



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

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NOTICE

Board of Directors of the Flanders-China Chamber of Commerce: Discharges and appointments

The General Assembly of the Flanders-China Chamber of Commerce (FCCC) on April 27, 2013 at De Warande in Brussels approved several discharges and appointments to the Board of Directors:

- Mr. Dirk Mampaey, CEO, KBC Asset Management was discharged and Mr Wim Eraly, Senior General Manager, KBC Bank, appointed to the Board
- Mr. Stephan Csoma, Vice-President Government Relations, Umicore, was discharged and Mr. Egbert Lox, Vice-President Government Relations, Umicore, appointed to the Board
- Mr. Marc Stordiau, Director, Deme, was discharged and Mr. Philip Hermans, Director General, Deme, appointed to the Board
- Mr. Jean-Pierre Tanghe, Senior Advisor to the CEO, Barco, was discharged and Mr. Carl Peeters, CFO, Barco, appointed to the Board
- Mr. Dirk Mampaey, CEO, KBC Asset Management, was discharged and Mr. Wim Eraly, Senior General Manager, KBC Bank, appointed Secretary and Treasurer

ACTIVITIES SUPPORTED BY FCCC

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 - Tel 056 26 13 93 Mail: griet.witdouck@voka.be

Festive departure of the Flax Road – Flanders-China Overland 2013 – Saturday 11 May 2013, 10:30 h. at Vyncke in Harelbeke and 15 h. at Viavia Reiscafé in Mechelen

The festive departure of the Flax Road will be held on Saturday, 11 May 2013 at 10:30 h. at Vyncke in Harelbeke and at 15 h. at Viavia Reiscafé in Mechelen.

The Flax Road is an initiative of 18 Flemish pioneers who travel the 15,000 kilometer from Flanders to China in two expeditions: from May 11 to June 22, they explore Transcaucasia and Central Asia, where the energy map of the world is being drawn; and after the summer break, from September 8 till October 18, the focus is on western China, motor of the new Silk Road, a land corridor from China's East Coast to the terminus Antwerp. The Flax Road relates to the

Silk Road, along which not only goods were transported, but also ideas and convictions were exchanged between East and West.

10:30 h. at Vyncke, Gentssesteenweg 224, 8530 Harelbeke, with a Representative of the Chinese Embassy; Carl Decaluwé, Governor of the Province of West-Flanders; Michel Delbaere, National Chairman of VOKA; Hans Maertens, Director VOKA West-Flanders and Frédéric Douchy Managing Director Procotex.

Programme: 10:30 h. till 12:30 h.:

- The initiative: Vyncke for another 100 years by Mr. Dirk Vyncke, Pater Familias of Vyncke and the Flax Road
- Flax, yesterday, today and tomorrow by Mr. Frédéric Douchy, Managing Director Procotex
- Harelbeke's springboard to the world by Mr. Alain Top, Mayor of Harelbeke
- Reception followed by the festive departure of the Flax Road convoy

Please confirm your attendance by e-mail to ltr@vyncke.com

15 h. at Viavia Reiscafé Mechelen, Zandpoortvest 50, 2800 Mechelen.

Programme from 15 h. till 16.30 h.:

- From Viavia Mechelen to Viavia Chengdu, by Bob Elsen, CEO Joker and co-founder of vlasroute.be
- Cosmopolitan Mechelen by Mayor Bart Somers
- Flemish in action by Minister President Kris Peeters
- Snacks and drinks followed by the departure of the Flax Road convoy

Registration: Dries Caems dries.caems@viaviacafe.com.

Map: <http://www.viaviacafe.com/nl/content/wiewaar-1>

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 11th of May until the 22nd 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 8th of September in Almaty (Kazakhstan) and lasts until the 17th of October (Suzhou, China east coast). We travel through Kyrgyzstan onto Kashgar (Xinjiang Autonomous 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, tel.+32477 276977 www.vlasroute.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

Klako Group webinar: “Corporate Structuring, Financing & Tax Planning Considerations into China” – 22 May 2013

Klako Group is holding a webinar on Wednesday, May 22nd: 7pm – Amsterdam, Barcelona, Berlin, Milan, Paris (For further information on timezones, please refer to the [Time Zone Converter](#)) Foreign investors wishing to penetrate the China market may be asking questions like what ownership structures and funding arrangements they should put in place. Good holding structure not only streamlines the business of a group but could also enable future restructuring at low or even no tax costs. On the other hand, overly complicated structures may be difficult and costly to administer. So how to draw the line? There are no hard and fast rules for the “best” model. Each case should be analyzed carefully under its own particular circumstances. In addition ownership structures and funding arrangements could be inter-related. This webinar will look at international tax planning considerations when entering China. The speaker is Kristina Koehler, Director of Klako Group.

Space is limited. Reserve your webinar seat at <https://www3.gotomeeting.com/register/813800462> Should you have difficulties registering for the webinar here, please refer to the website: www.klakogroup.com/en/events After registering you will receive a confirmation email containing information about joining the webinar. Please send questions, comments and feedback to: kristina.koehler@klako.com.

PAST EVENTS

Networking Evening with Chinese Talent at Ghent University – 25 April 2013 – Gent

The Flanders-China Chamber of Commerce, Ghent University and the Province of East Flanders organized a networking evening with Chinese talent studying at Ghent University at the Provinciaal Administratief Centrum (PAC) in Ghent. The networking event presented the opportunity to introduce companies to Chinese students. Mr Patrick Meirlaen, Managing Partner at The Future Alliance and Partner at the International Executive Search Federation (IESF) talked about “Strategies for finding an employer in Europe”. Participating companies were presented, followed by networking between students and business leaders. The event was concluded by a networking reception hosted by the Province of East Flanders. The evening was organized with the support of Flanders Investment & Trade.

Sino-Belgium Business Survey: Are Belgian companies suffering in China or enjoying an excellent year? – 24 April 2013 – 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-Belgium 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 organized a discussion on the results of this year’s survey with a panel of leading business figures and independent experts on 24 April 2013, 17h at KBC Bank in Brussels.

Following an introduction by Mr Philippe Snel, Chairman Benchem Shanghai, a panel

discussion was held, moderated by Mr Andries Verschelden, Partner Moore Stephens Verschelden. The panelists included 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; and Mr Thomas Baert, Owner & CEO, Chinafloors. A Q&A session and networking reception concluded the event.

