed those in Puxi for the first time in more than two years while overall rents in the city were flat, Jones Lang LaSalle said. Rents in Pudong rose 1.3% quarter-on-quarter to CNY9 per square meter per day in the first three months of this year, beating Puxi for the first time since the third quarter of 2010. Across the city, overall rents edged up 0.4% to CNY8.9 per sq m per day during the first quarter. "Pudong rents continued to grow at a steady pace while in Puxi they fell insignificantly as the majority of landlords kept rents flat due to weak demand and new supply," said Anny Zhang, National Director of Markets at Jones Lang LaSalle. "We expect Puxi rents to turn positive in the second quarter of this year as demand from multinational companies recovers." But the vacancy rate in Puxi rose by 3 percentage points to 11.4% in the first quarter, the highest in over two years, due to new buildings coming on the market between January and March, the firm said. Meanwhile Pudong saw its vacancy rate up 0.1 percentage point to 7.6% during the same period.

### Major developers profit from market rally

In the first quarter, the China's top 10 property developers by sales revenue had a 14.88% market share, up from 14.28% a year ago, according to a report by China Real Estate Information Corp. Each of the top 10 generated more than CNY11 billion in the first quarter, with China Vanke Co taking the lead. The rising market shares and sales revenue are mainly due to the market pickup since May 2012 as well as the market reaction toward the latest government tightening policy, said Ding Zuyu, Executive President of E-House (China) Holdings. Centaline Property Agency, a subsidiary of Hong Kong-based real estate agency Centaline Group, generated as much as CNY790 million in commission fees in March amid the sales boom, which was five to six times the amount in March 2012, added Ding. "There was a significant rise in secondary market sales in March as buyers and sellers looked to complete transactions before the implementation of the new guidelines in Shanghai," said Joe Zhou of Jones Lang LaSalle Shanghai. Primary market sales also remained strong. In the first quarter, the sales volume amounted to more than 3 million sq m in Shanghai, up 115% year-on-year. But Chen Xiaotian, Marketing Committee Deputy Secretary General of the China Real Estate Association, cautioned that the market may experience a slump in the coming months. According to Chen, there is a basic law in China's property market: the worse the market performance is, the greater the market share held by major developers. Major developers have more land reserves, more financing channels and more mature experience to adapt to changing market conditions, Chen added.

### Inventory of office space expected to rise

The inventory of quality office space in 14 major Chinese cities may surge 80% within the next four years, although second-tier cities may suffer from an oversupply, according to CB Richard Ellis. "Beijing will continue to suffer an acute undersupply while the office markets in Shanghai, Guangzhou and Hangzhou will be rather balanced in terms of demand and supply," said Frank Chen, Executive Director at CBRE China. "A number of second-tier cities, Tianjin, Shenyang and Chongqing in particular, will probably see supply significantly outpacing demand." Shanghai may see 5 million sq m of new office space over the four years, with nearly 50% in secondary and decentralized locations, CBRE data showed. The net take up of office space reached 523,865 sq m in the first quarter nationwide, down 21.8% quarter-on-quarter and

down 37.8% year-on-year, which is the lowest level since the first quarter of 2009, the CBRE report showed. New supply dropped markedly as the delivery dates of a number of projects were postponed. As a result, the office vacancy rate fell 0.2 percentage points to 12.6% nationwide. Shanghai has less than 11 million sq m of office space, which is about one-sixth that of New York, said Xie Chen, Director of CBRE's Research Department in Shanghai. Shanghai's vacancy rates are forecast to remain below 10% over the next 12 months, leading to an increase in rents, if only slightly. In second-tier cities such as Tianjin, Shenyang and Chongqing, the stock of office space will more than triple between 2013 and 2016. Developers of office buildings in new CBDs, which are expected to account for 53% of the total new supply due for completion during the period, would face headwinds, CBRE said. "Almost every major city in China is developing or planning a new CBD, and this has been the key factor in driving up land prices in newly developed areas," CBRE's report said. Tianjin, for instance will see more than 70% of its future supply come from its new CBDs in Binhai New District.

