法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 30 SEPTEMBER 2013

FCCC ACTIVITIES

China Market Entry: “Challenges and Successes” – Monday 14 October 2013, 15h30 – International Club of Flanders, Ghent

The Flanders-China Chamber of Commerce is organizing a conference: China Market Entry: “Challenges and Successes”. This event will take place at 15h30 on Monday 14 October 2013 at the International Club of Flanders, Sint-Pietersplein 11, 9000 Ghent.

During this event, highly experienced experts and business leaders will share their knowledge and expertise based on their achievements in China.

Programme:

15h30	Registration
16h00	Welcome by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
16h10	“How are the development needs different in the Chinese labour market: Challenges and Opportunities, by Mr Howard Zhu, Managing Director CPM China/Competence@
16h30	Practical experiences on doing business in China: • Mr Maarten Michielssens, CEO, Econation • Mr Filip Goris, Regional Manager Asia, Recticel • Mr Lieven Danneels, CEO, Televic
17h30	Question and answer session
18h00	Networking reception

During this conference participants will receive the publication “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 on their way to success in the largest and most challenging market on earth.

This event is organized with the support of Flanders Investment & Trade.

Registration online before 9 October. Price members FCCC: €75, non-members: €95.

Lunch session: China in the shop window? A view on new trends in China – Monday, October 21, 2013 – VOKA, Kortrijk

The Flanders-China Chamber of Commerce (FCCC) and VOKA West-Flanders are organizing a lunch session “China in the shop window? A view on new trends in China” on Monday, October 21 from 11h15 till 14h00 at Voka – Kamer Van Koophandel West-Vlaanderen, President Kennedylaan 9a, Kortrijk.

Guest speaker is Mr Etienne Charlier, Managing Director, ProcurAsia.

The China industrial context has drastically changed over the last 10 years. The combination of higher manufacturing costs and a more developed industry has serious impact on sourcing. In this presentation, Etienne Charlier will present this main evolution and highlights the new strength of the country for companies looking for outsourcing manufacturing or sourcing parts and systems. He will also give practical advices and tips for people who want to learn more about how to evaluate Chinese partners, what product to source from China, and how to manage suppliers you buy from.

Price: VOKA & FCCC members: €60, non-members: €90, Ambassador members and members BC Global Sourcing: free of charge. Cancellations up to 5 days before the event in writing (by mail).

Registration at: http://flanders-china.be/eventdetail.asp?id=311&cat=up

PAST EVENTS

Opening Ceremony of the Weihai EU Office in Ghent, Belgium – 24 September 2013

The Flanders-China Chamber of Commerce (FCCC) and the Weihai Municipal Government held the official opening ceremony of the Weihai EU Office in Ghent on 24 September 2013.

The opening of this EU Office is the result of intense cooperation between the Flanders-China Chamber of Commerce (FCCC) and the Weihai Foreign Investment Center. On this occasion, the city of Ghent and the city of Weihai signed a cooperation agreement. At the same time, the Flanders-China Chamber of Commerce and the Weihai Foreign Investment Bureau also signed an MOU to promote cooperation between both sides. The Mayor of Weihai, Mrs Zhang Hui, outlined the investment environment in Weihai, Shandong province, where several Flemish companies such as Bekaert, Beaulieu and Weihai Golden Solar Thermal Industrials have a major investment.

Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce, CEO of Bekaert; Mr Daniel Termont, Mayor of the City of Ghent, Province of East Flanders; and Mrs Zhang Hui, Mayor of Weihai City, Shandong Province, addressed the ceremony. Two MOU's were also signed between the Weihai Foreign Investment Bureau and VITO and a second one between ECRAAL and the Weihai Foreign Investment Bureau.

The event was concluded by a networking reception attended by 120 participants. The meeting is organized with the support of Flanders Investment and Trade. Further information and an investment guide can be obtained at the FCCC: info@flanders-china.be.

Launch “EU Business in China: Position Paper 2013/2014” – 17 September 2013 – Brussels

The annual launch seminar of the “EU Business in China: Position Paper 2013/2014” took place on September 17, 2013 at Business Europe in Brussels.

This seminar was organized by the European Union Chamber of Commerce in China (European Chamber) in collaboration with Business Europe and the EU-China Business Association (EUCBA), for which the Flanders-China Chamber of Commerce acts as secretariat-general. The European Chamber presented its European Business in China Position Paper 2013/2014.

EU Trade Commissioner Karel De Gucht delivered a speech on the current state of EU-China business and economic relations. Mr Davide Cucino, President, European Union Chamber of Commerce in China, presented the European Business in China Position Paper 2012/2013, followed by a Q&A session and closing remarks by Mario Vizzotto, Chairman, BUSINESSEUROPE China.

A copy of the position papers 2013/2014 can be downloaded at the following website: www.euccc.com.cn

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) organized a group business trip to West-China, an enormous market. Minister-President Kris Peeters led the trip from 9 till 13 September 2013 to Chongqing and Chengdu.