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 organized an afternoon seminar on how to mitigate risks in China. At the event, practical advice was offered by the EU SME Center expert and the panelists, and there were opportunities to attend one-on-one consultation sessions to discuss individual questions with the EU SME Center expert following the seminar. The EU SME Center expert gave a presentation on how to find a suitable business partner and how to manage contract terms and reduce risk. Jan Kriekels, CEO, Jaga NV, Ghislain Gilliot, CEO, Simonis Plastic SA, and Olivier du Roy, ex Country Manager China, Solvay, joined the panel discussion, which was moderated by Professor Johan Erauw of Ugent University. The panel discussion was followed by a networking cocktail and one-on-one consultation sessions.

MEMBERS' NEWS

Hainan Airlines aims to enter the Fortune Top 100

The parent of China's fourth-largest airline, HNA Group Co, expects annual revenue to soar to more than USD70 billion by 2020. The group, which celebrated its 20th anniversary in April, aims to fly into the top 100 of the Fortune Global 500 list, said Chairman Chen Feng. "Our long-term target is to make the top 50 on the list by 2030," Chen added. HNA Group earned CNY120 billion in revenue in 2012, up 44% year-on-year, and its total assets reached CNY500 billion in 2012. Overseas assets accounted for more than 21% of the group's total, contributed 10% to the group's annual revenue in 2012 and will soon account for about 40% of the group's revenue, said Tan Xiangdong, Director of HNA Group. Acquisitions over the last two years have boosted assets. In 2011, the group acquired GE SeaCo, the world's fifth-largest container-leasing enterprise, for USD1.05 billion, its largest overseas deal. It also purchased a 48% stake last year in Aigle Azur, the second-largest airline in France. "The global financial crisis has presented opportunities," Chen said. HNA is also interested in purchasing a 35% stake in Cargolux Airlines International, according to media reports, although HNA denied plans for such an acquisition. Companies to be acquired must be able to help improve HNA's competitiveness, expand its market share, and be able to be integrated into HNA, in business terms as well as in culture, Chairman Chen Feng said. Aigle Azur is a good example, as it helped HNA acquire a new Paris-Beijing route operated by the French airline. "We expect to launch the Paris-Beijing route this year, as we are only waiting for approval to fly in Russian airspace," said Wang Yingming, President of Hainan Airlines Co, the aviation subsidiary of HNA Group. The company also said the return of the Boeing 787 Dreamliner aircraft will help expand its global network. The company ordered 10 Boeing 787 aircraft, which will fly on its Beijing-Chicago route, due to be launched in September, the China Daily reports.

EXPAT CORNER

New visas to be available to foreign professionals

Foreign professionals will soon be eligible for two new types of Chinese visas – R1 and R2 – valid for up to five years, under a draft regulation released by the Legislative Affairs Office of the State Council. Both types will be granted to foreign talent and professionals at senior level that the country urgently needs, according to the draft. A R1 visa will come with residency rights, while a R2 visa will allow multiple entry and exits. The regulation will be implemented under the Exit and Entry Administration Law, which takes effect in July. Earlier rules endorsed by five ministry-level departments state that foreign professionals working on projects carried out by central government departments and centrally-administered enterprises, and talent introduced through provincial-level recruitment programs, can benefit from the new long-term visas. Foreign professionals eligible for the new visas would include those with management experience at leading multinationals, specialists in education and science-related fields, and renowned figures in culture and sport. The Ministry of Human Resources and Social Security

or the State Administration of Foreign Experts Affairs is expected to release a list of target groups soon. China is aiming to attract global talent by providing more convenient visa policies. The government is also considering lowering the threshold for permanent residency. The Ministry of Public Security is drawing up a draft regulation under which foreigners who work in China for 10 consecutive years may be eligible for a “green card”, the China Daily reports.

- Foreign English teachers face tighter supervision in the wake of two child sex scandals in Beijing and Nanjing. The State Administration of Foreign Experts has issued an urgent notice on regulating teachers' daily activities after two foreigners, one with a criminal record for child pornography and the other on the run from child-sex charges, were able to get jobs as English teachers. More than 180,000 cultural and educational foreign professionals worked in China in 2011.
- The number of foreign citizens living in Shanghai exceeded 173,000 by the end of 2012, a 6.7% increase compared with 2011. They make up a quarter of such citizens on China's mainland. Most of them live in nearly 80 neighborhoods across the city, the Shanghai Exit & Entry Administration Bureau said.
- Draft regulations on foreigners' entry and residence stipulate that foreigners must obtain work permits and residence certificates for employment before being employed. Foreigners who violate China's laws and regulations and are deemed “unsuitable” to stay will be given an exit deadline of no more than 30 days, according to the draft. The number of foreigners employed in China rose from 74,000 in 2000 to 220,000 by 2011.

FINANCE

Banks' asset quality deteriorates further

Chinese banks' asset quality continued to deteriorate in the first quarter. 10 out of 16 listed banks witnessed a rise in both outstanding NPLs and NPL ratios. Among them, China Citic Bank reported the biggest jump in its bad-loan ratio, which went up by 0.14 percentage point from three months earlier. Only two lenders reported a decline in both bad loans and NPL ratios. Agricultural Bank of China's bad loans fell by CNY165 million from the end of 2012, taking up 1.27% of total loans, while those of the Bank of Beijing dropped by CNY130 million, accounting for 0.54 of total loans. “The rise in non-performing loans was mainly because the economic growth seems to still lack momentum, and the less optimistic scenario has affected companies' operations, which led to more defaults,” said Guo Tianyong, Director of the Research Center of the Chinese Banking Industry at the Central University of Finance and Economics. He added that the scale of the increase in bad loans is still mild and may decrease in the following months as the economy stabilizes. The trend for more overdue loans – an indicator of future bad loans – also continued in the first three months of the year. Bank of Communications (BoCom), one of the five largest state-owned lenders, saw its overdue loans rise 12.4% from the end of 2012 to CNY40.7 billion. The bank's overdue loans with defaults of more than 90 days increased 25% to nearly CNY5.2 billion. Slower profit growth among banks also added to concerns over the worsening asset quality. In the first quarter, the net profit growth of China Citic Bank, Ping An Bank, Agricultural Bank of China (ABC) and Bank of China (BOC) all fell to below 10%. China Business News reported in April that by the end of March, outstanding NPLs stood at CNY524.3 billion, up 20.7% year-on-year, from the beginning of the year, citing figures from the China Banking Regulatory Commission (CBRC), the China Daily reports.