- As property prices in the former U.S. industrial city of Detroit have dropped, more Chinese investors were planning to purchase properties there, the People's Daily reported. But experts warned homebuyers should be cautious before going on an overseas shopping spree because there is "no such thing as a free lunch". "There is a high rate of unemployment and crime in Detroit," said Tian Xue, Associate Director at Knight Frank China. Before, most Chinese who bought overseas properties did so for their children's education or to emigrate to, but after the central government further tightened real estate policies, more are tending to diversify their investment portfolios.
- Around 30 real estate projects in Beijing have failed to get sales licenses as scheduled, as planned sales prices were much higher than average prices in the region.
- A land parcel in Tangzhen in the Pudong New Area became the most expensive residential plot sold in Shanghai in more than two years when it fetched over CNY3.7 billion. The gross floor area price for the 122,018-square-meter land was CNY18,199 per sq m, or 65% above its starting price. Shanghai Pudong Development (Group) Co beat seven other firms, including Poly Real Estate and China Overseas Property, at the auction.
- The Shanghai Tower in Pudong, which is still under construction, reached a height of 500 meters, surpassing the 492 m of the Shanghai World Financial center which until now was Shanghai's tallest building. The Shanghai Tower will be completed in 2014. Underground passages will link the three tallest buildings – Shanghai Tower, Jin Mao Tower and Shanghai World Financial Center – and connect to Metro stations at a later date. The Shanghai Tower will have about 210,000 sq m of office space and 50,000 sq m area for commercial activities.
- China Vanke Co, the country's largest property developer by market value, said its sales in March reached CNY15.2 billion, up 31.9% year-on-year. The company sold 1.27 million square meters of residential and commercial properties in March, up 15.7% year-on-year, it said. Sales in the first quarter were CNY43.65 billion, up 40.5% compared with the same period of last year.
- The National Development and Reform Commission (NDRC) has ordered a nationwide investigation of how proceeds of bond sales meant to finance affordable-housing projects have been used. Firms and local governments found to have misused funds will face suspensions of their ability to sell bonds. The plan to build 36 million affordable homes in the five years to 2015 has been funded primarily by financing companies set up by local governments.
- Detailed rules for migrant workers who want to apply for government-subsidized houses in cities will be released in eight months, the Ministry of Housing and Urban-Rural Development said. Chen Zhi, Secretary General of the Beijing Real Estate Association, said that the first problem the government encounters is how to define the qualified migrant workers, including how long they have worked in the city and whether they have stable jobs. The current huge demand for these affordable houses from local residents is another problem, said Chen. In Beijing, more than 100,000 families with a registered permanent residence have been on the waiting list for two or even three years, he said.
- Chinese developers are expected to benefit from the 20% capital gains tax on sales of second-hand homes, which has been in force since the beginning of this month. Homebuyers would now turn to the primary market, property consultants said. "[Sales]

volume should remain strong for the next six to nine months, as local governments' policies remain vague and show no sign of tightening further," said Lee Wee Liat at BNP Paribas Securities (Asia). He expects this to be another record year for top developers such as China Overseas Land, Shimao Property and Longfor Properties.

## RETAIL

### Uniqlo to open its largest store in Shanghai

Uniqlo plans to open its largest store in Shanghai later this year. Fast Retailing, the company that owns Uniqlo, said: "Asia, especially China, is the center for economic growth. We think becoming number one in China means becoming number one in the world." The new Shanghai store will be on the busy commercial thoroughfare, Huaihai Middle Road, and is expected to be substantially larger than the Uniqlo store in Ginza, Tokyo, which is currently the largest. Uniqlo's new store will open not far from the imposing edifice of Media Markt, which is due to close after Metro, the German retailer, decided in January to shut all the unit's Chinese stores. Also nearby is the site of the former Barbie global flagship store, opened with huge fanfare in 2009 and shut two years later. Many Chinese are unaware that Uniqlo is Japanese, and the retailer is therefore not expected to suffer from the Sino-Japanese dispute over the Diaoyu islands.