On September 11, the Flanders-China Chamber of Commerce (FCCC) organized a breakfast seminar in Chongqing. Mrs Gwenn Sonck, Executive Director of the Flanders China Chamber of Commerce, welcomed the participants and introduced the speakers.
Mr Luc Maton, Member of the Board of the FCCC and General Manager Asia Region of Ahlers, introduced the Flanders-China Chamber of Commerce and its activities. He emphasized the publication of newsletters, the organization of seminars and the sharing of guanxi (networks) to exchange experience and knowledge on China's economy and doing business in the country.

Flanders' Minister-President Kris Peeters expressed his support for the Go West policy of the Chinese government. Chongqing is one of the very fast-growing cities in China with still a big margin for further expansion, he said. He said he hoped the seminar would prove to be a great opportunity to expand the ties between the business communities of Flanders and Chongqing.

Mr. Chen Yu, Chairman of the Chongqing Sub-Council of the China Chamber for the Promotion of International Trade, welcomed the delegation to the city and gave a brief introduction of China's Go West policy and of Chongqing, from its origins in ancient times to its modern development. He also covered the priorities for doing business in Chongqing.

Mr Ulrich O.Birch, Chairman of the European Chamber Southwest Chapter and Senior Consultant at Consenec, a joint venture between ABB, Alstom and Bombardier in Switzerland, gave the perspective of European investors in Chongqing. Mr Birch has been based in Chongqing since 2005, so he has experienced quite some dramatic changes in the development of the city. He emphasized that the municipal government was very accessible to help overcome difficulties. The city benefits from preferential policies, such as a lower corporate income tax, but finding qualified personnel is still an uphill battle, the more so as more companies are investing. Chongqing has a strong manufacturing base and is a natural logistics hub.

Mr Claude Gong, Tax Partner, Deloitte & Touche Chongqing, more generally covered the challenges and opportunities for doing business in the West of China, including in Chongqing. His talk was more focussed on investing. China's Five Year Plan emphasizes development in the West of China to narrow the gap with the coastal areas, he said.

A brief Q&A session concluded the seminar.

In Chongqing, Minister-President Kris Peeters also had a meeting with Mayor Huang Qifan.

The Flanders-China Chamber of Commerce is preparing a special report on Chongqing which will be made available to the members.

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).

MEMBERS' NEWS

De Wolf & Partners establishes a branch office in Shenzhen

De Wolf & Partners, a Structural Partner of the Flanders-China Chamber of Commerce (FCCC), announced the opening of a new branch office in Shenzhen (Guangdong province). This is the second office in China for De Wolf & Partners. The Shanghai office was established in 2007, when Philippe Snel, the firm's Resident Partner in China, joined the firm. This office is mainly focusing on providing assistance to European companies doing business in or with China, helping them to find a way through the maze of Chinese regulations and administrations. In more recent years the firm has also been involved in advising Chinese companies with respect to their European (or even African) investments.

"Currently the balance is about 80% work for inbound (to China) clients versus 20% for outbound (Chinese) clients, but we expect that outbound investment will continue to grow in the years to come" predicts Philippe Snel. "In fact inbound and outbound investment to, respectively from, China are very much interconnected" he adds, "being successful on the inbound business allowed us to become well acquainted with the local business practices and more importantly helped us to establish our business network in China, which network is now steadily feeding our outbound practice."

The Shenzhen office will be catering its services to European companies who are investing or developing their businesses in the South of China, with a particular interest for those companies who are currently doing business in China from their Hong Kong base. However, the focus of the Shenzhen office will also be to provide assistance to Chinese enterprises from the region, which are expanding their business activities to Europe.

Why Shenzhen?
Philippe Snel explained: "Shenzhen holds a unique position in China. It is located at the hearth of the Pearl River Delta, the economic powerhouse of Southern China, yet is only a stone-throw away from Hong Kong, the financial hub for China and beyond. Moreover, it is home to some of the most advanced Chinese companies, eager to further their international expansion. We have been active in this area for many years already, and now we are eager to really become part of this thriving business hub. We want to put the focus on outbound investment as there is more and more demand. Europe is viewed by Chinese investors as a safe, stable destination for investment. It has a large consumer market for sales of goods and services, as well as advanced technologies, an educated workforce and desirable brands that could be acquired to help their competitiveness both domestically and internationally. Operating in the EU, however, is not considered easy and there are numerous obstacles often relating to bureaucratic procedures and high costs."

"A lot of trading companies do not protect themselves and face problems afterwards. By being present, we can work preventive and assist them. Shenzhen is definitely one of the hotbeds for Chinese outbound investment. In particular Shenzhen companies appreciate our expertise in the field of intellectual property and technology transactions."

Inauguration office
The office was inaugurated in the beginning of June in the presence of the Consul General of Belgium in Guangzhou, Mr Jan D'Halleweyn. Preceding the inauguration, the Consul General together with De Wolf & Partners and in collaboration with the Brussels, Flanders and Walloon investment agencies, hosted an event for more than 50 Chinese investors and entrepreneurs presenting the interest of Belgium as a base for their M&A activity in Europe. At this occasion Luc Stalars, Managing Partner of De Wolf & Partners, declared: "We were the first Belgian law firm to register an office in China in 2007. Today, we are the first European law firm to establish a presence in Shenzhen. This new development bears testimony of our firm's strong commitment to China and of our determination to provide even better service to our Chinese clients who are venturing their businesses in Europe."