- The yuan will eventually be a feasible currency for Hong Kong to peg its dollar against, in place of the U.S. dollar, said John Greenwood, known as the “father of the Hong Kong-dollar peg” and currently Chief Economist at Invesco Asset Management. But he added that the yuan must be fully convertible and widely used before that day comes, which could take “many years”. He defended the existing peg in a speech on “Optimizing Hong Kong's Currency Strategy” to the Hong Kong General Chamber of Commerce. The existing peg is being debated because quantitative easing by the United States brings inflation to Hong Kong.
- The biggest creditors of the U.S. are American, including the Federal Reserve, social security and pension funds, banks, and individual domestic investors. China was responsible for USD1.22 trillion or 7% of total U.S. debt in February, the most recent

month available. It remains the single largest foreign lender – just ahead of Japan – but has been slowly trimming its U.S. dollar holdings, down from nearly 10% a few years ago. Overall, all foreign investors, including national central banks, account for roughly one third of the total outstanding federal government debt.

- Some 300 people involved in a pyramid scheme in Anhui blocked a road in Hefei, the provincial capital, for three hours last week to protest against a police crackdown on the scheme's operators, fearing the loss of their investment. The crackdown, which began last June, has busted 619 pyramid scheme hideouts and led to the arrest of nearly 2,000 people. In one case it was promised that an investment of CNY69,800 would turn into at least CNY10.4 million within two years.
- The interest rate on retail yuan deposits in Hong Kong is likely to drop after the Hong Kong Monetary Authority (HKMA) announced that it would relax two requirements to allow banks to use less capital for yuan business and encourage them to offer more yuan loans and other products. The interest rate drop signals that yuan supply in the market is growing after the measures. Yuan deposits in Hong Kong grew 2.5% on the month to CNY668.1 billion in March. Total deposits dropped 1% in March and total loans and advances rose 1.2%.
- China is still largely a cash economy, with some people paying for luxury cars and apartments in cash. Paper money issued in China accounts for about 40% of all global paper currency output, according to a report published by the China Banknote Printing and Minting Corp. Adjusted for the size of its economy, China has about five times as much cash in circulation as the United States. The CNY100 bill is the highest denomination. No major economy has limited itself to such a low denominated bill as China.
- Chinese insurers are poised for profit growth in the second quarter, with insurance claims after the recent Ya'an earthquake in Sichuan province not expected to be more than CNY100 million, while investment returns and premium income are likely to improve.
- Mainland Chinese customers accounted for 12.8% of total new life insurance policy sales in Hong Kong last year, up from 9% in 2011 and only 4% before that. Mainland customers are now the major driving force behind the growth in Hong Kong life insurance sales. Mainland regulations ban Hong Kong insurance agents from selling or approaching clients on the mainland, but mainlanders are allowed to buy insurance policies in the city. Insurance companies in Hong Kong offer various types of policies with a lot more investment choices and flexible terms and conditions.
- Bankcard expenditure during the three-day May Day holiday surged 39% in China from a year earlier, and overseas spending rose 33% as more Chinese traveled abroad. Online payment of train tickets during the holiday also grew 49%. Bankcard transactions through UnionPay's channels rose above 60% in Italy, Germany and France.
- The yuan rose to its highest level against the U.S. dollar in 19 years on May 2. The Chinese currency closed at 6.1560 per dollar in Shanghai as markets reopened after the May Day holiday. It is the 10th record the yuan has set against the dollar since April 1. The People's Bank of China (PBOC) raised the yuan's central parity rate by 0.2% to 6.2082 per dollar, the largest daily jump since October.
- While giving his birthday wishes to Hang Seng Bank for its 80th anniversary, Hong Kong's Financial Secretary John Tsang urged the lender to further develop the yuan business. Hang Seng was the lead arranger of the first yuan-denominated syndicated loan in the city. Hang Seng Bank, which started business on March 3, 1933, in an 800 sq ft office in Sheung Wan with 11 employees, is one of the top 50 listed banks in the world and the 18th largest in Asia by market capitalization. It has about 10,000 staff serving more than three million customers. It has 220 branches in Hong Kong and 46 on the mainland.
- The U.S. Chamber of Commerce has urged Washington and Beijing to resolve a dispute over the auditing of U.S.-listed Chinese firms, warning failure to do so will seriously hurt both countries. The Chamber, the world's biggest business federation representing more than three million U.S. businesses, said it met leaders in both countries as well as senior officials at the SEC, the U.S. Public Company Accounting Oversight Board (PCAOB), the U.S. Treasury Department, the China Securities Regulatory Commission (CSRC) and the People's Bank of China (PBOC), to push for a solution.

FOREIGN INVESTMENT

China's investment in the U.S. soars

China's direct investment in the United States showed strong momentum in the first three months of this year despite a weak fourth quarter of 2012. During the first quarter, Chinese companies concluded eight mergers or acquisitions and nine greenfield investments worth a total of USD2.2 billion, according to a report by the Rhodium Group, a New York firm that tracks Chinese investment in the U.S. M&A highlights were the acquisition by China National Offshore Oil Corp (CNOOC) of the U.S. drilling operations of Canada's Nexen; auto-parts company Wanxiang Group's successful USD257 million bankruptcy-auction bid for electric battery maker A123 Systems; BGI-Shenzhen's purchase of California-based Complete Genomics; Hanergy Holding Group's purchase of solar technology company MiaSole; and Shanghai Fosun Pharmaceutical Co's stake purchase in Saladax Biomedical. Greenfield deals included a power-generator manufacturing factory in Virginia planned by Shenzhen Superwatt Power International Co; a joint venture involving developer China Vanke Co in a San Francisco condominium project; and offices in Silicon Valley for search engine giant Baidu. Chinese acquisitions in the U.S. now under discussion or awaiting regulatory approval have a total value of over USD10 billion, the highest ever, according to Rhodium's report. Privately-held Chinese companies have increased their investment in the U.S. Over the past 15 months, they spent more on U.S. deals than in the previous 11 years combined. State-owned enterprises (SOEs) have long dominated investment by China in the U.S., but private companies accounted for 80% of deals and 50% of deal value from January 2012 through March of this year. According to the Rhodium Group, U.S. subsidiaries of Chinese companies employed an estimated 32,000 people at the end of the first quarter, 2,000 more than were employed during last year's fourth quarter. Overall, 2012 was a record year for Chinese direct investment in the U.S., totaling USD6.5 billion. Cui Tiankai, China's new Ambassador in Washington, expressed concern over barriers to Chinese investment in the U.S. He said he hasn't been persuaded by U.S. regulators' stated reasons for rejecting some deals. "I'm afraid that will affect investors' confidence," Cui told the Committee of 100, a Chinese American group. "That will, in the long term, turn away some important investors."

