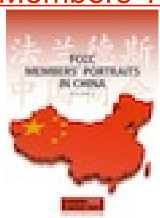
法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 19 AUGUST 2013



FCCC ACTIVITIES

Group Business Trip West-China (FIT) – 9-13 September 2013 – Chongqing and Chengdu; and FCCC Breakfast Seminar – 11 September 2013 – Chongqing

Flanders Investment and Trade (FIT) is organizing a group business trip to West-China, an enormous market. Minister-President Kris Peeters is leading the trip from 9 till 13 September 2013 to Chongqing and Chengdu.

On September 11, the Flanders-China Chamber of Commerce will organize a breakfast seminar in Chongqing.

Following the East, West China is now also starting to develop economically. Chongqing is under the direct authority of Beijing and is China's most populous (30 million inhabitants) and biggest (82,000 sq km, 2.5x Belgium) city. Chengdu (14 million inhabitants) is the capital of Sichuan province and as Chongqing an important economic center in West-China.

Opportunities for Flemish companies: Thanks to the economic development of West-China, there are several nice opportunities for Flemish companies. Important industries in the area are: foodstuffs, automotive, textiles, machinery, electronics, steel, pharmaceuticals, IT and the services sector.

FIT will organize an individual tailor-made meeting program (B2B), high-level business contacts, and official networking receptions.

http://www.flandersinvestmentandtrade.be/acties/2013/09/09/Groepszakenreis-Multisectoraal-China?opendocument

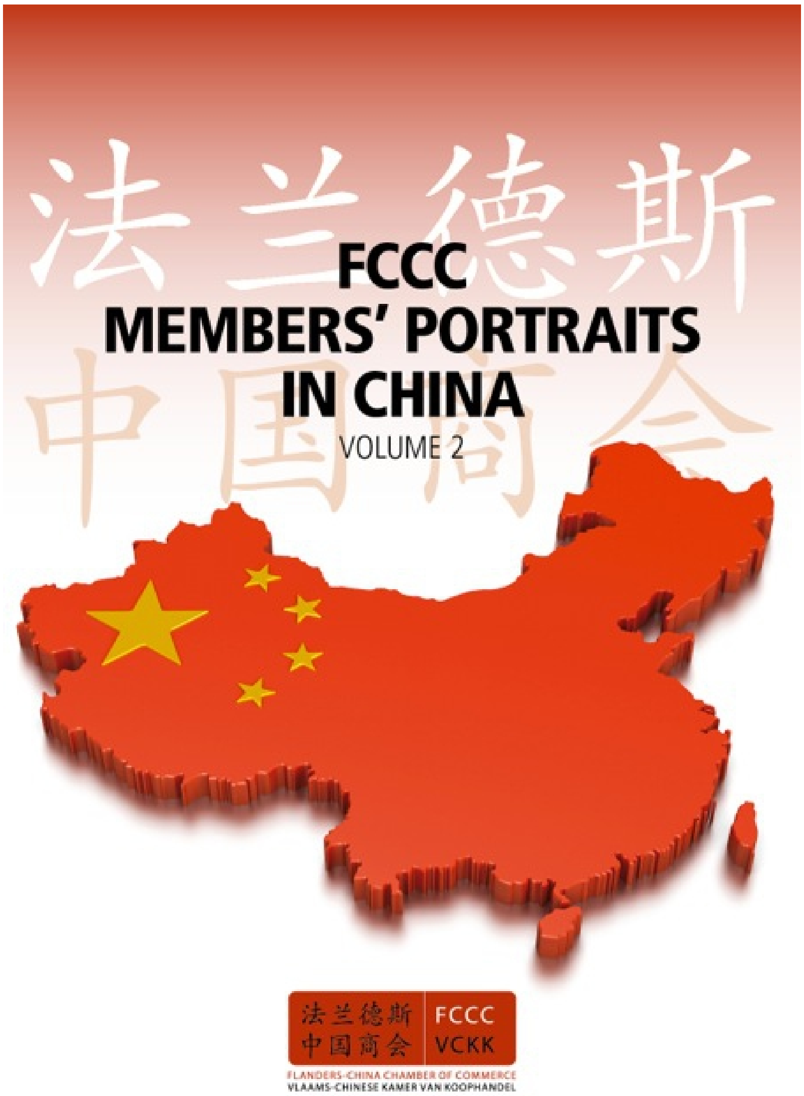
PUBLICATIONS

FCCC publishes “FCCC Members' Portraits in China Vol.2”

The Flanders-China Chamber of Commerce (FCCC) has published the second volume of “FCCC Members' Portraits in China”. The booklet includes 17 portraits of member companies active in China. The China-based managers of those companies talk about how their firms became active in the country and the difficulties and pitfalls they faced to become successful in the largest and most challenging market on earth. They offer valuable insights and lessons about how to do business in China. Each manager interviewed makes a list of “do's and don'ts” based on their own hard-won experience. “All of them, without a single exception, enjoy their work and stay in China, despite less pleasant phenomena such as the worsening air pollution,” says FCCC Chairman Bert De Graeve in his introduction.

Some of the companies presented in “FCCC Members' Portraits in China” are well known, such as Volvo Car, which is now part of Geely Holdings. But the story of how the company is building two car plants in China has never been told as extensively before. Other companies, such as Huiyin Group, which is active in the solar power industry, and Klako Group, which is guiding its clients to become successful in China, are not so famous, but have an equally fascinating story to tell.

Trying to write a write a book “Doing Business in China for Dummies” is futile, one of the managers told the Flanders-China Chamber of Commerce. More fundamental than that is an underlying attitude. Respect the Chinese you come into contact with and be interested in their culture. Remember, he added, that you are and will always remain a guest in their country. Above and beyond the usual tips and tricks, the managers telling their story in this booklet show the right attitude to become successful in China.



“The growth of the Chinese economy is slowing down a bit,” says Chairman Bert De Graeve in the introduction, “but at 7.8% last year, it is still growing strong to offer a myriad of opportunities.” For those companies which have not yet taken the step to open a representative office, set up a subsidiary or form a joint venture, it is probably not too late yet to enter the Chinese market. “Do your homework” is one of the most frequently tendered pieces of advice for companies contemplating their first steps on the China market. One might as well start with “FCCC Members' Portraits in China, Volume 2”.

FCCC members can receive one copy free of charge.

List of interviews (companies in alphabetical order):
ACEA (Dominik Declercq), De Wolf & Partners (Philippe Snel), Eurbridge (Jan Van der Borght), Huiyin Group (Juha Ven), Jones Day (Sébastien Evrard), Klako Group (Kristina Koehler), LMS (Luc Pluym), Moore Stephens (Andries Verschelden), Neuhaus (Frédéric Linkens), Orientas (Dirk Laeremans), procurAsia (Etienne Charlier), Proviron (Vanessa Doms), Soudal (Eddy Vloeberghen), Urban Stream (Sébastien Goethals), Volvo Car (Koen Sonck and Benoit Demeunynck), White Pavilion (Raf Vermeire), and Wyatt & Wang (Jacques Borremans).

EXPAT CORNER

New visa regulations announced

China announced a new exit-and-entry regulation intended to standardize the issue of visas for foreigners, related services and management. The 39-article regulation will take effect on September 1, replacing the previous regulation from December 1986. Based on reasons for entry, the regulation categorizes ordinary visas into 12 types, with a new R-visa for high-level foreign professionals. Another new visa type, the Q-visa, is for foreigners visiting relatives in China. The regulation also addresses illegal entry, residence and employment.

- Guangzhou is to allow transit passengers 72-hour stays from August, the third Chinese city to introduce the visa-free policy, following Beijing and Shanghai. Travelers from 45 countries, who intend to visit a third country and who hold air tickets, will be able to stay for three days without a visa and will be allowed to visit anywhere in Guangdong province during their trips. Zhang Yumin, General Manager of Guangzhou Baiyun Airport Co, said the airport will see 1 million transit passengers this year, rising to more than 1.5 million in 2015.
- Shanghai is the second costliest city in China for expats after Hong Kong, a survey by U.S. human resource consultants Mercer showed. In world rankings Shanghai comes 14th, up two places from last year, with Hong Kong sixth. Top of the list as the world's most expensive city for expats was Luanda, capital of Angola. Tokyo and Singapore claimed third and fifth positions on the list while the other cities that made up the top 10 were Moscow (2), Geneva (7), Zurich (8), Bern and Sydney (both 9).

FINANCE

Chinese yuan to become top-three currency

The Chinese yuan may become one of the top-three global trade currencies by 2015, according to a private report. More than 70% of 500-plus firms worldwide surveyed by HSBC said they are willing to expand the usage of the yuan for their cross-border businesses in the next five years. "According to the survey, 42% of our corporate clients said the complexity of cross-border yuan transaction was one of the challenges they faced, HSBC said. The survey also noted higher recognition of the currency in Hong Kong and the United Kingdom than in the other four overseas markets monitored by HSBC, namely Singapore, Australia, Germany, and the United States. In Hong Kong, 72% of companies said they were aware of the benefits of using the yuan for trade settlement, while the proportion in the UK was 57%. After the Chinese yuan joins the ranks of international trade currencies, many analysts expect it to go on to become a global investment currency.

China liberalizes lending rates

The People's Bank of China (PBOC) has decided to fully liberalize lending rates for financial institutions in a move toward creating a market-oriented financial system to support economic growth. Allowing banks to negotiate their own rates with borrowers could channel more credit to private enterprises. Removal of the existing lower limit of banks' lending rates – 70% of the central bank's benchmark rates – leaves commercial banks free to decide what rate to charge their customers. The lower limit on personal mortgages will remain because of property curbs designed to cool the market. "In the short term, the reform measures will have minor impact on the commercial banking system in general," Ba Shusong, Deputy Director General of the Development Research Center under the State Council, said. "The banks normally gave rate discounts only up to 10% even when 20% more was allowed," he said. "And only a 10th of lending was extended with discounts." Li Xunlei, of the Shanghai Finance Institute, also said the move would have limited negative impact on the banks. Given the present liquidity crunch, market rates can hardly move downward, Li said. China's one-year benchmark lending rate has been held at 6% since the last reduction in July 2012.