### China to become biggest market for L'Oréal

Chinese nationals will be the biggest consumer group for L'Oréal's luxury cosmetics within two years, according to the Paris-based company, which is planning a big push into smaller cities, new product launches and the use of internet chat forums to extend distribution. Jean-Paul Agon, Chairman and Chief Executive of L'Oréal said that the logistics of rolling out the luxury business was the main challenge in the huge country, not worries about the economy. The group's luxury cosmetic brands include Lancôme, Helena Rubenstein, Kiehl's and Giorgio Armani. Agon underlined the scale of opportunity by saying that Lancôme – its best-selling luxury brand in China – was sold in 170 Chinese cities, against 2,000 in the U.S. He added that cosmetics were not big ticket items and had not been affected by the crackdown on corruption. China is the world's second-largest market for luxury cosmetics and is on track to become its largest, said Agon. Nicolas Hieronimus, head of L'Oréal's luxury division, said the unit had doubled sales every four years in China for the past decade. "We are bound to continue at the same pace," he said, forecasting that "in 2014 or 2015, Chinese consumers will be the number one consumer for L'Oréal Luxe in the world". This includes Chinese tourists making purchases outside the country. According to Euromonitor, L'Oréal's premium cosmetics' business has a 17% share of the Chinese market, compared with 12% for Estée Lauder, which increased its market share in China sixfold over the past decade, while L'Oréal's share has almost doubled off a higher base, the Financial Times reports.

### Catering industry affected by crackdown on extravagance

Affected by the government's crackdown on wasting public money on luxury banquets, growth in China's catering industry has plunged to the slowest rate in a decade, the China Cuisine Association said. In the first two months of this year, which included the Spring Festival holiday, the sales revenue of the country's catering industry reached CNY403 billion, a year-on-year growth of 8.4%, the slowest growth in the past 10 years. The slump was especially pronounced for luxury restaurants. Some leading high-end catering businesses face being plunged into the red. Beijing Xiangqing Co said that its first quarter financial loss may reach CNY55 million to CNY70 million, compared with a net profit of CNY46.23 million during the same period last year. ShunFung and Jingya restaurants withdrew their IPO applications. But Bian Jiang, Assistant Director of China Cuisine Association, said the habit of pleasing business clients with extravagant banquets is deeply rooted in Chinese culture and will not be reversed overnight. Duan Kaiyun, Assistant Secretary General of the Beijing Cuisine Association, said: "The difficult period will last for a long time, as it's a key part of the new government's vow to curb corruption." As a result, luxury restaurants will be forced to enter a new phase of business adjustment, such as lowering prices and introducing more promotions, Duan added.

- China's deadly bird flu outbreak has dealt a "devastating" blow to the nation's poultry sector, according to Qiu Baoqin, Vice Secretary General of China's National Poultry Industry Association. Sales of chicken and ducks have dropped sharply, even as

prices have fallen by 20%. China produced more than 18 million tons of poultry last year, accounting for over 20% of its meat output. City residents ate an average 10.59 kg of chicken meat per person in 2011.