Chinese investment in Germany doubled last year

The past few years saw a growing number of Chinese investment deals in Germany through mergers and acquisitions (M&As). China's outbound direct investment (ODI) in Germany increased by more than 100% last year, overtaking Germany's annual investment in China for the first time. Germany was the destination for more than 50% of China's ODI in Europe in 2012. The largest direct investment by a Chinese company in Germany was the takeover of concrete pump maker Putzmeister by Changsha-based Sany Heavy Industry Co for €360 million. In August 2012, Chinese industrial manufacturer Shandong Heavy Industry Group purchased a 25% stake in Germany's Kion Group, the world's second-largest forklift maker, for €467 million. Wang Weidong, China's Commercial Attaché at the Consulate General in Frankfurt, said that "China's purchases in Germany are expected to grow in the coming years", and the high-end manufacturing and processing and high-tech and machinery sectors would be targeted. "Chinese companies in Germany create many jobs, paying a large amount of taxes and stimulating the local economy," said the Chinese Ambassador to Germany. China's cumulative investment in Germany accounts for 2% of total foreign direct investment (FDI) in the country and is 10% of Germany's total investment in China. Facts have shown that Chinese companies help their German counterparts expand in Asia and create local employment, Wang said.

FOREIGN TRADE

Obama nominates trade officials, favorable to China

Two newly nominated members of U.S. President Barack Obama's economic team have ties to international business in China, which could strengthen bilateral relations, experts say. Penny Pritzker was appointed U.S. Commerce Secretary and Mike Froman U.S. Trade Representative. Business groups that have an interest in promoting trade with China welcomed the nominations, which are subject to confirmation by the U.S. Senate. "If confirmed, it will be important for Pritzker and Froman to work with American business to prioritize the real challenges facing the U.S.-China commercial relationship: addressing market-access restrictions, lowering bilateral investment barriers, improving intellectual property rights (IPR) protection and leveling the playing field for American companies that do

business with China,” John Frisbie, President of the U.S.-China Business Council (USCBC), said in a statement. “It is essential that the U.S. government has leaders in place who understand the importance of trade, foreign direct investment (FDI), and strong commercial relations with China,” he added. The Business Council released data showing that China in 2012 remained the No 3 destination for U.S. exports, behind Canada and Mexico, with almost USD109 billion in goods purchased. Although the pace of China’s economic growth slowed last year, the value of U.S. imports to the country increased 6.5%, or USD6.6 billion, helping boost the American economy and create jobs, the USCBC said. The U.S. trade deficit with China narrowed to USD17.9 billion, the lowest in three years.

Canton Fair orders up 8.8% over October session

Despite a weak export market, China's trade performance appeared to stabilize during the spring session of the Canton Fair, which finished on May 5. Speaking at the closing press conference, Liu Jianjun, the fair's Spokesman and Deputy Director General of the China Foreign Trade Center, said the 113th session of the fair, officially known as the China Import and Export Fair, attracted nearly 203,000 visitors from 211 countries and jurisdictions. “This represents a 7% rise from the autumn fair in October but a decrease of 3.8% compared with the same session last year,” Liu said. “Total deals amounted to USD35.54 billion, representing an increase of 8.8% from last October's session and a slight decrease of 1.4% from the last spring fair.” Deals at the October fair were worth USD32.7 billion, the lowest total since 2010. While the improvement indicated a strengthening global economy, the foundations of the rally remained rocky, Liu said. “The U.S. economy is recovering, and we are seeing the European debt crisis come under control,” he said. “Together with Japan's economic stimulus measures and our own policies to strengthen trade last year, we have seen a slight improvement. We are glad to see that visitors exceeded 200,000. This is basically in line with our initial prediction, before the fair opened in April, that we would stabilize the downward trend.” Buyers remained wary of placing long-term orders beyond six months. Short-term orders accounted for 49% of all deals, mid-term orders ranging from three to six months took up 35%, while longer-term orders made up 16%. Notably, Japanese attendance at the fair rose by 38% compared with October. Liu also noted that this was the first time that more than 10,000 Indian traders attended the fair. However, the number of Hong Kong visitors dropped by 5% from October.

- The Office of the U.S. Trade Representative has criticized Beijing for failing to stop the growing theft of trade secrets. “Not only are repeated thefts occurring inside China, but also outside of China for the benefit of Chinese entities,” the Office said in an annual report. A White House report lists 17 cases of trade-secret theft by Chinese entities. The Chinese Foreign Ministry again denied it was engaged in trade-secret theft and cyber-attacks.

HEALTH

Making of unsafe food products to be punished

Making and selling unsafe food products will result in prison sentences, China’s Supreme Court announced in response to a surging number of tainted food scandals. Together with the Supreme People’s Procuratorate it issued legal interpretations that specify crimes related to food safety and set standards for the punishment for these crimes. “The food safety situation is still very grave, because the number of crimes undermining food safety has been climbing,” a Spokesman of the Supreme Court said. Anyone using harmful or toxic materials during food processing, such as producing cooking oil from swill oil, will face sentences of up to five years in jail. Those who illegally add drugs to health products will also face prison terms. Courts across the country heard 1,533 cases involving the production or sale of harmful or toxic food from 2010 to 2012, and 2,088 people were punished. The number of such cases has grown exponentially in the past few years. For example, Chinese courts handled 861 cases of poisonous food in 2012, compared to 80 cases in 2010. The number of people punished in those cases had increased by almost 260% over the previous year. Pork adulterated with clenbuterol, cooking oil recycled from leftovers in restaurants, pork from diseased pigs and toxic gelatin for medicine capsule production have all been found in recent years, with the latest case involving the manufacture of fake mutton and beef from rat, fox and mink meat by adding chemicals, the Shanghai Daily reports. Police have arrested 904 suspects over the past three months who are accused of manufacturing and selling 20,000 metric tons of tainted and substandard meat products, the Ministry of Public Security said, involving the production and processing of water-injected meat, fake beef and lamb, rotten meat, and toxic meat

products.