Mark Williams, Chief Asia Economist at Capital Economics, called the change a "significant development for China's financial sector." Although in principle more credit-worthy borrowers could now enjoy better rates, "in practice the immediate difference will be small," Williams said. Some analysts said the move was largely symbolic and likely represented, in the short term at least, relief for heavily indebted state-owned enterprises (SOEs), big private-sector employers and local government financing arms. China's moves to liberalize its currency have been courageous given the economic risks, and the next areas for reform include land policy, state-owned industries and taxation, Xinhua News Agency said in a commentary. “The scrapping of a ceiling on deposit rates would be the final step in China's interest rate liberalization,” Wu Xiaoling, former PBOC Vice Governor, said at a Beijing forum. “It is unlikely to happen either this year or the next.” Wu said a sudden lifting of the deposit rate ceiling would likely result in rate wars among financial institutions, threatening the survival of small lenders. She said the launch of a deposit insurance system to protect depositors would be a prerequisite for abandoning the deposit rate ceiling.

Forex rules in service sector simplified

China will cut paperwork and simplify foreign exchange rules in the service sector, starting from September 1. The reforms will cut administrative approval procedures, cancel more than 50 regulatory requirements on forex management, and simplify inspection of trade-related documents, the State Administration of Foreign Exchange (SAFE) said. All trade settlement can be conducted directly at financial institutions with no need to acquire approval, companies will be allowed more freedom to deposit their foreign exchange income offshore, and financial institutions will no longer check trade proof (or invoice verification) for deals under USD50,000, which account for 88% of all service trades. “Accelerating growth of the service sector is crucial in promoting the country’s economic restructuring and industrial upgrade,” SAFE said. Economists said the easier regulatory environment will benefit companies but may increase volatility in cross-border capital flow. SAFE also vowed to ramp up supervision of the service trade forex flowing into and out of the country in order to prevent risks. The service sector accounted for roughly 44.6% of China’s GDP in 2012, and policymakers aim to raise that to 47% by 2015, the Shanghai Daily reports.

- China’s fiscal income rose 7.5% in the first half to CNY6.86 trillion, after rising 12.2% in the same period of last year. Year-on-year growth gathered pace from 6.9% in the first quarter to 8.7% in the second quarter due to slower growth in the second quarter of last year. The Ministry of Finance said the country’s fiscal revenue will not increase rapidly in the second half due to the slow economic recovery, the on-going tax cut plan, and an expected slowdown in the growth of property development-related taxes.
- Domestic banks are required to register all wealth management products they have sold since 2011 in a new centralized electronic system to improve filing and tracking of the business. Outstanding wealth management products in China rose by CNY500 billion to CNY13 trillion in the first five months, accounting for 16% of total deposits, according to Fitch Ratings.
- Bad loan ratios at Chinese banks edged up to around 1% in the first half of this year and there is no shortfall of money in the banking system, the National Bureau of Statistics (NBS) said. Total social financing, the broadest measure of credit supply, amounted to CNY10.15 trillion in the first half, up over 20% from the same period in 2012, according to the People’s Bank of China (PBOC).
- Vice Premier Wang Yang's son-in-law Nicholas Zhang recently launched a Hong Kong-based hedge fund focused on Chinese equities, joining a growing number of young family members of top officials who have set up asset management businesses in the city. Nicholas Zhang started Magnolia Capital Management this year with some of his former colleagues from the Hong Kong offices of Soros Fund Management and UBS.
- Financial reforms in Shenzhen's Qianhai special economic zone could spur a surge in yuan deposits in Hong Kong, pushing them to 30% of the city's deposit base from the current 10%, HSBC Hong Kong Chief Executive Anita Fung said. Yuan deposits in Hong Kong, the largest offshore yuan center, reached nearly CNY700 billion at the end of May and are widely expected to exceed CNY1 trillion by the end of this year.
- China will take part in a multilateral action plan to fight tax evasion devised by the G20 and the Organization for Economic Cooperation and Development (OECD), which is expected to have a significant impact on the mainland and Hong Kong. All Group of 20 nations are expected to join the initiative. China is a member of the G20 but not the OECD. The initiative aimed to prevent the artificial shifting of multinationals' reported business to low-tax or no-tax jurisdictions like Bermuda, the British Virgin Islands (BVI) and the Cayman Islands.
- China reported its first decline in foreign exchange purchases by domestic financial

institutions in six months, indicating possible liquidity strains from the foreign capital outflow. Yuan positions at Chinese financial institutions, accumulated from purchase of foreign exchange, fell CNY41.2 billion in June from May to CNY27.39 trillion, the first month-on-month decline since last November. “China will need to cut the reserve requirement for banks to offset any negative impact from capital outflows on domestic liquidity conditions,” said Zhang Zhiwei, Economist with Nomura International (HK).

- Morgan Stanley and Goldman Sachs are in advanced talks to take a stake in China Huarong Asset Management. Huarong, the biggest of the four funds the central government set up to remove an estimated CNY1.4 trillion of bad loans from the top four state banks as they prepared for initial public offerings (IPOs), has reportedly been looking to raise up to USD2 billion by selling a stake of 15% to 20%. Huarong's senior management was divided over whether to bring in foreign strategic partners before the listing.
- The offshore yuan center in London will benefit from improved Sino-British relations and an international interbank payment system (CIPS) China is expected to launch next year, Mark Boleat, Policy Chairman of the City of London Corporation, the local council for the business district, said. The CIPS would allow banks in London to clear yuan transactions directly with the People’s Bank of China (PBOC) instead of through clearing banks in Hong Kong. Taiwan and Singapore took further steps last year to develop into offshore yuan clearing centers.
- The Chinese government approved plans to allow insurers to freely set interest rates on life insurance products. Details of the reform would be announced shortly, according to the China Insurance Regulatory Commission (CIRC). The existing cap on interest rates on life insurance products means returns to policyholders are limited. A ceiling of 2.5% is set for the products, which analysts said was not attractive when compared with other investments' returns.
- In a further relaxation of foreign exchange controls, the Bank of China (BOC) has been chosen to launch a pilot program to assist the overseas arms of Chinese enterprises to make cross-border salary payments to their employees on China’s mainland in yuan, regardless of the existing daily limit. Such cross-border transactions are not subject to the current daily limit. For now the service is limited to clients that have accounts with BOC’s Guangzhou branch.
- China Investment Corp (CIC), the nation’s sovereign wealth fund, reported a 10.6% return on overseas investments last year and a cumulative return of 5.02% since its inception. The performance was a big improvement from 2011 when the fund reported a loss of 4.3% amid the decline of global commodity prices. Net profit surged 60% from a year earlier to USD77.4 billion in 2012. The fund managed USD575 billion of assets by the end of last year.
- In the latest move underlining the new leadership's determination to straighten out the economy, Beijing will audit debts owed by all levels of government to assess the severity of the financial risks facing China. The National Audit Office (NAO) made a one-sentence announcement on its website saying the audit was launched on instructions of the State Council, led by Premier Li Keqiang. The decision comes amid rising concerns over local governments' repayment capabilities and the lack of transparency on their borrowing methods.
- Hundreds of former employees staged protests in Beijing against China's largest banks at the end of July, saying they were not paid adequate compensation when they were laid off a decade ago. They gathered outside the headquarters of Industrial and Commercial Bank of China (ICBC) and China Construction Bank (CCB) in a rare mass protest against the lenders. The demonstrators were demanding changes to their compensation packages, which, they say, were forced on them when the banks cut their workforces before their listings.
- Chinese cities are not at risk of bankruptcy and a Detroit-like financial failure will not happen because the debt of local governments supported long-term investments, according to Wang Yiming, Deputy Dean of the Academy of Macroeconomic Research under the National Development and Reform Commission (NDRC). Local governments were capable of paying back long-term debt because they hold quality assets, Wang said, noting that they could even cash in their assets when necessary. Outstanding loans to local government financing vehicles amounted to CNY9.7 trillion at the end of June, an increase of 6.2% from a year ago.
- China's banking sector was “generally healthy” in the first half of this year, with risks in

shadow banking, local government financial vehicles (LGFVs) and property loans "controllable", said Shang Fulin, Chairman of the China Banking Regulatory Commission (CBRC). "Irregularities exist in some of the trust and wealth management products (WMPs), but the proportion of problematic products is not high," he added.

- The People's Bank of China (PBOC) is working on a plan to establish a new government agency to invest its USD3.5 trillion of foreign exchange reserves abroad more efficiently. The new agency would be in addition to the China Investment Corp (CIC), the nation's sovereign wealth fund. Senior officials and scholars, unhappy with CIC's poor returns, have been pressing for platforms other than the CIC and SAFE to invest China's reserves abroad.
- Beijing kept the maximum permissible equity stake for foreign institutions in a Chinese bank unchanged in a draft rule, despite repeated calls from foreign lenders for wider access. The cap will stay at 20% for a single foreign investor and 25% for the cumulative stake of all foreign investors in one Chinese bank, according to the draft of a revised rule governing lenders' administrative permits. The China Banking Regulatory Commission (CBRC) is soliciting public opinion until September 9.
- The Agricultural Bank of China (ABC) has signed an agreement with the Shanghai municipal government for a CNY250 billion loan – equivalent to 12.5% of Shanghai's GDP last year. The loan will help fund the government-controlled joint venture that is building China's second Disneyland and pay for improvements needed to implement the city's free-trade zone. Other banks may quickly copy ABC's huge loan plan for Shanghai and support other areas such as Guangdong province, where the export industry has been badly hit. China Development Bank (CDB) has agreed to provide loans to Hebei, Jiangsu and Qinghai to fund a variety of local projects, ranging from a new airport to public housing.
- Banks' bad loans rose for a seventh straight quarter to the highest in 17 quarters since 2009. Non-performing loans (NPLs) rose CNY13 billion from the first quarter to CNY539.5 billion at the end of June, the China Banking Regulatory Commission (CBRC) said. The rise in bad loans was the smallest since the first quarter of 2012, and lower than the CNY33.6 billion increase in the first quarter of this year. The overall bad loan ratio was flat during the second quarter at 0.96%.