- Metro Cash & Carry, a self-service wholesaler, will open at least 12 new stores in China this year, similar to last year, Uwe Hoelzer, President of Metro China, said. Metro China operates 63 stores on the mainland. The German retailer said last month its China sales surged 23% annually last year to €1.89 billion, faster than the 1.7% growth globally. China sales represented 6% of its global sales.
- British retailers are limiting purchases of baby milk powder to prevent customers from bulk-buying and exporting it to China for profit. Leading supermarket chains Tesco and Sainsbury's have started advising customers to buy no more than two tins of milk powder in each transaction. Other retailers are imposing similar limits to ensure there is enough stock for everyone wanting baby milk.
- Yum Brands, the owner of KFC and Pizza Hut restaurants, said its same-store sales in March declined an estimated 13% in China, including an estimated decline of 16% at KFC and 4% growth at Pizza Hut. News of the avian flu in China has had a significant, negative impact on KFC sales, the company said in a filing to the U.S. Securities and Exchange Commission (SEC). China is Yum's most lucrative market, accounting for more than half of its overall revenue of USD3.57 billion, and the country also generated around 40% of Yum's profit.

## SCIENCE & TECHNOLOGY

### China National Deep Sea Center to be built in Shandong

The China National Deep Sea Center is expected to start operating next year. Building will start in May. The center will cover about 26 hectares of land and 62.7 hectares of sea in Jimo county, off the east coast of Shandong province, serving as a support station for deep-sea facilities, including Jiaolong, China's manned submersible. The center will feature five berths to accommodate two vessels weighing 6,000 metric tons and three of 3,000 tons. The center will cost an estimated CNY495 million. The deep-sea base program is the fifth of its kind in the world, following those in the U.S., Russia, France and Japan. Exploring the deep sea is part of the strategy to build China into a maritime power. Scientists believe the sea at depths of 4,000 to 6,000 meters holds abundant deposits of rare metals and methane hydrate, a form of natural gas bound in ice that could serve as a new energy source. China sent the Jiaolong to a depth of below 7,000 meters in June 2012. A plan for the center's deep-sea equipment development for the next five to 10 years will be drawn up this year.

## STOCK MARKETS

### No new IPOs expected in the next few months

It may still be a few months before new IPOs are launched on China's stock exchanges. The China Securities Regulatory Commission (CSRC) will inspect 30 enterprises randomly picked from the IPO waiting list during the coming two months. A CSRC Spokesman said 110 pre-IPO companies have gotten permission to submit their financial reports. This may signal that the IPO reopening will be postponed until the end of the second quarter, analysts said. 167 enterprises had withdrawn their IPO applications and 614 are still waiting for the CSRC's approval. 82 enterprises have already passed the review from the IPO Issuance and Examination Commission, waiting for the regulator's final permission.

- Bank of Shanghai plans to raise about CNY15 billion through an initial public offering (IPO) in Hong Kong this year to replenish capital. The Chinese lender, which is 8% owned by HSBC Holdings, also plans to raise a similar amount of money by selling shares publicly in mainland China. Bank of Shanghai is expected to have a capital shortfall of CNY59 billion by next year.
- Shares in Hengli Commercial Properties surged nearly fivefold in Hong Kong after the company became a back-door listing for Dalian Wanda Commercial Properties. The reverse takeover triggered a buying spree among retail investors and small-cap fund managers. Dalian Wanda Commercial Properties is the property arm of Dalian Wanda Group. The group operates 55 Wanda Plazas, 34 five-star hotels, 814 cinema screens, 46 department stores and 51 karaoke outlets across the country. Fourteen

Chinese companies have undergone back-door listing in Hong Kong since 2010.

- As of April 11, 1,435 companies had filed their 2012 annual reports to the Shanghai and Shenzhen stock exchanges. Their total profits stood at CNY1.69 trillion, up 0.46% year-on-year. The profits of 648 companies, or 45.17% of the total, dropped. At the end of last year, 2,494 Chinese companies were listed in Shanghai and Shenzhen.
- A record 26 new Qualified Foreign Institutional Investors (QFII) accounts were opened in March, bringing the total number of QFII accounts to more than 400, according to the China Securities Depository and Clearing Co. Analysts said the growth in QFII accounts shows overseas investors' increasing interest in China's stock market.
- Sinopec Engineering and China Galaxy Securities have won approval to issue shares in Hong Kong that could raise a combined total of at least USD2.5 billion. Sinopec Engineering aims to use the fresh capital for overseas expansion. China Galaxy Securities, China's seventh-largest brokerage by assets, plans to raise at least USD1.5 billion in the third quarter. The brokerage firm relies heavily on retail stock trading and hopes to use its capital to expand into the more lucrative margin financing and stock lending business.