Research team creates new viruses to study

A team of top Chinese researchers led by Professor Chen Hualan from the Ministry of Agriculture's Harbin Veterinary Research Institute has found that swapping a single gene of the H5N1 bird flu virus with one from the H1N1 human flu makes it transmissible between guinea pigs, representing a jump from bird to mammals. However, their study has reignited an ethical debate over the merits of artificially creating potentially deadly new viruses. The team produced 127 novel viruses in the laboratory. Professor Xue Yu, a biologist at Huazhong University of Science and Technology in Wuhan, said an accidental leak was possible at any laboratory, even those that were well guarded. Robert May, a former British government chief scientist and past President of the Royal Society, denounced the study as doing nothing to further the understanding and prevention of flu pandemics. "They claim they are doing this to help develop vaccines. In fact the real reason is that they are driven by blind ambition with no common sense whatsoever," May told The Independent newspaper. "The record of containment in labs like this is not reassuring. They are taking it upon themselves to create human-to-human transmission of very dangerous viruses. It's appallingly irresponsible." But Zhao Fangqing, principal investigator at the Chinese Academy of Sciences' Beijing Institutes of Life Science, said that without such research, scientists would be unprepared for the emergence of new viruses in nature. "Just like you can't develop a missile defense system without knowing the missiles, you can't deal with a virus without obtaining and studying it," he said. "The public concern about safety is good, but it should push the research to a higher security level rather than prevent such research at all."

- Of the 128 people infected with H7N9 so far, about 20% have died, approximately 20% have recovered and the remainder are still sick. The infection can lead to severe pneumonia, blood poisoning and organ failure.
- China still follows regulations adopted from the Soviet Union to test bottled drinking water, according to the Beijing News. "When the World Health Organization updated its detection methods, [we] updated the standard for tap water, but not for bottled water," an unnamed expert with the Institute for Environmental Health and Related Product Safety in Beijing told the paper. More than five times more indicators are used to test running water than bottled drinking water, the paper said. "The bottled drinking water regulation is lagging behind," Wang Xiuyan, Adviser on mineral water for the Beijing Mining Industry Association, told the paper.
- The Bottled Water Sales Association of Beijing published a notice saying that Nongfu Spring water violated national standards and was guilty of false advertising and misleading customers. Nongfu Spring, which produces 21.8% of all bottled water in the Chinese market, has been under fire for allegedly having looser standards regarding a number of chemical elements than those for tap water. A new unified national standard for bottled water will be revealed by the end of 2015.
- The latest statistics show that 128 people have been found infected with the H7N9 virus, of whom 27 have died. Cases have been detected in 10 provinces. The Ministry of Agriculture said a chicken sample from a wholesale market in Dongguan, Guangdong province, had tested positive for the virus – a first in Guangdong, although there have been no human cases in the province. The finding highlights the growing risk of the disease spreading to Hong Kong.
- Two people hired by a county government in Fujian province to destroy pigs killed by the infectious disease pseudorabies – also known as blue-ear pig disease – have been detained for allegedly processing the carcasses and selling the meat in neighboring provinces. 40 tons of pork were allegedly sold in three months. All the meat sold had probably already been consumed by customers in restaurants. The news sparked a public outcry on the internet.

IPR PROTECTION

China on U.S. IPR watch list for ninth year

The Chinese government expressed deep regret as the U.S. kept the country on its "priority watch list" due to insufficient efforts in intellectual property rights protection, the Ministry of

Commerce (MOFCOM) said. China is on the list for the ninth year. The office of the United States Trade Representative (USTR) has grave concerns about misappropriation of trade secrets in China, and incremental progress on a few of China's many other significant IPR and market-access challenges, the Agency said in its 2013 Special 301 Report, an annual assessment of IPR enforcement. "Obtaining effective enforcement of IPR in China remains a central challenge, as it has been for many years. This situation has been made worse by cyber theft," the report said. It also took note of several positive developments and said that in the past year, the climate for IPR protection and enforcement continued to reflect efforts toward, and opportunities for improvement, as well as challenges for U.S. rights holders. The Commerce Ministry's statement said: "The Chinese government highly emphasizes IPR protection and has made great progress in IPR legislation and enforcement. Recent years saw a series of enforcements in IPR protection." "The situation of IPR infringement is still challenging and we must maintain intensive combat," Vice Premier Wang Yang told a conference on April 28.

MACRO-ECONOMY

Some SOEs report losses

State-owned enterprises (SOEs) lost their position as the most profitable sector to become the country's biggest losers last year, according to their 2012 results. SOEs reported a combined loss of about CNY50 billion, financial statements revealed. China COSCO Holdings Co, the country's largest shipping company, topped the list for the second consecutive year, losing CNY9.56 billion in 2012 after a deficit of CNY10.45 billion in 2011. China COSCO was followed by Aluminum Corp of China, the country's largest alumina producer, and Metallurgical Corporation of China, which reported losses of CNY8.23 billion and CNY6.95 billion, respectively. Half of the top 10 poor-performing companies were in the iron and steel sector, including CNY4.16 billion in losses for Angang Steel, CNY3.86 billion for Maanshan Iron & Steel, CNY3.83 billion for Shandong Iron & Steel, CNY3.5 billion for Anyang Iron & Steel and CNY3.25 billion for Valin Steel. All the top losing companies blamed their results on the downward trend in their industries and the broader macro-economy. However, Luo Xiaoming, Chief Strategy Analyst with Ping An Securities, said they had been depending on their sheer size to avert risks, which proved ineffective last year.