FOREIGN INVESTMENT

Investigation into GSK bribery continues

The investigation into bribery at GlaxoSmithKline's China subsidiary is continuing. Chinese police prevented several executives from leaving the country. Police accused GSK of transferring up to CNY3 billion to 700 travel agencies and consultancies over six years to facilitate a campaign of corruption. In response, GSK said it was deeply concerned by the allegations, which it called "shameful". Four senior Chinese executives from GSK have been detained by police, including Vice President and Operations Manager Liang Hong. China has long been known for a culture in which drug companies make payments to doctors, since physicians rely on rewards for writing prescriptions to offset meager salaries. GSK President Emerging Markets Abbas Hussain, the group's global head of internal audit, and a senior legal official, traveled to China in July to assist the investigation. A British man, Peter Humphrey and his Chinese-American wife, who run international business risk advisory firm ChinaWhys that has worked with drug companies, including GSK, have been arrested. According to the company website, ChinaWhys "provides creative approaches to critical business problems in China".

GSK's Abbas Hussain said that certain senior China-based executives "appear to have acted outside of our processes and controls which breaches Chinese law". The statement marks the first time the UK drugmaker has admitted to possible wrongdoing by its China staff. He also pledged to lower GSK's drug prices in China. China accounts for just 3% of GSK's annual sales, but it is one of the fastest-growing markets in the world. Andrew Witty, Chief Executive of GlaxoSmithKline (GSK), said that much of the blame for the investigation of his company appeared to rest on senior Chinese executives. "This appears to involve individuals working outside GSK's controls and acting inappropriately in the market." he said. No allegations had been made against GSK China Chief Executive Mark Reilly or China CFO Steve Nechelput, both Britons, he said. GSK would commission an independent investigation into the China scandal engulfing the company, he said, adding: "We are absolutely committed to getting to the bottom of what is going on." As a company listed in both New York and London, GSK could also be charged under the U.S. Foreign Corrupt Practices Act and Britain's Bribery Act if its executives were found guilty of bribery in China.

IMS Health, which tracks pharmaceutical industry trends, expects China to overtake Japan as the world's second-biggest drugs market behind the United States by 2016. "A crackdown on commercial bribery by multinationals is deeply significant to safeguarding the order of the market economy and protecting an environment of fair competition," said a commentary in the People's Daily. Some experts have suggested China may be expanding an anti-corruption drive beyond government ranks and domestic companies including state-run entities, focusing now on foreign firms. Belgian pharmaceutical firm UCB has also been visited by Chinese authorities. Sanofi, Novartis, Merck, Baxter International and Astellas are also being investigated by the Chinese authorities. Three Chinese employees of AstraZeneca have been questioned by police in July, while Sanofi is taking allegations that its staff bribed more than 500 Chinese doctors in 79 hospitals a total of USD280,000 six years ago "very seriously". The payments were listed as "research expenses". Health Minister Li Bin said people and companies guilty of bribery would be put on a blacklist and punished.

- FDI inflow in China's non-financial sector reached USD14.39 billion in June, up 20.12% year-on-year, the largest expansion since March 2011 and also the fifth consecutive monthly increase since February, according to the Ministry of Commerce (MOFCOM). In the first half, FDI totaled USD62 billion, up 4.9% year-on-year.
- The timetable for setting up hospitals funded by Hong Kong investors will be shortened under a central government plan to cut red tape. Approval for health facilities funded by investors from Hong Kong, Macao and Taiwan was among 50 new items that would no longer require central government approval. Red tape adds at least two years to the process of setting up a hospital funded solely by investors from Hong Kong, Macao or Taiwan. So far, there are only one hospital and two clinics in Shenzhen that are wholly-owned by Hong Kong investors.
- A Shanghai court ordered Johnson & Johnson (J&J) to pay damages to local distributor Rainbow Medical Equipment & Supply in a lawsuit brought under the anti-monopoly law. The court said J&J was guilty of "vertical monopoly" for setting minimum prices for surgical sutures. It said that caused the Chinese distributor to lose potential sales and it awarded CNY530,000 for lost profits. It was the first time a court ruled against a Fortune 500 company in an anti-monopoly case.
- Six areas of Beijing's infrastructure construction will be open to overseas and domestic investors this year, said Peng Bo, Spokesman for the Beijing Commission of Reform and Development. The six areas include rail transport, city roads, the rail transit complex, drainage treatment, garbage disposal and heat supply in townships. A total of 126 projects will need an investment of CNY338 billion. The internal return rate of investment in such projects will be 8%.
- Ashland, an American specialty chemicals company, launched a USD60 million gelcoats plant in Changzhou, Jiangsu province, with an initial annual capacity of 10,000 tons of gelcoats and 2,000 tons of adhesive products.
- Hengqin, formerly an oyster farming island next to Macao, is seeking investments and tourists from Hong Kong to develop its tourism and medical industries. Niu Jing, Director of the Administrative Committee of the Hengqin New Area in Zhuhai, said the island intended to develop the non-casino tourism, financial, medical and technology industries. Companies' profit tax in the area is reduced to 15% from the normal 25%. People from Hong Kong and Macao working in Hengqin can also pay the same tax rates as in Hong Kong and Macao, which are lower than on the mainland.
- China's financial institutions – including banks, brokerages and insurers – attracted the least foreign equity investment in more than a year in the second quarter amid a slower inflow of foreign capital. They attracted a total of USD442 million, nearly a fourth of the first quarter's total and the lowest since authorities started compiling the data last year, the State Administration of Foreign Exchange (SAFE) said. They spent a net total of USD135 million in outbound equity investments in the second quarter, sharply down from the first quarter's USD2.41 billion as they withdrew a record USD1.29 billion worth of investments from foreign companies.
- JP Morgan Chase is being investigated by U.S. authorities over claims the bank hired the children of influential Chinese officials to secure business in the country. The New York Times cited one case where the bank hired the son of Tang Shuangning, a former

Chinese banking regulator who was now Chairman of the state-run China Everbright Group financial conglomerate. The paper reported that JPMorgan secured a succession of sought-after deals from China Everbright after hiring the son, Tang Xiaoning.

FOREIGN TRADE

Volume of foreign trade to increase more slowly

The State Information Center under the National Development and Reform Commission (NDRC) expects that during the second half of 2013, the total value of China's trade might increase more slowly than it did in the first half, affected in part by the emerging effects of a stronger yuan. It forecast full-year export growth would be about 9%, down from 10.4% in the first half, while imports might rise 7.3%, compared with 6.7% in the first half. The full-year trade surplus is likely to widen to USD280 billion, from USD108 billion in the first half, the Center said. China's trade rebounded in July with growth of both exports and imports turning positive. Exports rose 5.1% from a year earlier to USD185.9 billion last month, reversing the decline of 3.1% in June. Imports jumped 10.9% to USD168.1 billion, compared to June's 0.7% decrease. July's trade surplus was USD17.8 billion, narrowing from USD27.1 billion in the previous month. Lu Zhengwei, Chief Economist at Industrial Bank, said the much lower comparative base of last year should be taken into consideration. Last July, trade grew at the slowest pace in 11 years on a monthly basis. In the first seven months, China's trade rose 8.5% from a year earlier to USD2.35 trillion, with a surplus of USD125.7 billion. In July alone, China's shipments with the European Union, the country's largest trading partner, expanded 5% year-on-year to USD50.3 billion, while trade with the U.S. surged 10% to USD44.3 billion. In comparison, trade between China and Japan dropped 6.1% to USD27 billion last month.

- GF Securities' wholly-owned subsidiary, Hong-Kong GF Futures, has acquired the London-based commodities trading unit of French bank Natixis, Natixis Commodity Markets, for USD36.1 million. Chinese companies have long been expanding into commodities trading amid booming demand for resources at home.
- China has approved the first shipment of 60,000 tons of genetically modified (GMO) Argentine corn. Trading company Bunge was the exporter of the cargo and it was imported by COFCO. A small amount of GMO corn was allowed into China late last year as a test case under a China-Argentina GMO deal signed in February 2012.
- Japanese exports to China in the first half of this year decreased to the lowest level in four years amid strained ties. Despite the depreciation of the yen against the Chinese yuan, Japan's exports to the Chinese mainland declined 16.7% year-on-year to USD61.43 billion, according to Japanese data. The United States replaced the Chinese mainland as Japan's biggest export market, the first time in five years, with exports valued at USD65.56 billion. The first half saw China's imports from Japan slump 13.8% year-on-year to USD76.12 billion, according to China's General Administration of Customs. China's exports to Japan dropped 3.8% year-on-year to USD70.81 billion.
- The European Union has asked the World Trade Organization (WTO) to set up a panel to rule in a dispute over Chinese anti-dumping duties on high-performance seamless stainless steel tubes from the EU. EU exports to China of the tubes, used in power plants, were worth around €90 million in 2009, but fell to under €20 million around the time that China imposed definitive anti-dumping duties in November 2012. The EU said the duties of 9.7% to 11.1% were hampering access to the Chinese market.

HEALTH

Botulism bacteria detected in New Zealand whey protein

Beijing demanded that New Zealand take "immediate measures" early this month to protect Chinese consumers after diary firm Fonterra said it had found a bacteria that can cause botulism in some of its products. China, which buys most of its imported milk powder from New Zealand, asked domestic importers to recall any products that may have been contaminated. Three batches of Fonterra's whey protein had been contaminated with clostridium botulinum, which can cause botulism. The contamination was the result of unsanitary pipes at a factory in

Waikato, New Zealand. Fonterra said it had sold the contaminated whey protein concentrate to eight customers, including food and beverage companies and animal stock feed firms, for possible use in infant formula, body building powder and other products. None of its own branded products were affected, it said. In the first half of this year, China imported 371,000 tons of milk powder from New Zealand. Gu Jun, Professor at Shanghai University, said the New Zealand scandal offers an opportunity for Chinese dairy companies to rebuild consumer confidence in domestic milk powder.

- Chinese scientists reported the first likely case of direct person-to-person transmission of the H7N9 bird flu virus that has killed 45 people since March. The development was "worrying" but the transmissibility of this virus was not so effective, they added. A poultry worker was confirmed as having contracted the deadly H7N9 bird flu virus, the first case in Guangdong province, triggering an alert in neighboring Hong Kong. A total of 134 cases have now been reported on the Chinese mainland, including the Guangdong case. A Hong Kong government Spokesman said the authorities were closely monitoring the virus for any developments.