For more information on the Shenzhen office: Yves Tavernier (yves.tavernier@dewolf-law.be), Partner of De Wolf & Partners Brussels or Philippe Snel (philippe.snel@dewolf-law.cn), Partner of De Wolf & Partners Shanghai/Shenzhen. Website: www.dewolf-law.com

EXPAT CORNER

New visa regulations clarified

The Regulation of the People's Republic of China on the Administration of the Entry and Exit of Foreign Nationals came into effect on September 1. Visas for foreign nationals staying in China increased from nine types to 16. Among the new visas, those with the R prefix are for high-level talents and urgently needed professionals. It is a supporting regulation of the Exit-Entry Administration Law of the People's Republic of China. Newly added visa types include talent visa, business and trade visa, relative visa and private business visa, which are finer categories of the original "F" visa and "L" visa. The original tourist visa and visa for visiting relatives were in the same visa category and now a "Q" visa is added for foreigners' visiting relatives in China. The new regulation states that foreign nationals can apply to extend their stay, while the previous law required that they had to revoke the original visa before receiving a new one. When the visa is extended, the original visa's numbers of entering China is unchanged. The new regulation also offers convenience for foreign nationals to change visa types. It states that after foreigners enter China, they can apply to change their visa type with reasons stated in the regulation. The foreign national can file an application to an authorized entry and exit management agency higher than county level to apply for a new type of visa or change a short stay into residence. The regulation for the first time has added a section covering another person applying for a visa on behalf of a foreigner. Under the following three situations an organization or a person can apply for a visa for someone else:

- If the foreign national is under 16, or 60 and above, or has difficulties in walking;
- If the person has previously entered China and with a good record of stay in China;
- If the inviting organization or individual offers a guarantee to cover the cost of a foreign national's stay in China.

In addition, the inviting organization or individual can also apply for the visas on behalf of foreign high-level talents and urgently needed professionals.

FINANCE

Yuan convertibility in FTZ no threat to London

The experiment in full yuan convertibility through the new free-trade zone in Shanghai will boost transaction volumes in offshore foreign exchange centers like London and Hong Kong that have been accumulating yuan deposits, not render them redundant, according to the Lord Mayor of the City of London. Roger Gifford, visiting Hong Kong to promote London's competitiveness in global finance, said anything that made the yuan easier to trade would benefit existing offshore deposit centers. "I do not consider Shanghai's new free trade zone experiment a threat to London, Hong Kong or any other city," he said. "The more centers to trade the yuan, the bigger the global pie of the yuan business. The experiment in Shanghai will help boost international investors' interest in trading the currency and benefit all offshore yuan trading centers", he said. The decision to allow Shanghai a freer yuan flow has led some analysts to warn the end may be nigh for Hong Kong and other offshore yuan hubs. Gifford rejects such concerns, saying the experiment in free convertibility shows China is keen to move in the direction of a freely convertible currency in the longer term, which will only boost interest in the yuan. Gifford said London, as an international foreign exchange trading center, would be a major center of yuan business. London last year saw a 100% increase in yuan-denominated trade financing to CNY33.6 billion, with a substantial increase in the volumes of a range of yuan-deliverable instruments. Spot yuan trading volumes increased by 240% over 2011, reaching a daily average of USD2.5 billion. The volume of yuan-denominated letters of credit (LCs) and other loan guarantees grew 13 times to CNY4.7 billion. In June, the People's Bank of China (PBOC) and the Bank of England agreed to a three-year currency swap line of up to CNY200 billion.

- 50 million CNY5 brass coins with the Chinese character "Harmony" on the back were issued by the People's Bank of China (PBOC) and proved quite popular. The coin sells at the nominal face value of CNY5 and can be used as currency. This is the third set of coins issued by the central bank since 2009 which carry the Chinese inscription "Harmony."
- BlackRock, the world's largest asset manager, expects China's economy to "surprise on the upside" for the rest of the year, after the cost of insuring debt fell this quarter. China's credit-default swap contracts have declined 39 basis points since June 30, the

most of any major sovereign in the region, according to data provider CMA. The extra yield Chinese borrowers pay over U.S. treasuries to raise U.S. dollars in the debt market dropped 44 basis points in the same period to 362 on September 16, the lowest since January, according to JPMorgan Chase indices.