April's official PMI drops month-on-month

Manufacturing activity in China slowed slightly in April from the previous month. The purchasing managers' index (PMI) dropped to 50.6 in April, down from 50.9 the month before, according to the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP). The April figure marked the seventh consecutive month of expanding manufacturing activity in the country, but was down slightly from a nearly one-year high the month before. The component indexes showed that new orders were down 0.6 points from a month earlier to 51.7 in April, new export orders lost 2.3 points to 48.6, while input prices slumped 10.5 points to 40.1 – all signs of weakening demand. "The sharp loss in input prices was a reflection of weakening confidence among manufacturers," Zhang Liquan, Economist at the State Council's Development Research Center, said. "All these showed the possibility for China's growth to slow slightly in the future. We must work to stabilize domestic demand and make our economic recovery more sustainable," he added. The weaker-than-expected economic growth has triggered calls for tightening policies to be lifted, as inflation eased to 2.1% in March. Economists at Nomura projected China's economic growth to fall to 7.5%, 7.4% and 7.2% in the next three quarters. April's PMI for small enterprises, meanwhile, retreated to 47.6 from 49.3 in March, the 13th consecutive month it has been lower than 50. It was 51 for large companies, down from 51.4. The HSBC Purchasing Managers' Index, which measures operating conditions in large private companies, slid to 50.4 last month from March's 51.6. Qu Hongbin, Chief Economist for China at HSBC, said the slower growth of manufacturing activities last month confirmed the Chinese economy was in a fragile recovery. The component indices showed both production and new orders grew more weakly, while new export orders fell for the first time this year.

- Power consumption in the first half of the year will see an annual increase of 5.5% to 6.5%, the China Electricity Council said. For the whole year, consumption will rise by 6.5% to 8.5%. Wang Zhixuan, Secretary of the Council, said economic growth will increase after the first quarter, resulting in greater power consumption.

- The European Commission has forecast that China's economy will grow 8% this year and 8.1% in 2014, according to its spring forecast. EC officials said China remains exposed to a possible worsening of the international environment, but its principal risk factors remain domestic. The report said that consumption is likely to remain the principal driver of growth in 2013.

PETROCHEMICALS

Sinopec Kantons raising HKD2.7 billion to boost overseas operations

Sinopec Kantons is raising HKD2.68 billion by selling new shares to help fund fuel storage and logistics projects overseas. The fund-raising exercise will see Sinopec Kantons' state-backed parent China Petroleum & Chemical (Sinopec) sell 412.5 million existing shares and subscribe to the same number of new shares. Sinopec's stake in Kantons would fall to 60.3% from 72.3% when the deal is completed. Kantons said the share sale would help it further develop its oil storage and logistics businesses in China and on a global basis. The firm is one of the smallest Hong Kong-listed subsidiaries of Sinopec, China's second-largest crude oil and gas producer and the largest refined fuel and petrochemicals producer and distributor. But in the past year it has made a series of major acquisitions, including three deals overseas, which have made it an up-and-coming player in fuel trading and logistics. Kantons' net profit grew 36.6% to HKD291.74 million last year from 2011, as sales increased 12% to HKD22.04 billion. Some 95% of its sales last year came from crude oil trading, with the rest from crude oil jetty and vessel charter services. It had an operating loss of HKD23.7 million on oil trading and a loss of HKD89.5 million on vessel chartering due to sinking tanker rates. These were offset by an operating profit of HKD259.3 million from oil jetty services.

REAL ESTATE

Developers vie at Shanghai real estate fair

Leading developers were out in force at the four-day real estate fair at the Shanghai Exhibition Center. Medium to low-end projects in the city's outlying areas were the main attraction. China Vanke and Gemdale, both absent from a similar fair at the same venue in mid March, joined the likes of Greenland, Poly Real Estate, Pengxin, China Merchants, OCT Real Estate and Country Garden in the display of some 500 real estate developments, with about 60% of them local projects. "The real estate fair held around the Labor Day holiday is usually more popular among developers than the one held in March because buying sentiment is often stronger in May," said Sky Xue, Analyst with the China Real Estate Information Corp. Prospective buyers were worried about rising prices. An online survey before the fair by real estate website Soufun.com found that more than 55% of respondents thought home prices in Shanghai would continue to climb steadily despite current property curbs, while 24% expected little change. About 70% of the respondents said they planned to enter into a deal sometime this year.

Slower growth in prices noted

House prices rallied for another month in April but at a slightly slower pace. The average price of new residential properties across 100 major Chinese cities rose 1% from March to CNY10,098 per square meter, the 11th straight month prices have risen, the China Index Academy said. March's increase was 1.06%. Forty of the 76 cities that posted gains saw increases above 1%. Hengshui in Hebei province led last month's gainers with a 3.7% rise. Twenty-four cities saw prices drop, with five retreating more than 1%. Jilin in Jilin province had the biggest drop of 2.09%. In the country's 10 largest cities, the average price for a new home rose 1.31% to CNY17,023 per sq m in April, accelerating from March's 1.25% growth. Beijing led with a 3.11% monthly gain, immediately followed by Guangzhou's 2.41%. Shenzhen and Shanghai saw price gains of 1.94% and 0.19%, respectively. In Shanghai new home sales dropped by more than 40% last month compared to March, while the average price jumped 4.5% from a month earlier to CNY23,914 per sq m. On the supply side, nearly 840,000 sq m of new houses were released to the local market last month, compared to 1.33 million sq m in March. "Sales have outnumbered supply for seven consecutive months in Shanghai, continuously dragging inventory down, particularly in the medium to low-end segment which have included the best-selling products in the market as tightening measures stay in place," said Huang Zhijian, Chief Analyst with Uwin. If that scenario remains unchanged, it is inevitable prices will rise, Huang said, as reported by the Shanghai Daily.

- Shanghai's pre-owned housing index rose at a slower pace in April amid a significant drop in transactions. The index, which tracks price variations of pre-owned homes, gained 40 points, or 1.5%, from March to 2,701, extending its rally for the 11th consecutive month, the Shanghai Existing House Index Office said. Prices rose in 120 of the 130 areas covered in the city by an average of 1.71% in April from March.
- A report released by international consultancy DTZ said China overtook Japan to become the Asia-Pacific's largest property market, with the value of commercial properties held by investors, described as "invested stock" in the report, growing to USD1.5 trillion last year. The amount represented 15% growth in local currency terms compared with 2011. Invested stock is defined by the property consultancy as investment-grade commercial real estate held by investors.