IPR PROTECTION

U.S.-China operation targets counterfeit goods

The United States and China have joined forces in a combined operation to crack down on counterfeit goods, seizing more than 243,000 fake electronics products, including copies of popular consumer items made by Apple, Samsung, Dr Dre and Blackberry. U.S. Customs and Border Protection said the month-long operation was the biggest bilateral Customs enforcement effort conducted by the United States. It focused on seizures of goods in ports as they were exported from China or imported into the U.S. China's Deputy Customs Director Zou Zhiwu said both countries need to work together to effectively curb the movement of counterfeit products. The main U.S. ports involved were Anchorage, Cincinnati, Los Angeles and Newark. In China, the primary ports were Shanghai, Beijing, Guangzhou and Shenzhen. An American citizen who imported counterfeit Dr Dre headphones and sold them on Craigslist was arrested in New Orleans.

Circulation of trade secrets prohibited

A Shanghai court has issued China's first ban on the circulation of trade secrets, a major step in intellectual property rights protection under Chinese law. The Shanghai No 1 Intermediate People's Court prohibited a former employee of U.S.-based drug maker Eli Lilly from using and circulating trade secrets. It is the first ban of its kind issued under a revised Civil Procedure Law enacted on January 1. An Eli Lilly employee, surnamed Huang, was discovered downloading 21 documents containing trade secrets without authorization. Huang was fired after refusing to delete the documents. Eli Lilly filed a suit early in July against Huang for violating the company's trade secrets and demanding compensation of CNY20 million. The company also applied for a ban on the circulation of trade secrets to prevent possible losses before the case opened. "Trade secrets as a kind of intellectual property were not properly protected under current judicial practices," Liu Junhua, a judge at the court, said. "The new Civil Procedure Law has filled a gap in the protection of trade secrets, and the decision of the court will help the plaintiff hedge risks from secrets being leaked."

- Shanghai-based First Pencil Co is suing over 30 stationery stores and companies in southwest China for selling fake pencils. The 2B pencils are commonly used for college entrance exams in the country. The use of fake pencils is affecting exam scores as machines can read only 60% of the answers, according to the China Writing Instrument Association.

MACRO-ECONOMY

Government orders factory closures to reduce overcapacity

The Chinese government has ordered companies to close factories in 19 industries where overproduction has led to price-cutting wars, affirming its determination to push ahead with a painful economic restructuring despite slowing growth. More than 1,400 companies were ordered to cut excess capacity. China has ordered about 7 million tons of excess steel output to be shut in a sector that the China Steel Association says has surplus capacity amounting to 300 million tons. It has ordered 260,000 tons of excess aluminum output to be shut when smelting capacity is 27 million tons and demand is about 21 million tons. Many smelters ordered to shut were already running at production rates as low as 20% and the impact of the shutdowns will be offset by some 2 million tons of new projects due to start by the end of this year, analysts said. China has said 92 million tons of excess cement production must be phased out. Capacity is now about 3 billion tons a year and demand is 2.2 billion tons. In base metals, China also plans to phase out 654,400 tons of copper production capacity. The nonferrous metals association estimates there was more than 7 million tons of idle capacity last year and production capacity is expected to reach 40 million tons by 2015. More broadly, analysts have said that for now Premier Li Keqiang will avoid radical macro reforms out of concern it could weigh too heavily on growth in the world's second-biggest economy. Beijing's previous efforts to rein in "blind expansion" in some sectors have been thwarted by local governments that have offered cheap land, tax deductions, subsidies and loans to attract investment, a Spokesman for the Ministry of Industry and Information Technology (MIIT) said. Of the 18 million tons of aluminum capacity added in recent years, only 800,000 tons were approved by the central government, and China also has 800 million tons of unapproved cement capacity, the South China Morning Post reports.

Official and HSBC PMI show conflicting results

The official purchasing managers index (PMI) climbed to 50.3 in July from 50.1 in June, as factories received more new orders. But HSBC's PMI, focused on smaller firms, recorded an 11-month low of 47.7 in July, compared with 48.2 in June. Exporters reported declines in new sales to all major trade partners. The discrepancy between the PMIs underscores the uncertainty in the economic outlook. Commerce Minister Gao Hucheng said the annual 8% growth target for foreign trade is achievable this year, despite some "difficulties and pressure". Foreign direct investment (FDI) is also expected to be slightly higher than last year, while China's non-financial outbound investment (ODI) will keep rising rapidly, Gao said. Mizuho Securities' Chief Greater China Economist Shen Jianguang underlined the pressure on jobs. "We expect the economic downturn to have continued in July. In particular, the labor market is coming under pressure as the economy loses steam," said Shen. The employment sub-index under the official PMI, which has more samples and heavier weighting for bigger manufacturers, has stayed below 50 for 14 straight months. Many economists questioned the accuracy of the official PMI, calling the result "puzzling", particularly since the central bank has kept liquidity tight in recent months.

The non-manufacturing PMI was 54.1 in July, up from 53.9 for June. The subindices for business activity and new orders both rose for two consecutive months, up to 53 and 50, respectively. The HSBC/Markit Purchasing Managers' Index (PMI) for the services industry stood at 51.3 in July, unchanged from June and just above a 20-month low of 51.1 struck in April. China's consumer price index grew 2.7% from a year earlier in July, with retail sales and investment the same as in June, the National Bureau of Statistics (NBS) announced. The component indices showed that food costs increased 5%, just like a month earlier, while the non-food sector rose 1.6%. In the first seven months, China's inflation growth stood at 2.4%, still below the 3.5% target. Retail sales edged up 13.2% to CNY1.85 trillion last month, a bit slower than June's increase of 13.3% but higher than May's pace of 12.9%.

China's use of raw materials endangers environment

A report by the United Nations Environment Program (UNEP) warned that China's rapid economic development had come at a huge price – fast-depleting resources and a massive degradation of the environment. "China's dramatic economic growth over the past few decades has increased demands for natural resources within and beyond the country itself in ways that are unprecedented in human history," UN Undersecretary General Achim Steiner said in the report. "While that growth has lifted millions out of poverty, it has also come with rising environmental challenges." In the last three decades, China has grown from a modest user of minerals, fossil fuels and other primary materials to become the world's largest consumer, the report found. The country consumed 22.6 billion tons of such materials in 2008 – nearly a third of the world's total – up from 1.7 billion tons in 1970. It consumes four times as much as the United States, the second-biggest user. "This is a combined result of China's huge population and fast economic growth during the period," said Chen Shaofeng, Researcher with the Chinese Academy of Sciences' Institute of Policy and Management, a main author of the report. The amount of resources used by every citizen has soared as their living standards improved. Per capita resource consumption rose from 31% of the world average in 1970 to 1.62 times the world average in 2008, with the sharpest rise coming after 2000. Despite a continuous increase in resource efficiency – growing at a rate of 3.91% annually – the country still lags behind global and regional standards. In 2009, China used 2.5 times more energy than the global average to produce each unit of economic growth. The report also mentioned the country's environmental decline. By the end of last year, fewer than one in four major cities in China had safe air. About 30% of the country's major rivers and 60% of its groundwater was polluted, according to the Ministry of Environmental Protection (MEP). “Unprecedented innovation is required in the country's future development to avert further degradation,” Chen said, as reported by the South China Morning Post.

- China’s economy grew 7.5% in the second quarter, its slowest pace in a year. The figure adds to fears of an intensifying slowdown and compares with 7.7% growth in the March quarter. Last year, China’s gross domestic product (GDP) grew by 7.8%, the lowest growth rate in more than a decade. Growth in the first six months of this year was 7.6%.
- China’s state-owned enterprises (SOEs) posted a combined profit of CNY1.11 trillion in the first half of the year, up 7% from a year earlier, the Ministry of Finance said. SOEs administered by local governments saw their profits tumble 10.6% to CNY307.3 billion, while profits at centrally-administered SOEs rose 15.6% to CNY805.7 billion. The SOEs’ combined sales (excluding those in the financial sector) grew 10.7% to CNY21.95 trillion in the first half. Profit growth at China Fortune 500 companies has slowed over the past three years, dropping to 3% in 2012.
- China needs another round of “decisive measures” to put economic growth on a more consumer-based, inclusive, and environmentally-friendly growth path as its margins of safety are falling amid growing domestic problems, the International Monetary Fund (IMF) said in its latest report. The IMF did not change its latest 7.75% forecast for economic growth this year. The IMF's figure is above the Chinese government's target of 7.5% and also above most private economists' estimates of between 7% and 7.5%.
- Wealth inequality in China is still high compared with most developed countries but the gap is slowly narrowing. China's Gini coefficient of income inequality was 0.49 last year, slightly down from 0.51 in 2010, according to the China Development Report on People's Livelihood 2013 based on the China Family Panel Studies. The study's researchers interviewed 14,960 households representing 57,155 people. “Two reasons contribute to China's improving Gini index,” Ren Qiang, an author of the report, said. “One is the faster increase in household income in rural areas compared with the cities, and the second is the faster income rise of the middle class.” The top 5% of households earned 234 times the income of the lowest 5%.
- China added 7.25 million jobs in the first half of this year, a rise of 310,000 from a year earlier, the Ministry of Human Resources and Social Security said, adding that there were 1.07 job vacancies for each applicant in the second quarter. Vacancies in manufacturing and construction both fell in the latest quarter, while jobs in computer services, software and property all rose. The official jobless rate is 4.1%.
- China has been ranked as the second-wealthiest country in built assets and it is set to surpass the United States by next year, according to the first Global Built Asset Wealth Index by consultancy EC Harris. China had USD35.45 trillion in built assets last year, slightly lower than the U.S., which had USD39.73 trillion. The index includes the value of public and private properties and infrastructure such as residential and commercial space, transport infrastructure ranging from roads and rails to airports, power plants and water networks. Japan and India were ranked third and fourth.
- Shanghai’s gross domestic product (GDP) expanded 7.7% from a year earlier to CNY1.02 trillion in the first half of this year, the Shanghai Statistics Bureau said. The rate slowed a bit from an increase of 7.8% in the first three months but was higher than the national average of 7.6%. In the first half, Shanghai’s industrial production rose 4.8% to CNY329.4 billion, with automobile and bio-medicine reporting double-digit production growth rates. Retail sales jumped 9.1% to CNY388.7 billion with fixed-asset investment adding 12.1% to CNY231.5 billion.
- Half of central government state-owned enterprises' profits will come from their overseas operations in the next five years, compared with less than 38% at present, according to the State-owned Assets Supervision and Administration Commission

(SASAC). Since 2003, when the Commission was formed, it has carried out annual reviews of the performance of central SOEs and their leaders. Overseas assets of Chinese companies, which have more than 15,000 branches worldwide, are valued at more than USD1 trillion, with half coming from state-owned enterprises (SOEs).