- A “special inspection” campaign to crack down on arbitrary charges by banks and government administrative departments will begin from next month and last more than eight months. The aim of the inspections is to eradicate these charges and ease the cost of doing business for enterprises. Commercial banks will be penalized if they impose mandatory fees on loans that drive up the overall cost of borrowing for enterprises. The National Development and Reform Commission (NDRC) also said penalties will be levied for arbitrary charges that are imposed on medium-, small-, and micro-sized businesses. Industry associations that collect mandatory membership fees will also face penalties.
- China Pacific Insurance and Dazhong Insurance have received approval to set up in Shanghai’s free trade zone (FTZ) which officially opened on September 29. The two Shanghai-based insurers will offer property and casualty products at their branches in the FTZ to meet demand for insurance such as shipping and offshore liabilities by companies setting up there. Foreign insurers such as AIG have also expressed an interest in setting up a branch in the zone. A draft plan for the FTZ said China may allow foreign companies to operate and sell products directly there.
- The Chinese Gold & Silver Exchange Society in Hong Kong accepted its first overseas member in its 103-year history as part of its plan to go international. Swiss firm Finemetal Asia distributes precious metals products made by Swiss refiner Argor-Heraeus. Exchange President Haywood Cheung said he planned to recruit four more overseas members by the end of the first quarter of next year.
- The Chinese government has appointed five new monetary policy advisers to the People's Bank of China (PBOC) – the first reshuffle this year. The new policy advisers will join the PBOC's 15-member Monetary Policy Committee. New appointees include Xiao Jie, Deputy Secretary General of the cabinet; Wang Bao’an, Vice Minister of Finance; Xiao Gang, Chairman of the China Securities Regulatory Commission (CSRC); Pan Gongsheng, Vice Governor of the PBOC; and Hu Huaibang, Chairman of the China Banking Association.
- China’s new steam coal futures rose on their trading debut, as investors pursued a new hedging tool that could be used by industries from miners to power generators and aluminum smelters. Steam coal for January delivery, the most-active contract, settled 2.77% higher at CNY534.4 per ton on the Zhengzhou Commodity Exchange in Henan province. The new futures could enhance China’s influence over the prices of coal, for which the country is the world’s biggest producer, consumer and importer.
- Chinese banks will suspend cross-bank money transfer services during the National Day holiday (October 1-7) to upgrade to the second-generation payment system. But people will still be able to transfer money through other channels such as the UnionPay system and through cheques. The upgrade requires synchronization operations by the central bank and the 1,800 users on its platforms. In the first half of this year, the central bank's payment and clearing system processed an average of 6.33 million deals amounting to CNY8.2 trillion per day.
- Chinese banks are scrambling for market share in Hong Kong, but accounting firm KPMG says it will continue to be dominated by the Big Three – HSBC, Bank of China (Hong Kong) and Hang Seng Bank. Even though six of the top 10 subsidiaries of mainland banks in the city have seen double-digit growth rates, they are still losing market share in terms of deposits and assets to the larger players because of the rapid growth in those markets, KPMG said. HSBC, BOCHK and Hang Seng combined had 63% of total customer deposits in the city last year, up 1% from 2011.
- A unit of Gree Electric Appliances plans to set up a private bank, the second Chinese home appliance player to eye a move into the financial industry, after Suning Commerce announced its own plans last month. Gree, based in Zhuhai, Guangdong province, with a market value of USD14 billion, said in a filing with the Shenzhen Stock Exchange that Zhuhai Gree Group Finance is in initial talks with Zhuhai Hengqin Village Bank, but said no agreement had been reached.
- China’s local government debt may have doubled in the past two years to CNY19 trillion, underscoring the urgent need to tackle the issue, according to the National Audit Office (NAO). “Funds raised through more concealed channels have expanded

greatly," an NAO official said. Asset quality in some regions is poor and cannot be used to repay debts. A report by Nomura said that financing vehicles used by local governments to raise cash had created CNY19 trillion in debt by the end of last year, posing a major risk to the economy.

- The British government is in talks with Beijing about the granting of quotas to financial institutions in the City of London that would give their offshore yuan deposits access to the Chinese market. The Chinese government said in July it would allow companies in London and Singapore to participate in the renminbi qualified institutional investor (RQFII) scheme. However, no London-based company has yet been approved.
- With the rising use of the yuan in trade and investment, debate about the Hong Kong dollar's 30-year-old peg to the U.S. dollar is intensifying. The debate was further fueled earlier this month when the Bank for International Settlements (BIS) said that dealing in the Chinese currency had reached the equivalent of USD118 billion a day, accounting for 2.2% of the global foreign-exchange market and exceeding the Hong Kong dollar's 1.4% share, just three years after Beijing relaxed rules and allowed the yuan to trade in Hong Kong. Economists say it is not impossible that Hong Kong will choose to peg its dollar to the yuan, according to the South China Morning Post.

FOREIGN INVESTMENT

Foreign and domestic firms equally targeted in anti-monopoly campaign

The Chinese government treats companies equally regardless of their ownership as it investigates anti-trust behavior, said Xu Kunlin, Director of the Anti-monopoly Bureau of the National Development and Reform Commission (NDRC). He said that competition policy should become a key economic principle in China, and that only "heavy punches will work" to halt a rise in monopolistic practices by companies in the country. China could extend its anti-trust investigations to more industries such as petroleum, banking, automotive and telecommunications, which have a direct impact on the lives of ordinary Chinese. Last month, the NDRC fined a group of mostly foreign milk power producers a total of CNY668.8 million for price-fixing. Since China passed its landmark anti-trust law in 2008, the biggest fine imposed was on Kweichow Moutai Co, a leading luxury liquor maker, which was fined CNY247 million for violating price monopoly regulations early this year.

- Textile machinery makers plan to increase investment in China as the country is set to become the world's largest apparel market. France-based Lectra, which provides software and cutting systems for the garment industry, expects to see sales in China post a record high this year. The company said that China holds great potential as the country is set to become the world's largest apparel market by 2025.