RETAIL

Chinese housewives spent billions on gold

It is reported that Chinese housewives spent CNY100 billion over the past two weeks purchasing 300 tons of gold and thus helping to sustain gold prices at USD1,468 an ounce. The "Chinese gold rush" has prevented short selling, where gold is sold and then bought back when prices fall. China's latest hunger for gold began in the middle of last month following a decline in global gold prices after Cypriot authorities made a commitment to sell excess reserves. On April 12 and April 15, international gold prices dropped by 15%, from USD1,560 per ounce to USD1,330 an ounce. On April 13, the China National Gold Group, the country's biggest gold producer, slashed the bullion price from CNY313 per gram to CNY298.5 per gram, the lowest level in two years. This triggered the enthusiasm of Chinese shoppers, who swarmed into jewelry shops desperate to get their hands on a bargain. In China, gold is considered to bring good fortune in addition to its value as a longterm investment. The number of Chinese gold buyers and the money they spent caught out those investment bankers who had bet on prices continuing to fall. "Chinese people have a natural love for gold, but such a craze is a reflection of the very limited investment channels available in China," said Guo Tianyong, Professor at the Central University of Finance and Economics. The gold price is on the rise again, but according to Credit Suisse Analyst Tom Kendall gold wasn't going to rise in a sustained fashion for a long period of time. "These buyers are price sensitive and they are not going to be buying indefinitely if the price goes up," he added, as reported by the Shanghai Daily.

The gold fever helped Shanghai's retail sales rise by 18.8% during the three-day May Day holiday from April 29 till May 1. On average, sales of gold and jewelry jumped 108% from a year earlier, leading all other categories. Beijing Caishikou Department Store, the biggest gold retailer in Beijing, has been seeing daily sales worth up to CNY100 million since late April, several times their usual sales. Local media reported that the store had taken on extra staff to cope with the gold rush. The China Gold Association reported that gold sales had tripled on many days. The price of gold bullion has so far fallen 14% this year. HSBC Holdings said it believed a pick-up in demand from China and India, combined with producers cutting their supplies, will support a stable recovery in the gold price. During the three-day May holiday, 60 tons of physical gold were sold in Hong Kong, 50% more than last year, and many jewelry shops in the city ran out of stock.

High-end restaurants report a drop in business

In the first two months of 2013, the restaurant business in China recorded an overall income of CNY403 billion, an increase of 8.4%, but the growth was 4.9 percentage points down on the same period last year and the first time in 10 years that growth in January and February has been below 10%. The situation is much worse for restaurants with an annual turnover of more than CNY2 million which saw a drop of 3.3% in business. A survey by the Ministry of Commerce (MOFCOM) found high-end restaurants in Beijing have seen a 35% fall in business, while those in Shanghai have reported a drop of 20%, after government policies to combat corruption and a lavish lifestyle were announced. Bian Jiang, Assistant Director of the China Cuisine Association, said the major causes of the decline are soaring rents, the rising cost of ingredients and labor, and increasing taxation. Middle- and high-end restaurants that don't depend so heavily on customers who pay with public funds have not suffered as much. "In the past, the restaurant business rose so fast nobody paid attention. But now, market rules will force restaurants to improve food and service quality," Bian Jiang said.

- Chinese-made milk powder is better in quality and half the price of imported products, a study by the China Dairy Industry Association, found. Random tests were conducted on 25 milk powder brands sold in Beijing and the capital cities of nearby provinces. The results indicated that all 16 of the domestic products were in line with national nutrition standards, but three of the nine imported products failed to meet national standards regarding the lactose-carbohydrate ratio and calcium-phosphorus ratio. None of the tested brands, homegrown or foreign, was found to have safety issues.
- Chinese wealthy consumers are increasingly going abroad to make luxury purchases instead of buying at home, where they pay higher taxes. China overtook the United States and Germany to become the world's largest source of tourists last year, spending USD102 billion in 83.2 million trips, according to the China Tourism Academy. The growth of luxury watch sales in China is slowing, partly due to a government crackdown on extravagant spending.
- Starbucks Corp promoted John Culver to Group President of its China and the Asia-Pacific region, with Jeff Hansberry taking on Culver's former position of President of Starbucks' China and the Asia-Pacific region. Wang Jinlong will become Chairman of Starbucks China and Senior Vice President of Business Development.
- Pork prices in China, the world's largest producer and consumer of the meat, have been falling since mid-February by more than 18% and reached their lowest point since January 2011. Hebei, Shanxi, Liaoning and Shandong provinces led the declines with falls of up to 30%.

SCIENCE & TECHNOLOGY

Graduates face tough job search

Only 29% of the 178,000 students who are to graduate in Shanghai this June have signed job contracts, been admitted to postgraduate studies or decided to study abroad as of last month, according to the Shanghai Student Affairs Center. The percentage was up 4% from March but down 3% year-on-year, even though the number of graduates is about the same as last year. The center attributed the poor employment prospects for graduates mainly to the recovering economy, adding that the number of available positions declined from the past two years. In February, students were still expecting a starting salary of at least CNY4,000, up CNY225 from the average salary of 2012 graduates, according to the China International Intellectualtech (Shanghai) Corp. Only 20% of seniors at the University of Shanghai for Science and Technology have signed up for a job or have been admitted to postgraduate studies, said Niu Xiangyu, Director of the student employment guidance center at the school. Niu said the demand for mechanical and manufacturing graduates was down 40% from last year. Teachers from student employment centers at other universities and colleges said the accumulation of jobless graduates from previous years and the increasing number of overseas students who return to China for jobs have made it more difficult for this year's graduates to land a job. Most students refuse to lower their expectations. Nationwide, nearly 7 million university students are about to graduate this summer, the largest number since 1949, the Shanghai Daily reports.

STOCK MARKETS

Sinopec Engineering and Galaxy Securities launch IPOs

Sinopec Engineering (Group), a unit of Asia's largest oil refiner Sinopec, and brokerage China Galaxy Securities, launched Hong Kong IPOs on May 6 seeking to raise up to USD3.5 billion in total, injecting life into Asia's moribund IPO markets where deal values more than halved in the first quarter of this year. The massive initial public offerings have been eagerly anticipated in Hong Kong and their success could trigger a wave of other deals, ranging from hotel operators to banks looking to sell new shares in coming months. With a value of up to HKD17.4 billion, Sinopec Engineering's IPO would be Hong Kong's largest since the People's Insurance Co (Group) of China raised USD3.56 billion in late November. The offer values Sinopec Engineering at 9 to 12 times its forecast earnings in 2013. China Galaxy Securities, whose larger rivals include CITIC Securities and Haitong Securities, is offering about 1.5 billion shares in an indicative range of HKD4.99 to HKD6.77 each. IPO issuance in Asia excluding Japan plunged 56% to USD3.3 billion in the first quarter, making it the worst start to a year for new share listings since the first quarter of 2009, according to Thomson Reuters data. IPOs in Hong Kong are down 20% so far in 2013 from the same period of 2012 to USD1.05 billion. The two deals rank as Asia's biggest IPOs this year, the South China Morning Post reports.