- Huaneng Power International, the listed unit of China's largest power producer China Huadian, recorded a net profit of CNY5.62 billion for the six months to June, up 165% from a year earlier. The main driver for profit growth was lower coal costs, followed by a reduction in interest expense. Turnover fell 4.64% to CNY64.06 billion, partly on the back of a 0.46% drop in output due to slower economic growth in much of its operating areas in coastal regions.
- The Beijing municipal government has announced a CNY338 billion investment outlay to construct 126 projects including subways, roads, heating facilities and water and waste treatment centers. Of that, CNY130 billion is expected to be private capital. The government will grant private investors "a reasonable return" through service purchases, financial subsidies and other measures.
- China has more than 10 million private companies that account for about 60% of its gross domestic product (GDP). At the end of 2011, more than 80% of private firms were classified as family businesses, according to the All-China Federation of Industry and Commerce (ACFIC). Family-run firms are crucial to China's economy, making up nearly 40% of the 762 listed private firms in the A-share market. The hand-over of family businesses to the next generation is now more and more an issue, as many children do not want to continue the family business and outside professional managers are scarce.
- Private investment, which has taken an increasingly bigger share in the country's fixed asset investment (FAI) in recent years, jumped 23.4% to hit CNY11.56 trillion in the first half of 2013. It accounted for 63.7% of the total FAI in China, compared to 61.4% by the end of last year, the National Development and Reform Commission (NDRC) said. In 2011, private investment accounted for 60.3% of total FAI, compared to 55.9% in 2010.
- The long-awaited creation of a "capital economic circle" to coordinate the development of Beijing and its neighboring regions is expected to get under way by the end of this year. The circle will embrace three areas in Tianjin – Baodi and Wuqing districts, and Ji county – and nine cities in Hebei province – Cangzhou, Hengshui, Shijiazhuang, Zhangjiakou, Chengde, Baoding, Langfang, Tangshan and Qinhuangdao – into a close planning tie-up with Beijing. The idea of the capital economic circle was first proposed in 2006 by the Chinese Academy of Social Sciences (CASS), but the plan has yet to receive approval from the central government.
- By the end of last year, the number of people in China with wealth in excess of CNY10 million rose 3% from a year earlier to 1.05 million while the superrich, those with a net worth of CNY100 million or more, went up 2% to 64,500, both growing at their lowest pace in five years, according to the GroupM Knowledge-Hurun Wealth Report 2013. About 60% of China's wealthy population is located in second and third-tier cities. Most of the wealthy – 184,000 – live in Beijing. Only a quarter of the millionaires said they were confident about China's economy over the next two years, less than half the number in 2011.

MERGERS & ACQUISITIONS

M&A deals surge in July

China completed 102 merger & acquisition transactions in July, a surge of 59.4% from a month earlier. The combined value of the 86 M&A deals for which transaction figures are available totaled USD3.05 billion, a monthly increase of 13%, the Zero2IPO Research Center said in a report. The total value represented a 38.4% rise from a year earlier. Of all the deals, 89.2%, or 91 cases, were domestic M&As valued at USD1.8 billion; eight cases were overseas acquisitions at USD935 million, and three were foreign acquisitions at USD356 million. Measured by value, the financial sector topped with cases worth USD959 million, accounting for 31.5% of the value of total deals, thanks to CITIC Securities' purchase of Crédit Agricole's CLSA unit. The energy and mining sector had the largest number of mergers at 14, followed by machine manufacturing and biotechnology & healthcare that were tied for second with 11. Firms backed by venture capital of private equity completed 55 of the deals, the report said.

Whirlpool acquires controlling stake in Rongshida

Home appliance maker Whirlpool Corp said it will buy a controlling stake in Hefei Rongshida Sanyo Electric Co for USD552 million to expand in China's washing machine and fridge market. Hefei Rongshida Sanyo was set up in 1994 as a joint venture between Japan's Sanyo Electric Co, now a unit of Panasonic Corp, and Heifei State-owned Assets Holding Co, the investment arm of the local government. Whirlpool, known for its Maytag and KitchenAid brands, said it would buy a 51% stake in the company by acquiring Sanyo Electric's stake and through a private placement. The deal will help the world's largest appliance maker boost its sales in Asia, which provided 5% to its total sales of USD4.7 billion in the second quarter. Hefei Rongshida Sanyo makes washers, refrigerators and microwave ovens under the Sanyo, Royal Star and Diqua brands, and competes with Haier Electronics Group Co and GD Midea Holding. Hefei Sany employs 10,000 workers at three manufacturing facilities in China. Last year, the company reported a net profit of USD48 million on sales of USD636 million. The deal represents the first big purchase of a Chinese company by a blue-chip U.S. buyer since Caterpillar bought ERA Mining, a maker of underground mining equipment, last year. Caterpillar later discovered an ERA subsidiary had engaged in accounting misconduct that inflated ERA Mining's value.

- The Ministry of Commerce (MOFCOM) has published draft rules designed to streamline the merger review processes. The "simple case draft" aims to facilitate the Ministry's anti-monopoly pre-merger reviews by categorizing certain cases as "simple ones" that may result in quicker approval. Currently, even the simplest cases may not obtain the Ministry's clearance within the 30-day preliminary review period. Business operators then have to speculate how long the proposed transaction may take to be approved.
- Global drinks firm Diageo has received approval from Chinese authorities to become the sole shareholder in Sichuan Chengdu Shuijingfang Group Co (SJF Holdco). Diageo said it would acquire the remaining 47% stake in SJF Holdco owned by its Chinese partners for GBP233 million. As a result, SJF HoldCo will be converted from a joint venture into a wholly foreign-owned enterprise owned by Diageo.
- L'Oréal has offered to acquire Chinese skincare company Magic Holdings International, a maker of facial masks, for HKD6,538 million. The offer represents a 25% premium to Magic's last closing price before trading in the shares was suspended on August 12 to prevent speculation. The deal is subject to approval from the Chinese Ministry of Commerce (MOFCOM). China is L'Oréal's third-largest market behind the United States and France.

PETROCHEMICALS

China to grant more crude oil import licenses

The Chinese government will grant crude oil import quotas to "qualified refineries", a step forward in trimming large state-owned refiners' import monopoly. Five state-owned companies have crude import rights, including China National Petroleum Corp (CNPC) and China Petrochemical Corp (Sinopec). In the past year, privately-owned China National Chemical Corp (ChemChina), which is focused on petrochemical downstream businesses, got a quota of 10 million metric tons for imported crude. China's net oil imports are expected to exceed those of the U.S. on an annual basis within about two months. China's crude oil consumption last year was 475 million tons, up 4.7% year-on-year, according to CNPC. China imported 269 million tons of crude in 2012, with a foreign dependency ratio of about 57%. According to the CNPC Economic and Technology Research Institute, China will import about 289 million tons of crude oil this year, which means that about 59% of the nation's crude oil demand will depend on imports in 2013. As the country's oil consumption increases, its dependency on imports will continue to rise. When China joined the World Trade Organization (WTO) in 2001, it promised that the crude import quota of non-state trading organizations would grow 15% annually from 2006 to 2010. So far, dozens of private companies have been granted crude oil and petroleum import certifications by the Ministry of Commerce (MOFCOM), but up to 90% of crude imports is still controlled by the two largest oil companies. The government is however encouraging the participation of private capital in crude pipeline construction and oil storage facilities, the China Daily reports.

- Sinopec Shanghai Petrochemical has posted a profit for the first half of the year, thanks to lower costs after a facility upgrade and Beijing's fuel pricing policy reform. The company saved close to CNY400 million of crude oil costs in the half because of more efficient material utilization after a CNY6.3 billion upgrade of its production facilities, Chairman Wang Zhiqing said. Sinopec Shanghai's net profit amounted to CNY438 million for the first half of the year, a turnaround from a loss of CNY1.19 billion in the same period last year.
- China's crude oil imports in the first half of the year amounted to 5.57 million barrels per day (BPD), a decline of 1.4% from the same period last year. Refineries processed 9.55 million BPD, up 4.1%. First-half oil demand was 9.82 million BPD, up 3.4% on the same period in 2012. Those figures indicate declining crude imports but at the same time modest growth in oil demand and processing. China's domestic crude output rose 2.7% in the first five months of the year to about 4.17 million BPD.
- Chinese state-run oil companies hope to develop seven new gas fields in the East China Sea, possibly siphoning gas from the seabed beneath waters claimed by Japan, a move that could further inflame tensions with Tokyo over the disputed area. The fields would have a combined annual production capacity of nearly 4 BCM, up from the region's current output of less than 1 BCM, and would account for about 2% of China's estimated gas output by the end of 2016.
- China National Petroleum Corp (CNPC) is considering buying Petroleo Brasileiro (Petrobras) assets in Colombia and Peru worth about USD2 billion, but it may face competition from other South American producers. Petrobras has been shedding assets to help finance deep-water projects in Brazil.
- China's daily crude oil imports from Iran fell 1.9% year-on-year in the first half of this year, making it easier to obtain a waiver extension on U.S. sanctions against Tehran. The next waiver review is due in November or December.
- Sun Tiangang, former Chairman of GeoMaxima Energy Holdings, a Hong Kong-listed oil pipeline firm, has sued China Petroleum & Chemical (Sinopec) in Los Angeles for USD5.17 billion, alleging the company was involved in a scheme that had him imprisoned for five years after Sun had sued Sinopec in Beijing for breaching an oil transportation agreement.
- China has switched on a new pipeline bringing natural gas from Myanmar. The 793-kilometer pipeline connects the Bay of Bengal with southwest China's Yunnan province and is expected to transfer 12 billion cubic meters of natural gas to China annually. A parallel 771-km pipeline that will carry Middle Eastern oil – shipped via the Indian Ocean – is still under construction.
- China National Petroleum Corp (CNPC) has made more than USD9 billion of purchases this year – and has considered a further USD4 billion as part of a plan to double overseas output by 2015. Oil and gas fields controlled by Exxon Mobil and Russia's Rosneft may be its next targets. Spending was likely to accelerate under Zhou Jiping, who was named Chairman in April and has more than a decade of experience in international operations, CLSA Asia-Pacific Markets said. CNPC plans to increase overseas production to 200 million tons by 2015, about twice what it produced abroad last year.
- PetroChina will join Exxon Mobil in developing Iraq's giant West Qurna oilfield and is in talks with Russia's Lukoil to buy into a second project at the field. The deal could make PetroChina the biggest single foreign investor in Iraqi oil. With enough reserves to pump more than 5 million barrels per day (BPD), it could rival the world's biggest producer, Saudi Arabia's Ghawar field, when its two phases are running fully. PetroChina already partners BP at Rumaila, now Iraq's largest producer.