## TRAVEL

### Chinese business travelers to spend more than those of U.S.

China will overtake the United States to become the world's largest business travel market in 2015, with mainland business travelers seen to spend CNY36.5 billion, according to a survey. Business travel expenditure surged above 20% annually to CNY24.5 billion in 2012 and will rise more quickly this year, Tobias Ragge, CEO of Hotel Reservation Service told the Global Corporate Travel Forum in Shanghai. Over 43% of corporations on the mainland plan to increase the frequency and budget for domestic business travel this year. The bulk, or 80%, of the expenditure is spent on flight tickets and hotels, and the rest on entertainment and communications, the survey said, adding that mainland travelers look at hotel loyalty programs when deciding where to stay. Hong Kong remained the most popular destination for mainland business travelers, followed by Singapore and Thailand. Chinese executives are among the most frequent travelers in the Asia Pacific, making 17 trips on average. Shanghai may be a major destination for business travelers who have access to the world's major hotel groups which operate here while the city has flights to 230 destinations globally, Chen Ping, a senior official with the Shanghai Tourism Administration told the forum. Over 100 corporate executives and travel experts from around the world attended the forum.

- Some Chinese airlines have begun removing chicken from their menus because of the bird flu crisis. Shanghai-based Spring Airlines said it was serving shrimp or beef instead and Xiamen Airlines said it would replace poultry meat with pork, beef or seafood. China Southern changed its chicken dish to fried rice with eggs and beef noodles on services between Shanghai and Guangzhou. Taiwan-based China Airlines and Mandarin Airlines have also adjusted the proportion of chicken and duck in meals and enhanced sanitation and disinfection measures in cabins. Airports at Hong Kong, Macao and Taiwan have upgraded checks on passengers on flights from the mainland.
- China and New Zealand will deepen bilateral ties in trade, education and tourism, according to an agreement signed in Guangzhou between China Southern Airlines and a delegation led by New Zealand Prime Minister John Key. The agreement is the first to be signed by a domestic carrier with an overseas government covering tourism, immigration, education and airport management. The Guangzhou-based airline is the only domestic carrier flying to New Zealand, following the opening of the Guangzhou-Auckland route in April 2011. Two more new routes are due to be launched soon connecting Guangzhou with Christchurch and Wellington.
- China Railway Group's railway project in Venezuela is suffering delays because the Venezuelan government is unable to pay the entire USD7.5 billion price tag. When the deal was announced in August 2009, it was China's largest overseas rail construction project and Venezuela's largest non-oil contract. The Venezuelan government owes China Railway USD400 million to USD500 million, said Li Changjin, Chairman of China Railway. During the first quarter, the company gained nearly CNY200 billion of new contracts, including CNY70 billion of railway jobs.