- China's stock market will see CNY18.31 billion in locked-up shares become eligible for trading this week, sharply down from the CNY40.9 billion in shares that became tradable last week, data from the Shanghai and Shenzhen stock exchanges showed. A total of 1.83 billion non-tradable shares of 19 listed companies will be released after their lock-up periods expire this week.

TRAVEL

Hong Kong losing luster as Labor Day destination

Hong Kong seems to be losing some of its appeal as a Labor Day holiday destination for mainland shoppers. Travel Industry Council Executive Director Joseph Tung said the number of tour groups had dropped 15% year-on-year. The Labor Day holiday is one of the most important of the year for Hong Kong businesses, but Tung added that the holiday had not been 'golden' since 2008. Many hotels cut their rates by 10% compared with last year, but he overall occupancy rate remained around 80%, about the same as a year ago. Three-star hotels, which mainly cater to tour groups, had been particularly hard-hit. Also, the average tourist is not splashing out as much. Hong Kong Retail Management Association President Caroline Mak said the sales volume per head is falling. "Many visitors are from second or third-tier mainland cities these days and they tend to spend much less." While the number of tour groups has dropped, more individual travelers are arriving, but they tend to spend less than those in organized tour groups, which include trips to shopping malls. The picture is also complicated this year because many mainlanders rushed to Hong Kong to buy gold two weeks before the holiday. Gold products, including nuggets, bracelets and necklaces, are still the top priority of mainlanders.

Chinese companies eye rail contracts in Asia

Chinese companies are seeking to win a share of the billions of dollars of upcoming rail contracts in Asia, including a metro line project in Manila. The Cambodian and Chinese governments were also discussing Chinese financing for a 250 km railway from the Cambodian capital Phnom Penh to the Vietnam border, costing USD780 million. In Thailand, Chinese companies had expressed interest in virtually all the planned metro rail projects in Bangkok. The Thai government has budgeted USD21 billion to build 230 km of metro railway in the Thai capital by 2019. The rate of metro rail construction from now till 2019 is 12 times faster than that from 1996 to 2004. CSR and a Chongqing railway company also plan to offer a monorail system similar to an existing one in Chongqing. Additionally, the Thai government will call a tender to build four high-speed rail lines for a total of HKD104.6 billion, linking Bangkok with regional centers. Train manufacturer CNR Changchun Railway Vehicles exported CNY6 billion of rolling stock last year, up from about CNY4.5 billion in 2011. Exports account for 25% to 30% of the revenue of CNR Changchun, a subsidiary of China CNR, a Shanghai-listed rolling stock manufacturer. In Chennai, India, Shanghai Underground Construction Group was part of an international consortium building a 4 km twin tunnel, as part of the 45 km Chennai Metro Rail Project. Costing USD3.5 billion, this will be the first metro line in the southern Indian city, scheduled for completion in 2015.

- China Railway Corp, the new national railway operator that has taken over the business operations of the defunct Ministry of Railways (MOR), posted losses in the first quarter with its debt-to-asset ratio up slightly to 62.31%. At the end of March, the company's total liabilities stood at CNY2.84 trillion, up from CNY2.79 trillion at the end of 2012. During the first three months of this year, the state-owned company posted losses after tax of CNY6.88 billion while taking out local and foreign loans valued at CNY100.9 billion.
- Beijing's tourism revenue for the May 1 holiday surged 10.6% to CNY1.98 billion, with 4.97 million visitors, the city's Tourism Commission said. A survey by the China Tourism Academy and travel agency Ctrip.com found that Shanghai was the most popular city destination.

VIP VISITS

Palestinian and Israeli leaders visit China

Palestinian President Mahmud Abbas arrived in Beijing for a state visit, with Israeli Prime

Minister Benjamin Netanyahu also set to meet Chinese leaders later this week. While Abbas was in Beijing, Netanyahu arrived in Shanghai. President Abbas planned to update Chinese leaders about the obstacles to Israeli-Palestinian talks and ask them to “use their relationship with Israel to remove the obstacles that obstruct the Palestinian economy”. China and Israel established diplomatic ties in 1992, and the last Israeli Premier to visit was Prime Minister Ehud Olmert, in 2007. Last year Israel imported USD5.32 billion in goods from China and exported USD2.74 billion, according to official figures.

- Japan has never in the past 1,500 years had a smooth relationship with China, Japanese Deputy Prime Minister Taro Aso said during a visit to India. Aso, a former Prime Minister, made the comment in response to a suggestion that Japan and India should strengthen defense and maritime cooperation since both have territorial disputes with China.

ONE-LINE NEWS

- Macao's gaming industry revenue rose 13.2% year-on-year last month, as strong demand from wealthy visitors from the mainland continued. Revenue in the world's largest gaming hub reached MOP28.3 billion (Macao pataca), the second-highest monthly figure this year, after the record MOP31.3 billion in March.
- The Red Cross Society of China has admitted that CNY84.7 million donated by more than 100 Chinese artists to build an art school and fund other reconstruction work after the 2008 Sichuan earthquake was spent on other projects. The organization denied it had “misappropriated funds”, insisting the donations “were not used as intended but largely in line with donors' wishes”.
- Ni Zhifu, a former Member of the Political Bureau of the Communist Party of China and former President of the All-China Federation of Trade Unions, has died at the age of 79 on April 24. He was praised in 1953 for inventing a multi-bit drill, which is still widely used today. In 1959, Ni was awarded the title of “model worker”. He later also became a Vice Chairman of the National People’s Congress (NPC).
- Former Shandong Vice Governor Huang Sheng was sentenced to life in prison for taking more than CNY12.23 million in bribes from 1998 to 2011.

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