REAL ESTATE

Excellence Group wins bids in Qianhai SEZ

Excellence Group, only China's 48th-largest developer in terms of sales in the first half of this year, stunned the market when it beat big property players to secure two commercial sites in the first land auction in Shenzhen's Qianhai special economic zone for a total of CNY12.36 billion. Excellence outbid four competitors to win the first office-hotel-serviced apartments site, T201-0077, which would yield a total gross floor area of 320,400 square meters, for CNY5.18 billion, about 48% above the opening bid of CNY3.5 billion. It won a second office-serviced apartment site, T201-0075, for CNY7.18 billion, 53% higher than the opening price of CNY4.7 billion after defeating five bidders. That made the site, which will yield a total gross floor area of 450,200 sq m, the most expensive land in Shenzhen. “The transacted accommodation value of around CNY16,000 per sq m is not surprisingly high given the high market expectation about the Qianhai area and recent upbeat sentiment in the land market in tier-one cities,” Alan Jin, Analyst at Mizuho Securities, said. The winning bidder will be required to invest at least CNY15,000 per sq m on the commercial developments to be built on the two sites. That would raise the total investment cost, including land costs, for Excellence to nearly CNY24 billion, the South China Morning Post reports.

Home price rise for 14th straight month

Home prices in China climbed for another month in July, extending strength for the 14th straight month. The average price of new houses in 100 cities rose 0.87% from June to CNY10,347 per square meter, the China Index Academy said, compared to a growth of 0.77% in June. The number of cities that registered monthly price rises fell further to 61 last month, compared to 71 in June and 77 in May. Of those, 23 saw growth of more than 1%, an increase of 7 from June. Quanzhou in Fujian province led last month’s gainers with a 4.45% rise. There were price drops in 39 cities, with Dongguan in Guangdong province suffering the biggest decline of 1.71%. In the 10 largest cities, the average price of a new home climbed 1.34% to CNY17,609 per sq m. Beijing saw the biggest rise of 2.5%, immediately trailed by 2.13% in Guangzhou. In Shenzhen and Shanghai, new home prices rose by 1.24% and 0.85%, respectively. In Shanghai, new home sales fell to a five-month low in July with the average price reaching a historic high, according to a separate industry report. The average cost of new homes climbed 3% from June to CNY24,687 a sq m last month, an all-time high in the city. New homes costing more than CNY30,000 per sq m accounted for almost one-fourth of the city’s total transactions last month, the Shanghai Daily reports.

Beijing needs more office space to meet demand

Beijing needs more office space to meet its economy's growing reliance on services. According to Jones Lang LaSalle, overall vacancies for grade-A office space dropped from nearly 30% just after the 2008 Olympics to single digits in mid-2011 and, recently, below 5%, due to strong demand and low stocks of suitable offices. “It's clear that Beijing needs a bigger workspace supply to support the city's future economic growth,” said Julien Zhang, Managing Director of Jones Lang LaSalle Northern China and Beijing. The influx to the capital in recent years of firms from multiple sectors, especially services, has left most office buildings fully occupied and vacancy rates very tight elsewhere, the Jones Lang LaSalle report said. The city has seen the number of service sector employees rise from 6.5 million in 2007 to 8.2 million last year. Beijing's economy is being transformed from one dominated by secondary industries to one focused on services. The report singled out for development emerging areas such as the Olympics area and Changping to the north, Wangjing and Shunyi in the northeast, Tongzhou in the east, and Fengtai and Fangshan in the south. Beijing needed to develop more satellite townships to decentralize and ease the high demand for offices in the core areas now, it said.

- Chinese homeowners buy their first homes too early and the homes are too large. Concerns over future increases in house prices were driving young urban Chinese to buy their first homes “too soon”, thus worsening housing shortages in China’s hubs, the China Index Academy wrote in its annual report on the state of the nation’s real estate market. The average Chinese city dweller takes on their first mortgage at the age of 27, far earlier than their counterparts overseas.
- The value of land in the vicinity of the proposed Shanghai Free Trade Zone is expected to soar. The zone mainly encompasses the Waigaoqiao area, Yangshan port and some land parcels surrounding Shanghai Pudong International Airport. Four listed developers – Shanghai Waigaoqiao Free Trade Zone Development, Shanghai Lujiazui Finance & Trade Zone Development, Shanghai Zhangjiang Hi-Tech Park Development and Shanghai Jinqiao Export Processing Zone Development – are expected to be the biggest winners.
- Nearly 90% of Chinese families either fully or partially own their homes, a survey by Peking University’s Institute of Social Sciences showed. More than 10% of households have two or more homes, found the study of 14,960 families in Shanghai, plus Henan,

Gansu, Guangdong and Liaoning provinces. The average size of a home owned by a Chinese family is 100 square meters — 30 sq m per person.

- A ground-breaking ceremony was held for China's highest skyscraper Sky City in Changsha, Hunan province. The more than 200-story structure will rise to 838 meters and be made entirely of factory-made modules that will be assembled by workers in seven months. Developer Broad Group has been tight-lipped about the building, saying its structure was a trade secret. Construction was immediately halted as not all permits had been obtained. 10 out of the 20 tallest buildings in the world are in China, rising to 13 by next year.
- China has banned the construction of government buildings for five years in another step to address corruption. The directive orders an "across-the-board halt" to the construction of official buildings, and "glitzy" structures built as training centers, hotels or government motels. The directive also forbids luxury interior design and the expansion of office compounds under the guise of repair work.
- A 75,360 square meter site in Sunhe, near the airport in northeastern Beijing and known as the "central villa district", was sold to Cofco Property for CNY2.36 billion in July. The developer had committed to building 33,000 sq m of public rental housing to win the auction after a land-price ceiling was reached. Excluding the portion for public housing, the site still fetched a record price of about CNY44,000 per buildable sq m.
- The China Land Index (CLI) of the Ministry of Land and Resources for the second quarter increased 17.4% from the previous quarter, or 19% from the same period last year. It marked a rebound from the first three months, when the CLI witnessed a fall in major indices after the central government rolled out a string of measures to cool the country's red-hot property market at the beginning of the year. Investment in the property sector increased 91.4% quarter-on-quarter and 23.8% year-on-year. Demand for land for real estate remained strong in the first half, indicating that a policy to simply expand land supply to curb property prices is not working.
- The final steel beam was placed atop the Shanghai Tower, making the structure China's newest "tallest building". Designed by U.S. architecture firm Gensler, the skyscraper in the Lujiazui financial district forms a trilogy along with the Shanghai World Financial Center and Jin Mao Tower. The structure is now 580 meters high after nearly five years of construction and will soar to 632 meters when completed in 2015. It is surpassed only by Dubai's Burj Khalifa, which stands at 828 meters.
- China's Sundy Land Investment said it plans to raise CNY1.5 billion, a sign that a ban on refinancing by listed developers has been quietly lifted as the government looks to ease its grip on the property sector. Since July a handful of real estate firms have announced refinancing plans, but Sundy is the first to say that proceeds will be used for developing housing projects. The last such refinancing was Gemdale Corp's placement to raise CNY4.2 billion in 2009.
- China's property investment kept going strong in the first seven months of the year, and investment growth in new projects accelerated to the highest in July this year, suggesting real estate companies are confident in the industry outlook, analysts said. Property investment grew 20.5% year-on-year to CNY4.4 trillion from January to July, the National Bureau of Statistics (NBS) said. Of the total, 68.4% was pumped into residential property. From January to July, developers sold 27.1% more residential property in terms of area, and their sales revenue soared 39.9%.
- China's affordable housing program lost nearly CNY6 billion to embezzlement last year, the National Audit Office (NAO) said. A total of 360 projects or organizations "embezzled" the funds, it said. China plans to build 36 million affordable-housing units from 2011 to 2015 and the program received almost CNY880 billion last year, the NAO said, constructing 5.9 million units and assisting 9.5 million families. But 110,000 families produced false documents to qualify for assistance unfairly, it added.
- China Resources Land paid a record CNY10.9 billion for a commercial site in the Qianhai special economic zone. The winning bid was 62% above the floor price of CNY6.72 billion and nearly 20% higher than the only other bid, of CNY9.09 billion from Shimao Property. The site, the last and the biggest in the first batch of land sales in Qianhai, is now Shenzhen's most costly. Bidding was restricted to Hong Kong-listed firms with revenue for the past financial year of no less than CNY20 billion. The site will yield a total gross floor area of 503,000 sq m for offices, retail shops, hotels and serviced apartments.

RETAIL

Délifrance to return to China

French bakery chain Délifrance plans to open cafés in Shenzhen and Guangzhou more than 20 years after its first attempt to crack the market failed. It opened its first café in Shanghai in 1987 but it did not end well. "The attempt was probably made too early and there wasn't the proper population back then," said Jean-Manuel Leveque, Managing Director of Délifrance – a subsidiary of Frrance's Grands Moulins de Paris (GMP) which owns the brand. Now, owing to the rise of a middle class which pursues not just luxury goods but also a fashionable lifestyle, the French pastry maker saw its chance to return. If things went well, Leveque said they will open two to three more outlets in the two cities by 2015, all in new shopping malls and high-end residential areas. Délifrance will work on the expansion plan with Délifrance Asia – sold off by GMP some 30 years ago and which now manages the brand in the form of cafés, bistros and wholesale bakery in the region including Hong Kong, Singapore and Malaysia. The bakery's products would be exactly the same as those in France.