- Guangzhou is expected to become the third Chinese city to allow foreign visitors to transit for 72 hours without a visa, according to Tan Wangen, General Manager of China Southern Airlines. Since January 1, travelers from 45 countries have been benefiting from 72-hour visa-free stays in Beijing and Shanghai. Foreign visitors are not permitted to leave the cities to travel to other Chinese cities during the 72 hours, but if Guangzhou is included in the scheme, they would be allowed to visit places in the Pearl River Delta.
- Beijing plans to connect its new international airport in Daxing district to downtown via a 40-kilometer urban rail transit line and three expressways. An urban rail line will also connect the two international airports in the capital, allowing passengers to travel between the two locations in 30 to 40 minutes. Construction on the new capital airport will start next year, and it will be put into use in 2018. The new airport is expected to handle 70 million passengers by 2025.
- Beijing has started to enforce penalties for pedestrians ignoring red lights. People who do not wait for the “green man” signal to cross at intersections will receive on-the-spot fines of CNY10. Road traffic fatalities top the list of deaths from non-natural causes in China.
- On April 21, speed on the Dalian to Harbin railway line will be increased to 300 kilometers per hour, up from 200 km/h during the winter schedule. Since the line opened on December 1 till the end of March, there had been 9.4 million passenger trips on the line, an average of 78,000 per day. Travel time will be three and a half hours instead of the current five hours and 18 minutes after the increase in speed. The line will continue operating trains that run at 200 to 250 km/h to cater to passengers who cannot afford the higher price. Under the summer schedule, a ticket for a second class seat on the high-speed train costs CNY403.5 compared to CNY 238.5 on the slower one.

## VIP VISITS

### China and Australia expand cooperation

Chinese Premier Li Keqiang and Australian Prime Minister Julia Gillard agreed to hold annual prime ministerial meetings during talks at the Great Hall of the People in Beijing, where the visiting leader was greeted with full military honors. An agreement was reached to allow the Chinese and Australian currencies to trade directly. Li called for multiple means of cooperation in minerals and husbandry and expanded collaboration in rail, ports and telecoms. He also urged quickened negotiations on a China-Australia Free Trade Agreement. Li and Gillard witnessed the signing of a series of agreements covering recyclable energy, finance, drug control and development aid. Speaking at a trade forum in Beijing, Gillard said Australia was seeking more cooperation with China in clean energy, emissions trading, and defense. There are around 150,000 Chinese students studying in Australia and Mandarin is the second most common spoken language in Australia. The Chinese community in Australia numbers more than 900,000.

- Chinese President Xi Jinping met executives from Pepsico, Samsung Group, Volvo Group and more than a dozen other companies at the Boao Forum in Hainan. The executives complained about red tape and restrictions on investment that favor Chinese state firms and outright discrimination because of political problems. Xi promised to “provide a level playing field for all market players” and continued efforts to make China more attractive to foreign investors.
- Premier Li Keqiang called for strengthened practical cooperation with Cambodia in areas including agriculture, infrastructure, energy, telecommunications and water resources when meeting with visiting Cambodian Prime Minister Hun Sen. Li also urged the two sides to strengthen communication and coordination in international organizations and regional affairs. China-Cambodia bilateral trade reached USD2.92 billion in 2012, and the two countries have set a target of USD5 billion by 2017. By March, China’s investment in Cambodia reached around USD9.2 billion, accounting for 34% of all foreign investment in the country.
- The world's first openly gay Prime Minister, Johanna Sigurdardottir of Iceland, and her wife, Jonina Leosdottir, have paid their first visit to China.
- Peruvian President Ollanta Humala called for closer business ties with China as he is

seeking Chinese funds to invest in construction of airports, railways, roads, metro, harbors, schools, gas pipelines, residential complexes and even an aquarium from now till 2016. Humala is also keen for Chinese firms to enter Peru's mining and energy industries. Shanghai was the last stop of Humala's trip in China, during which he attended the Boao Forum in Hainan province and met with Chinese President Xi Jinping.

- U.S. Secretary of State John Kerry met Chinese leaders, including President Xi Jinping, in Beijing. Besides the situation on the Korean Peninsula, environmental issues were also discussed.