FOREIGN TRADE

Shanghai's foreign trade zone established

The China (Shanghai) Pilot Free Trade Zone (FTZ) was inaugurated on September 29. Commerce Minister Gao Hucheng said at the opening ceremony that the government hoped the zone would function as a testing ground for reforms and an open economy and act as a demonstration to promote economic development nationwide. A video-game joint venture of Microsoft and Shanghai-based internet TV firm BesTV became the first company registered in the free trade zone. The company's business license was handed over by Shanghai Party Secretary Han Zheng to Ralph Haupter, Chairman and Chief Executive of Microsoft China. Another 35 companies were given licenses to operate in the zone, which covers almost 29 square kilometers in the Pudong New Area. A blueprint for the free trade zone charts over 90 policies concerning five major areas. DBS China Managing Director Tan Teck Long described the launch as a significant milestone for the country's economic reforms, saying it would bring vigorous developments in trade, law, consulting and especially financial innovation. The China Banking Regulatory Commission (CBRC) said it will scrap the limitation on the number of new branches a bank can establish in the zone per year, ease requirements on the operating years required for foreign banks to carry out yuan business and encourage banks in the zone to carry out cross-border financing services. The China Securities Regulatory Commission (CSRC) announced it would allow the establishment of an international oil futures trading platform to facilitate foreign participation in domestic commodities future trading. Foreign and Chinese investors in the zone, including institutions and qualified individuals, will be allowed to invest in securities markets directly across the border. A negative list of 190 items will be released soon to allow more leeway for foreign investors and traders, according to Dai Haibo, Deputy Director of the zone's Administrative Committee. The negative list, in contrast to a positive list, specifies all sectors in which restrictions will remain for foreign enterprises. A registration system for setting up an operation in the zone has been introduced to replace the current approval system, which has simplified procedures and reduced processing time from 29 days to four days, Dai said.

Premier Li Keqiang, Vice Premier Wang Yang and People's Bank of China (PBOC) Governor Zhao Xiaochuan, who had been expected to be present at the opening of the zone, were absent.

According to the reform blueprint for the Shanghai FTZ, 18 service sectors will open wider to foreign and private capital ranging from finance, shipping, commerce to culture. Foreign companies will be permitted to conduct "a portion of specific types of telecommunications value-added business on condition of ensuring information security." Foreign companies can establish call centers, provide internet information and related software technology services in the zone. They are also allowed to produce and sell video game gadgets in China, providing the contents pass the country's censorship. In addition, foreign travel agencies registered in the FTZ can conduct overseas trip business except to Taiwan. Entertainment agencies will be allowed, for the first time, to solely provide performance brokerage business in Shanghai. Foreign companies could also team up with Chinese partners to open educational and vocational training centers, provide health care insurance services, and establish independent medical institutions. Laws and regulations governing foreign investment will be suspended for three years, starting on October 1, to remove legal barriers for foreign participants. Major Chinese banks have applied to open a branch in the pilot zone. Shanghai Pudong Development Bank (SPDB) is set to become one of the first batch of lenders to operate a branch in the zone. Beijing will allow foreign banks to skip long and often bureaucratic approval processes when setting up their wholly-owned units in the free-trade zone. It often took a few years for a foreign bank to first set up a symbolic representative office in China and then upgrade it to a full-service branch. Peter Wong, Chief Executive of HSBC Asia Pacific said in a statement that the free trade zone in Shanghai "will open a new phase in China's financial reform process, bringing greater flexibility and fresh options to the heart of the world's most dynamic economy."

The FTZ will be a testing ground for further liberalization of China's capital account and financial services. Changes are to include interest rate reform and exchange rate convertibility. Given the fungible nature of money, the greatest challenge will be controlling the flow of capital between the FTZ and the rest of China. If capital account liberalization takes place, the different interest rates and exchange rates will create trading distortions and arbitrage opportunities for traders on both sides of the FTZ. It is not clear how this will be managed, or which government body will assume authority. "There must be a new supervisory framework regulating banks operating in the free trade zone," ANZ Bank Analysts wrote in a recent report. Without such controls and further reforms of the mainland banking system, says ANZ, there is a danger that leakage from the FTZ could upset the country's financial stability, the South China Morning Post and Shanghai Daily report.

U.S. to restart exports of chicken parts to China

The United States called on China to reopen its market to U.S. chicken broiler parts following the formal adoption by the World Trade Organization (WTO) of a ruling in the four-year-old dispute. U.S. chicken exports to China have fallen 90% over the past four years, costing sellers an estimated USD1 billion, after China imposed high anti-dumping duties. U.S. Trade Representative Michael Froman said that in the wake of the ruling, China should revise its trade rules. China welcomed part of the ruling. The WTO panel report supported China's reasons regarding how domestic industry and trade level differences are determined. China imposed anti-dumping duties on chicken products from the U.S. in September 2010, claiming they were subsidized and then dumped in the Chinese market at a price less than fair value.