China punished milk firms for price fixing

China fined six infant formula makers a total of CNY668.8 million for price fixing after a five-month investigation. The manufacturers punished were Mead Johnson and Abbott from the U.S.; Dumex, a subsidiary of France's Danone; a China arm of Royal FrieslandCampina of the Netherlands; New Zealand's Fonterra and China's Biostime. The firms set minimum prices with distributors and punished dealers who did not comply, the National Development and Reform Commission (NDRC) said, and their actions reduced competition and "unjustifiably maintained high milk powder prices." The fines were equivalent to 3% to 6% of their sales last year with Mead Johnson, the biggest seller in China, paying the highest amount of CNY203.8 million. Companies which break the Anti-Monopoly Law face fines of up to 10% of their annual sales plus all illegal gains. Three producers – Wyeth, which is owned by Nestlé, Japan's Meiji, and Chinese firm Beingmate – escaped punishment because of their cooperation in the investigation and active self-rectification measures, the Commission said. China imported 240,000 tons of infant formula in the first quarter of the year, up 23.7% from the same period last year, demonstrating significant demand from Chinese parents for foreign brands. The price-fixing investigation into a dozen infant formula makers at home and abroad was launched in March after authorities had noted a 30% rise in the price of imported formula since 2008. Milk powder sales in China reached CNY75.2 billion last year and are expected to grow to CNY152.4 billion by 2016, according to market researcher Euromonitor International. Mead Johnson had the largest market share of 11.3% last year, followed by Hangzhou Beingmate Group's 10.2% and Nestlé's 10.1%.

Sportswear industry recovering

There are signs that China's sportswear industry is recovering. China's six largest sportswear companies went on an expansion spree after Beijing hosted the 2008 Olympic Games, counting on the event to spark fresh interest in sports and sportswear. They opened a combined total of about 12,300 stores in China between 2008 and 2011 – an average of 11 per day. Demand failed to live up to those expectations, and they were forced to shut about 4,700 outlets last year, averaging nearly 13 closures a day. Foreign rivals such as Nike and Adidas were also caught in the downdraft, posting disappointing sales and closing stores. The combined inventory for China's big domestic players peaked at CNY4.3 billion at the end of 2011, triple the CNY1.5 billion in stockpiles at the end of 2008, according to Thomson Reuters. They purged stockpiles last year, whittling that figure down to CNY3.8 billion. "The worst period for the company has already passed," Anta Chairman Ding Shizhong said, although he acknowledged the sector still faced uncertainty due to inventory issues. Anta aims to trim its store network to 7,600-7,700 by the end of this year, down from 8,075 a year earlier. It had 8,764 stores at its peak at the end of June 2011. Since 2008, Anta's China market share has increased to 5.8% from 5.3%, according to Euromonitor, outperforming Nike, Adidas and Li Ning, which all posted declines. Nike still leads with about 12% of the market, the South China Morning Post reports. Li Ning, China's best known sportswear firm, reported a smaller-than-expected first-half loss of CNY184.2 million, compared to a CNY44.3 million profit in the same period a year ago.

- Retailers in China experienced a 10.4% decline in net profits last year, the first contraction in the past four years, according to china-consulting.cn "For both Chinese and foreign retailers, the traditional model relying on fast expansion to raise leverage with suppliers and therefore increase profits is no longer working amid weakening purchasing demand," said Sun Xiong, Director of the Guangdong Chain Management Association. He attributed the weak numbers to rising online shopping and increased operating costs for retailers.

- The growth in purchasing power in lower-tier cities would outstrip that in first- and second-tier cities in the medium term because their economies were growing more rapidly, said Robert Hah, Director at consulting firm Monitor Deloitte. Third- and fourth-tier cities refer to county-level cities mostly in inland provinces. The National Bureau of Statistics (NBS) said inland provinces such as Hubei and Anhui posted gross domestic product (GDP) growth of more than 10% last year, outperforming Shanghai's 7.5% and Beijing's 7.7%.
- China is by far the most active development market in shopping, accounting for half of the 32 million square meters of shopping centers under construction around the world, according to CBRE Group. The number of shopping malls will rise to 4,000 by 2015 from 3,000 last year, according to the China Chain Store and Franchise Association. "There's so much supply in the pipeline, it's scary," said Tom Gaffney, head of retail at Jones Lang LaSalle.
- The mainland's middle-class consumers may have more choices than ever, but they still look to Hong Kong to set the trends, a survey from the Hong Kong Trade Development Council (HKTDC) in eight cities has found. 84% of the survey's 1,600 respondents agreed that "Hong Kong is the place of origin of fashion trends and the trendsetter". Half of the respondents said their lifestyle was influenced by Hong Kong trends. Mainland shoppers' preference for foreign brand names remains strong.
- KFC parent Yum Brands has reported a steeper-than-expected 13% drop in July sales at established restaurants in China after a food safety scare and bird flu outbreak. Analysts, on average, had expected a 7.1% decline. Yum generates more than half of its overall operating profit in China, where it is the biggest Western restaurant operator with roughly 6,000 mostly KFC restaurants. The company forecast same-restaurant sales to turn around in the fourth quarter.
- Intersport International Corp, the world's largest multi-brand sportswear retailer, plans to open its first shop on the mainland at the end of this month. The Swiss company, which has more than 5,400 shops in 42 countries, will partner with Fujian-based department store operator New Huadu Supercenter to open up to 100 large-sized sports goods stores over the next five years. The first store will be in Fuzhou, the capital of Fujian province. The company's major rival in China will be French multi-brand sportswear retailer Decathlon Group, which has already established 57 stores in 25 cities in China over the past decade.
- British retailer Tesco plans to set up a joint venture with China Resources Enterprise to operate supermarkets in China. Tesco will take a 20% stake in the new joint venture with CRE controlling 80%, Tesco said. This will combine Tesco's 131 stores in China and its shopping mall business with CRE's 2,986 stores, called Vanguard, on China's mainland and Hong Kong.
- Five Shanghai-based gold and jewelry stores and a local trade association have been fined a combined total of CNY10.59 million for manipulating the prices of their jewelry. Shanghai Laofengxiang Co, Shanghai Laomiao Gold Co, First Asia Jewelry, Chenghuang Jewelry and Tianbao Longfeng were fined 1% of their 2012 revenues. The Shanghai Gold & Jewelry Trade Association, which was said to have played a leading role in formulating and executing a monopoly agreement, was fined CNY500,000, the maximum fine possible for this type of offense. Fines for price manipulation can amount to 10% of annual sales under China's anti-trust laws.
- China's gold consumption jumped 54% in the first half of the year to 706.36 tons, the China Gold Association said, as lower prices of the precious metal attracted buyers. China, which is set to overtake India as the world's biggest gold consumer this year, consumed 832.18 tons last year and about 460 tons in the first half of last year. Output in China, the world's biggest gold producer, reached 192.82 tons, up 9% from a year ago.
- Total retail sales of garments, hats, footwear and knitwear in China rose 11.9% year-on-year in the first half, 5 percentage points lower than the previous year.
- Even with the ongoing slowdown of China's economic growth, the country is expected

to overtake the United States to become the world's largest consumer market in the next five years, according to a report by Standard & Poor's entitled “Financial Risks Are Rising as Retail and Consumer Product Companies Step Up their Spending Spree”. In 2012, total retail sales of consumer goods in China grew 14.3% to about USD3.29 trillion, compared with USD4.35 trillion in the more mature U.S. market.

SCIENCE & TECHNOLOGY

U.S. universities dominate World Universities list

Harvard University was again named the world's best university in the Academic Ranking of World Universities list compiled by Shanghai Jiaotong University's Center for World-Class Universities. It has been in the top spot since the survey began in 2003. Stanford was in second place, with the University of California, Berkeley, taking third spot from the Massachusetts Institute of Technology (MIT). Britain's Cambridge University was the best-ranked non-American university in fifth place, with Oxford lagging behind in 10th. Shanghai Fudan University leapt from the 201-300 zone into the top 200 and Peking University, Shanghai Jiaotong University and the Chinese University of Hong Kong remained in the top 200.

- Bank of Communications (BoCom) has ranked Montreal, London and Hong Kong as the top education destinations for Chinese people. Bocom's 80-city list is called the Sea Turtle Index because the pronunciation of “sea turtle” in Chinese is the same as “coming back from overseas”. American cities such as Boston, New York and Los Angeles, even though they are home to world-class universities, rank in the middle of the list due to high tuition fees and limited job opportunities.
- A record seven million students are expected to graduate from mainland Chinese universities this year, up 2.8% from last year. The Ministry of Education has reported that 15% fewer jobs are on offer for new hires this year than in 2012, according to a survey of 500 leading firms, causing more competition for fewer jobs available.
- According to the annual survey by the Chinese Academy of Press and Publication, which polled 18,600 people, the average Chinese citizen read 4.4 paperback books last year. 45% of the interviewees aged between 18 and 70 said they had not read a single book in the entire year. Among them, 43% said they “had no time to read, or were too busy with work”, while 36% said they simply were not interested in reading.

STOCK MARKETS

China Resources (Holdings) investigated for fraud

Song Lin, Chairman of China Resources (Holdings) Co, and other senior executives were suspected of graft and dereliction of duty in approving the CNY7.9 billion acquisition of assets including coal mines from a company in Shanxi Province. China Resources (Holdings) is one of China’s 100-plus enterprises directly administrated by the central government. As group Chairman, Song's rank is equivalent to a Vice Minister. Subsidiary China Resources Power (CRP) was part of a joint venture that paid CNY7.9 billion for an 80% stake in the Shanxi Jinye Coal coking group that another party valued at half that price months before the deal. The shares of all five Hong Kong-listed companies under China Resources fell when the accusations were leveled in July. The State-owned Assets Supervision and Administration Commission (SASAC) has launched an audit of the company. “If there are legal and disciplinary irregularities, they will be dealt with in a firm manner”, the Commission said in a report. An assessment for CRP by Shanxi Borui Mining Rights Valuation & Appraisal had valued the 80% stake at CNY8.35 billion. The valuer had projected that the Yuanxiang mine – one of the three purchased mines – would book pre-tax profits of between CNY192 million to CNY1.2 billion between 2010 and last year, but a whistleblower said it made losses in each of those years.