## ONE-LINE NEWS

- Former Vice Governor of Shandong province Huang Sheng went on trial for bribery in Nanjing, capital of Jiangsu Province. He was charged with receiving more than CNY12.23 million from 21 companies and individuals, in exchange for his "help". Huang, 59, a native of Weihai in Shandong, joined the Communist Party in 1975 and was a military cartographer. He became Mayor of Dezhou in 1996 and was elected Vice Governor of the province in 2007.
- It is estimated that 24% of Chinese people over age 15 have high blood pressure, according to Wang Wen, Vice Chairman of the Chinese Hypertension League. This means there are about 260 million such patients in the country. The cost to treat cardiovascular disease is increasing much faster than the pace of China's GDP.
- The Ninth China (Beijing) International Garden Expo is still expected to open as scheduled on May 18 after a fire partly destroyed the Yongding Tower in Beijing's Fengtai district, where the event will be held. The event was expected to run from May to November with 46 exhibitions from 60 cities.
- So far, 13 people have died from the H7N9 virus infection and the total number of infections (including the 13 fatalities) has now risen to 60. All came into direct contact with infected birds and there is still no evidence of person-to-person transmission. Shanghai is considering a permanent ban on the sale of live birds in wet markets. The first human infection was reported on March 31 in Shanghai.
- Chinese-French abstract painter Zao Wouki, a significant figure in 20<sup>th</sup>-century Chinese art, died at his home in Switzerland aged 93 from Alzheimer's disease. He had been a French citizen since 1964. His works regularly sold at auction for USD1 million to USD2.5 million.

## QUOTES OF THE WEEK

"With our efforts, China will sustain relatively high economic growth, but not super-high economic growth. It is not necessary. It does not mean we cannot maintain economic growth at a very fast pace. We just don't want to anymore."

President Xi Jinping, quoted in the Shanghai Daily, April 9, 2013.

## ANNOUNCEMENTS

### Vlasroute.be: Flanders – China Overland 2013

The Vlasroute.be is the initiative of a cohort of spirited and experienced entrepreneurs who will travel overland from Belgium to China by jeep, 15,000 km from (Vyncke) Harelbeke over the Trans-Caucasus lands and through Central Asia to (Vyncke) Suzhou. The Flax Road from Flanders to China symbolically intertwines with the Silk Road. Much more than durable goods travel along these paths: ideas, technology and convictions are exchanged between East and West. The 'Vlasroute' is not a trade mission or rally. The purpose is to engage in a convivial dialogue with pacesetters on the spot; and to put the Trans-Caucasus, Central Asia and West China on the knowledge map of enterprising Flanders.

The Flax Road to Silk Road Overland will be travelled in two expeditions of each 5-6 weeks and about 7500 km.

- A first expedition tours from Harelbeke to the Caucasus and Central Asia, from the 11<sup>th</sup> of May until the 22<sup>nd</sup> of June. The Flax Road crosses Turkey, Georgia, Azerbaijan, over the Caspian Sea to Stan-lands with iconic Silk Road cities: Turkmenistan (Merv), Uzbekistan

(Samarkand, Bukhara) and Kyrgyzstan (Fergana Valley). We cross the border to Almaty (Kazakhstan) where the vehicles will be checked during the summer leave.  
- The second expedition resumes on the 8<sup>th</sup> of September in Almaty (Kazakhstan) and lasts until the 17<sup>th</sup> of October (Suzhou, China east coast). We travel through Kyrgyzstan onto Kashgar (Xinjiang Autonomic Region) and cross China's West: the provinces of Gansu, Qinghai, Shaanxi and Sichuan. Xian in Shaanxi, famous for its terracotta army, was the capital of the empire during the prime days of the Silk Road. The western Chengdu-Chongqing Economical Zone is part of the industrial top in China.

Contact: Lutgart Duser, [lutgart.duser@lscoop.com](mailto:lutgart.duser@lscoop.com), tel.+32477 276977 [www.vlasroute.be](http://www.vlasroute.be)

## ADVERTISEMENTS



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](mailto: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 PIKANOL 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](mailto:info@flanders-china.be)

Website: [www.flanders-china.be](http://www.flanders-china.be)

**Share your story:**

To send your input for publication in a future newsletter mail to: [info@flanders-china.be](mailto:info@flanders-china.be)



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](mailto:michel.jc.lens@gmail.com). Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.