China seizes Belgian pigeons in tax dispute

Chinese authorities seized hundreds of Belgian pigeons, including Bolt, the world's most expensive racer, sold for €310,000 earlier this year. Bolt was released last week, together with 400 other birds, but a further 1,200 racing pigeons are still held because of a dispute over import duties. The Belgian Ambassador to China, Michel Malherbe, is in talks to try to free the remaining pigeons. Chinese authorities have said the birds were declared at only nominal values, meaning China would be losing out massively on tax and import duties. Import duties are 10% of the value and, on top of that, a tax of 13% is levied, meaning China was due around €75,000 for Bolt alone. He was auctioned in May by Pigeon Paradise (PIPA), and his release was secured after PIPA's Chief Executive Nikolaas Gyselbrecht flew to Beijing to negotiate, the South China Morning Post reports.

- Turkey has agreed to a USD4 billion co-production deal for the FD-2000 long-range air and missile defense system with the China Precision Machinery Import and Export Corp (CPMIEC). Some Western defense analysts had expected the contract to go to Raytheon, which builds the Patriot missile, or the Franco/Italian Eurosam SAMP/T. The missiles are to be integrated in NATO’s command and control system. It is China's largest and most advanced arms sales contract with a Nato country.

MACRO-ECONOMY

Flash PMI shows further economic expansion

China’s manufacturing activity in September expanded the most in six months, indicating continuing improvement in the country’s economy. The HSBC Flash China Manufacturing Purchasing Managers Index (PMI) settled at 51.2 this month, up from August’s final reading of 50.1 and July’s 47.7, which was the lowest in 11 months. A reading above 50 means expansion. The final HSBC PMI – released on September 30 – stood at 50.2, below last week’s flash reading of 51.2, with domestic orders proving to be weaker than preliminary estimates suggested. The Flash PMI showed growth in output, new orders, export orders and prices was faster in September, while employment fell at a slower rate. Qu Hongbin, Chief Economist for China and co-head of Asian Economic Research at HSBC, said the data confirmed a rebound in China’s growth supported by improvements in external and domestic demand. Zhu Haibin, JPMorgan China’s Chief Economist, said the PMI was higher than expected, but China may still risk slower growth next year under economic reforms and relatively tight monetary policies. “The economy is still facing structural problems of overcapacity in some key industries and mounting financial risks,” Zhu said. Exports staged a promising comeback this month, the Flash PMI showed, with new export orders jumping 3.6 points to a 10-month peak of 50.8. It was the first time in six months that export orders were above 50 points, the level that indicates expansion. Domestic demand also showed resilience. The National Bureau of Statistics (NBS) releases the official manufacturing PMI, sampling mainly state-owned companies, on October 1. The official gauge rose to 51 in August, the highest since April 2012.

Hidden household income higher than official figures

China’s hidden household income totaled CNY6.2 trillion in 2011 – accounting for 12% of the country’s GDP – underlining the widespread impression corruption represents a “serious challenge” to society, according to a study by the National Economic Research Institute in Beijing. Most of this undeclared personal or household income comes from undocumented sources and is held by a few individuals, the study says. The analysis is based on a survey of more than 5,300 households in 18 provinces and 66 cities. The study results estimated the 2012 per capita income of the richest 10% of the urban population at CNY188,000 – 3.2 times more than the official figure. The urban rich make almost 21 times more than the poorest members of society. Official figures placed the gap at 8.6 times. “Corruption’s impact on society is expanding, posing a serious challenge to society,” the report said. Hidden income, also known as ‘grey income’, includes earnings ranging from utterly illegal activities such as bribes and off-book transactions, to gifts by parents to teachers. The study concludes the urban population had a Gini index of 0.5 in 2011, a higher figure than that released by the official National Bureau of Statistics (NBS) in January. The study cited loose monetary policy, exacerbated by lax regulations, as the cause of the swelling volume of hidden income. It pointed to the mismanagement of public funds, a lack of procedures regulating the economy, uneven income distribution triggered by monopoly holdings, government-determined monopolies in public administration, a lack of effective oversight of public power, and corruption in the public service sector. The first investigation into the subject in 2007 found a 55 times difference in income between China’s poorest and wealthiest groups in 2005, significantly greater than the official figure of 21 times, the South China Morning Post reports.

Economic recovery on fragile foundations, survey says

Despite data pointing to a gradual economic recovery, a poll of 2,000 firms shows business conditions are not well, according to the China Beige Book. Bank credit is a particular worry for companies in the heavy industry and construction sectors. The survey suggests the recovery is built on fragile foundations. “This release represents perhaps the most surprising – and important – data that we have released in seven quarters of polling, with results that undercut the conventional wisdom that the third quarter saw both significant stimulus and a significant recovery. Both appear to be a fiction,” Leeland Miller, President of CCB International, which published the survey, told the South China Morning Post. Manufacturing and real estate activity slowed, mining and transport growth sank and services and retail activity managed only slight gains after a poor second quarter, the survey found. The China Beige Book survey suggests that economic momentum has already gone into reverse, with credit conditions the clearest indication. Only 18% of bankers polled by the survey said that more than 30% of business loans went to new customers – down 22 points on the previous survey – which means a greater proportion of lending in the past three months was directed to debt roll-overs, or lengthening credit lines to existing borrowers. Of the eight regions the survey tracks, Guangdong experienced the sharpest decline in revenue growth, particularly in the retail sector. The Beijing and Shanghai regions had stable gains, while the southwest, north, central and northeast regions all saw slowdowns. Only the west saw a slight pickup in growth, the South China Morning Post reports.