System glitch at Everbright causes stock exchange mayhem

Chinese stock prices swung wildly on August 16 after a brief trading frenzy blamed on a brokerage’s computer error. The country’s ninth-largest brokerage, Everbright Securities, said later it suffered an unspecified problem with a computerized trading system. Everbright sent 7 billion incorrect purchase orders for shares. A total of 71 Shanghai-listed shares rose by the daily limit of 10% before giving up gains. Sources said a trader with Everbright was supposed to buy 30 million shares for the brokerage's exchange-traded fund, but mistakenly placed an order to buy 30 million lots, or three billion shares. The trade attracted more than CNY3 billion of copycat buying from other institutions on speculation that some major announcement was forthcoming. Everbright applied to the Shanghai Stock Exchange to cancel the erroneous trade, but the exchange said in a statement all intraday trades were valid. The China Securities Regulatory Commission (CSRC) said after completing an initial investigation that the chaotic trading did not involve human error. It was first thought that the events were triggered by a “fat finger” incident caused by a trader hitting a wrong button, but the CSRC said Everbright had “design flaws” in its automated trading system and had “obviously inadequate” internal risk controls. Everbright said it suffered a loss of CNY194 million, but more losses might arise depending on future market performance and the potential regulatory penalty. It apologized to investors and said the company had sufficient funds to settle the trades.

- The China Securities Regulatory Commission (CSRC) has tightened the approval process for companies planning to relist their B shares on the Hong Kong market. Developer China Vanke and Livzon Pharmaceutical faced a review and were unlikely to receive the go-ahead soon to convert their stocks into H shares. The regulator had stepped up efforts to protect retail investors' interests and make sure that the companies' operations were in compliance with government policies. China International Marine Container (CIMC) became the first mainland firm to relist its B shares in Hong Kong at the end of last year.
- China Merchants Bank (CMB) has obtained approval from the China Securities Regulatory Commission (CSRC) to raise about CNY20 billion through a long-awaited rights issue. The lender said it would implement the rights issue “as soon as possible within the validity period of six months” after gaining approval. “It's likely we'll see more fundraising attempts by mainland banks in the next two quarters,” said Guo Tianyong, Dean of the China Banking Research Center at Beijing's Central University of Finance and Economics.
- Hong Kong brokerage King Fook Securities closed down at the end of July after sluggish transaction volumes and surging costs prompted the parent firm to exit the business. The 42-year-old firm lost HKD34.8 million in the three-year period from 2010 to 2012, eating into the profit of its parent's profitable jewelry business. “The firm could have survived under more favorable conditions but a surge in fixed rental and labor expenses forced us into an exit plan,” said a King Fook Spokeswoman. King Fook Securities is the 12th Hong Kong brokerage to shut its doors this year.
- Yangzijiang Shipbuiding Holdings became the first stock on the Singapore Exchange to be traded in both Singapore dollar and yuan. Giving equity investors the option of trading yuan-denominated stocks marks another incremental step in developing the offshore yuan market in Singapore, though retail investor appetite for such stocks has so far been lukewarm.
- Beijing granted quota under the renminbi qualified foreign institutional investor (RQFII) scheme for the first time to an offshore institution in July. The move broke the 19-month monopoly of the business by Hong Kong arms of mainland asset managers. The State Administration of Foreign Exchange (SAFE) approved CNY16 billion in fresh RQFII quota last month, the third-biggest monthly injection since the scheme was initiated in 2011. Hang Seng Investment Management, the investment arm of Hang Seng Bank, which got its RQFII license in June, obtained a CNY1 billion quota. Fourteen mainland asset managers shared the remainder.
- The government of Shannan prefecture in Tibet has started offering generous tax breaks and other sweeteners in an attempt to attract private equity funds and investment companies. The corporate tax rate for investors is 15%, well below the national norm of 25%. Companies that pay more than CNY5 million in tax can have as much as 40% returned to them. Shannan is also emerging as a haven for companies which want to limit their taxes when selling off shares. Shannan’s tax revenues in the first half of 2013 reached CNY726 million, a 110% increase over the same period a year earlier.

TRAVEL

Air Berlin to sell passenger planes to Minsheng Commercial Aviation

Air Berlin, Germany's second-largest airline by passenger volume, will sell 11 aircraft to Minsheng Commercial Aviation, which will lease them back to the carrier. In addition, Minsheng Commercial Aviation will have an option to buy four Boeing 737s from Air Berlin and put them into the Chinese market. The deal is valued at around USD400 million. Minsheng Financial Leasing Co, the largest business jet leaser in Asia in terms of fleet size, is moving into the commercial aviation market and established a new division – Minsheng Commercial Aviation. “With Air Berlin as our first international customer, Minsheng Commercial Aviation will continue to add other reputable airlines to our client list,” said Johnny Lau, CEO of Minsheng Commercial Aviation. “Financial institutions in the West do not have enough money now and the powerful Chinese leasing companies can expand their international business,” said Li Lei, Civil Aviation Analyst with China Minzu Securities Co. The competition within the international aviation leasing market is fierce. Most of Chinese leasing companies have only just entered the market, he said.

- Spring Airlines and Juneyao Airlines, both discount carriers based in Shanghai, aim to begin flying to Taiwan. Airfares could drop from the average Shanghai-Taiwan round-trip price of NTD15,000 to less than NTD10,000, analysts say. Budget carriers in China normally charge 30% less than the market rate because they do not provide food, entertainment or duty-free shopping during flights. There are now 616 direct flights a week.
- FESCO Adecco, which bills itself as the largest multinational human resources company in China, started a new visa center for the Netherlands in Shanghai to handle an expected 20,000 applications annually. It offers postal applications and other services for accredited companies and travel agencies. Applicants can use the services for joint Schengen visas. Applicants can follow their status online in real time through their personal account on a dedicated website. The total number of visa applications for the Netherlands from China was 55,000 last year, with 20,000 in Shanghai, 25,000 in Beijing and 10,000 in Guangzhou. A 10% increase is expected in 2013.
- Demand for airline tickets between Hong Kong and Taiwan has stood up well five years after the launching of direct flights across the strait, with demand from tourists compensating for the drop in business travelers who used to have to travel via Hong Kong, Taiwanese carrier China Airlines said. It recently launched a new route between Tainan and Hong Kong, with three flights a week. It is the fourth Taiwanese destination it is offering in Hong Kong, following Taipei, Taichung and Kaohsiung.
- The European Union is working on flexible rules for visa applications to woo Chinese travelers in a bid to boost the region's tourism industry, Antonio Tajani, Vice President of the European Commission, told a news conference in Beijing in July. The new flexible visa policy will be officially unveiled in November. According to the China Tourism Academy, some 200 million Chinese nationals may travel abroad annually by 2020, up from 82 million in 2012.
- Chinese Premier Li Keqiang called for reform of funding methods for railways and for accelerated rail construction in central and western regions. The railway construction market will be “fully opened” through reform, and the building of rail facilities in less-developed areas will be emphasized, Li said. The Premier called for multiple fundraising sources for railway construction, including a greater role for private capital and the establishment of a railway development fund. Combined railway investment in 2014 and 2015 will be CNY1.4 trillion.
- Houston in the United States aims to open more direct flights to China to attract business and investment following the launch of the maiden Houston-Beijing flight on July 12. Houston authorities are in talks with the Bank of China (BOC) and energy groups such as CNOOC and Sinopec to open offices in the Texas city.
- Management problems were blamed for 42% of delays to commercial flights in China. Air traffic control measures accounted for 26% of the delays, bad weather about 21% and military restrictions 7%, China News Service said, quoting official figures. The report also said that civil aviation utilizes 34% of China’s airspace, while the military uses 25%. No flights are allowed in the remaining 41% of airspace. According to statistics from the Civil Aviation Administration (CAAC), a quarter of flights were not on

time last year.

- The number of tourists visiting China’s capital fell by more than 14.3% in the first half of this year compared to last year to 2.14 million, with air pollution blamed for the decline.
- The maiden test flight of China’s C919 168-seat passenger plane will be delayed by a year to 2015. The program encountered difficulties due to the manufacturer's level of technological expertise and experience building commercial aircraft. The first delivery of the C919, planned for 2016, may also be delayed to 2018 or 2019. By the end of 2012, at least 15 companies, most of them Chinese, agreed to buy 380 of the aircraft.
- China Railway Investment Corp has opened tenders for 91 bullet trains on behalf of the five regional railway bureaus of Chengdu, Nanchang, Nanning, Shanghai and Wuhan. The tenders are open only to China-based train makers that have licenses for manufacturing high-speed trains. The tenders would be worth more than CNY50 billion, including trains, locomotives and equipment. The country's top two locomotive makers – China CSR and China CNR – are the two firms most likely to benefit from the new contracts.
- Guangzhou Railway Station, a transportation hub for the south, suspended all train services on August 17 due to torrential rain and landslides, affecting at least 80,000 travelers so far. A section of the rail artery linking Guangzhou and Beijing was cut by landslides due to downpours brought by Typhoon Utor. The high-speed service between Beijing and Guangzhou as well as Wuhan and Guangzhou were unaffected.

ONE-LINE NEWS

- Jiang Zhuoqing, former Secretary General of the Shanghai government and Director of the Shanghai Municipal Finance Bureau, and Bai Shaokang, Director of the Shanghai Public Security Bureau, have been appointed Vice Mayors of Shanghai. Former Vice Mayors Shen Xiaoming and Jiang Ping are taking up new posts. Shen is now Party Secretary of the Pudong New Area, while Jiang has been appointed Chairman of the Shanghai Political and Law Commission.
- Parts of eastern and southern China experienced one of the worst heat waves in recorded Chinese history. Shanghai saw its hottest July in at least 140 years, with 24 days of temperatures over 35 degrees. On one day in the first week of August the temperature hit an all-time high of 40.8 degrees at the Xujiahui Observatory. The China Meteorological Administration said 43 southern cities and counties had seen temperatures exceed 40 degrees in July. Meteorologists have labeled this summer the hottest since nationwide records began in 1951.
- Liu Tienan, former Vice Chairman of the National Development and Reform Commission (NDRC) and Director of the National Energy Administration (NEA), was expelled from the Communist Party and removed from public office for discipline and law violations. Liu “took advantage of his position to seek profits for others, and both Liu and his family accepted huge amount of bribes,” the Party’s Central Commission for Discipline Inspection (CCDI) said in a statement.

QUOTES OF THE WEEK

“Banks will send you flowers when you are rich, but they won't even look at you if you're poor.”
Dai Jinlian, Founder of Mother Dai Tea Bags, quoted in the South China Morning Post, August 12, 2013.

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

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