Industrial profits up sharply in August

Profits in China’s industrial sector accelerated sharply in August on a yearly basis, thanks to a lower comparative base, suggesting a steady growth momentum after a slowdown in the beginning of the year. Industrial profits jumped 24.2% from a year earlier to CNY483.1 billion in August, more than doubling the 11.6% gain in July, the National Bureau of Statistics (NBS) said. He Ping, NBS Researcher, said a low comparative base last year was one of the major reasons for the much faster acceleration. “Industrial profit fell 6.2% year-on-year in August last year, which was the biggest drop in 2012 and created a low base for comparison,” He said. He added that a stabilizing economy also contributed to growing industrial profits. China’s gross domestic product (GDP) expanded 7.5% from a year earlier in the second quarter. The profit acceleration was led by stronger performances in power generation, information technology, oil refinery and automotive. Power companies more than doubled their aggregate profits to CNY34.8 billion in August, while car manufacturers posted CNY309 billion in profits, up 20.4% yearly because of brisk sales.

- Most of China’s small and medium-sized enterprises have seen profit growth slowing this year as costs rise and financing remains tight, according to a survey by the Ministry of Industry and Information Technology (MIIT). More than half complained of rising labor, raw material and financing costs. The MIIT said it would establish a long-term mechanism to reduce small firms’ burdens, including scrapping some taxes, setting up specialist financial institutions to lend to small firms and easing curbs on small firms issuing bonds. SMEs account for 60% of China’s gross domestic product (GDP) and some 75% of new jobs.
- A Hudson report said 54.9% of nearly 1,000 Chinese employers surveyed plan to add to their headcount in the October- December period, up 3.4 percentage points from the previous quarter, while the intention to cut the workforce fell by 5.1 percentage points to 8.1%. “With activity picking up, companies are looking to increase headcount to support their business growth in China,” said Cherol Cheuk, Joint General Manager of Hudson Shanghai. She noticed that medium and smaller companies “are more active in hiring as they seek to grab a bigger market share,” compared with large organizations which are more selective. Employers in media, public relations and advertising expressed the highest hiring intentions.
- Markus Rodlauer, Deputy Director of the IMF’s Asia Pacific Department, said the IMF expected China’s economy will avoid a second-half slowdown and grow 7.75% this year. He noted that double-digit retail sales growth and figures for industrial added value and fixed asset investment suggest that activity has been stabilizing into the third quarter. China is regaining traction after more than two years of cooling growth.

MERGERS & ACQUISITIONS

China could become biggest foreign investor by 2017

Chinese firms have honest objectives in their efforts to acquire overseas assets, but political suspicions remain the biggest barrier to getting deals done, China International Capital Corp (CICC) Chairman Jin Liqun said at a forum in Beijing. Those tensions could be reduced as the companies explore a wider range of acquisition targets, moving away from natural resources and into less sensitive areas, researchers say, and that could fuel a flow of deals tipped to make China the world's biggest outbound foreign direct investor by 2017. The major concern facing Chinese state-owned enterprises (SOEs) seeking to invest in the energy and resources sectors overseas was speculation they were committed to the political objectives of the central government. “We do everything under the law, of your country and mine”, Jin emphasized. China National Offshore Oil Corp (CNOOC) saw its planned purchase of Unocal rejected by U.S. regulators in 2005 and telecommunications equipment maker Huawei Technologies was forced to abandon its plan to buy the assets of 3Leaf Systems in 2011. However, pork producer Smithfield Foods won national security clearance this month for its proposed USD4.7 billion sale to meat processor Shuanghui International – a deal that ranks as the biggest purchase of a U.S. company by a Chinese firm. While global foreign direct investment (FDI) fell 17% last year, China became the world's third-largest investor after the U.S. and Japan, with outbound direct investment (ODI) surging 17.6% to a record USD87.8 billion.

- China Investment Corp (CIC) has acquired a 12.5% stake in Russian potash producer Uralkali worth USD575 billion in a bond exchange deal with Wadge Holdings. China is the world’s largest consumer of potash.
- Shareholders of Smithfield Foods approved the take-over of the company by Shuanghui International Holdings for USD4.72 billion. 96% of the votes cast during a special shareholders’ meeting in Richmond, U.S., were in favor of the deal. Smithfield Foods, whose brands include Armour, Farmland and its namesake, was founded in 1936, has grown to annual sales of USD13 billion and has about 46,000 employees. Starboard Value, the activist investor that has advocated a break-up of Smithfield since June, was unable to offer an alternative to Shuanghui's offer.
- Chinese firms have no special hurdles to surmount in acquiring assets in the United States, said Gary Locke, the U.S. Ambassador to China. Neither was there a different level of scrutiny applied to deals involving state-owned enterprises (SOEs) or privately-owned companies, he said.
- Bosideng International, a Chinese coat maker that runs a store in London's West End, plans to acquire an 80-store apparel chain in England to sell its down jackets, and was also in early negotiations with European high-end coat brands about making a possible acquisition. The Hong Kong-listed coat maker, which sells down-jackets and winter coats under brands such as Bosideng and Snow Flying, is pushing to build a European presence to boost its image at home and increase sales outside China. Bosideng had 13,009 down-jacket retail outlets as of March 31.

PETROCHEMICALS

NDRC raises prices for higher quality fuel

China will raise prices for higher quality fuels to encourage production at refineries. The National Development and Reform Commission (NDRC) announced that motor gasoline and diesel that meet the National IV standard will be raised by CNY290 and CNY370 per ton respectively over the next two years. Prices for gasoline and diesel that meet the National V standard will rise a further CNY170 and CNY160 a ton respectively by the end of 2017. The NDRC has urged Sinopec and PetroChina to upgrade refining facilities for cleaner products, with the upgrading costs being jointly borne by refiners and consumers. The capital is the only city on the Chinese mainland to have already adopted the National V standard. Tong Xiaojun, Deputy General Manager of Sinopec’s Shanghai branch, has said prices will remain flat at least until the company upgrades all its local stations by the end of October.

CNOOC receives license for Ugandan oil field

The Ugandan government has issued its first oil production license to China National Offshore Oil Corp (CNOOC). Production at the King Fisher oil field is expected to start in 2017 with the refinery producing a maximum of over 60,000 barrels of oil per day. CNOOC will have to invest over USD2 billion in the production process, including a 50-kilometer oil pipeline from Kingfisher well to Kabale, the site for the proposed oil refinery. Although the Kingfisher well located in western Uganda is estimated to have over 630 million barrels of oil, experts say only 190 million barrels are recoverable. The recovery rate will be about 31%, slightly above the internationally known 30%. After completion, the Kingfisher well will produce between 30,000 and 40,000 barrels of oil per day.

- Chinese energy companies are stepping up their investment in projects to turn coal into liquid fuel, chemicals and natural gas, as tumbling coal prices caused by oversupply make such processes more lucrative. Now, with prices of imported oil and gas staying high, replacing them with cheap domestic coal – particularly coal from remote regions – to produce downstream fuel and industrial chemicals makes economic sense, but analysts warn that concerns about the depletion of scarce water resources and carbon dioxide emissions from such water-intensive and emission-heavy projects mean they face big environmental challenges and uncertain returns.
- Director and Deputy General Manager He Yuying of Sichuan Star Cable, a supplier to scandal-plagued China National Petroleum Corporation (CNPC), has died after falling from a building in Chengdu. The Communist Party's Central Commission for Discipline Inspection (CCDI) has been expanding its investigations into Sichuan and the oil industry, which have long served as power bases for former Politburo Standing Committee Member Zhou Yongkang.
- Agricultural Bank of China (ABC) called in CNY186 million of loans to the Hong Kong-listed firm Wison Engineering Services, sparking fears that other banks may follow. Top executives of Wison, a supplier of engineering services and equipment to PetroChina, are being investigated for corruption. The loans accounted for 10% of Wison's bank borrowings. The company said it had not breached any terms of its loans.

REAL ESTATE

Dalian Wanda Chairman is China richest property developer

Wang Jianlin, Founder and Chairman of Dalian Wanda Group, topped the ranking of China's 50 richest property developers for the third time in four years, the Hurun Research Institute said. With CNY135 billion in personal assets, 59-year-old Wang is said to have made CNY110 billion from his real estate business, a figure which more than doubled that of last year. By the end of last year, Dalian Wanda owned 12.9 million square meters of properties ranging from shopping plazas, five-star hotels, resorts, department stores to office buildings. The group has gained financially this year from a backdoor listing of Dalian Wanda Commercial Property in Hong Kong in March. Yang Huiyan, heiress to Country Garden, and her family followed Wang in the ranking with CNY42.5 billion worth of property-related assets. Yang is the richest woman on the Chinese mainland this year. Third on the list with CNY35 billion is Chen Lihua of Fu Wah International, who is currently the richest self-made woman in the world, according to Hurun. The booming real estate market this year saw the cutoff point in the ranking for the 50 richest property tycoons rise 25% to its highest level of CNY7.5 billion, propelling the average wealth level by 22.5% to CNY15.7 billion.

- New World China Land, the property unit of New World Development, is looking at a conservative property sales target next year after reporting a 64% increase in core profit for the year to June 30. The developer, one of the first in Hong Kong to venture into the mainland market, projected a sales target of CNY17 billion for next year. In the financial year to June, it secured contract sales of CNY16.53 billion. New World China next year expects to sell more homes in second-, third- and fourth-tier cities, where prices are cheaper than in first-tier cities. Gross profit margins are expected to drop to 35% to 40%.
- Residential land deals in cities, measured by area, rose 26% year-on-year in the first eight months of the year, according to China Investment Securities. The average price

per square meter jumped 43%, pushing proceeds up 80% to CNY816.5 billion. Local governments rely on revenue from the sales to repay debt, especially as economic growth slows. Developers bid up prices because demand from homebuyers remains strong. The cycle is driving property costs higher, raising social unrest over the lack of affordable housing.

- SOHO China appealed at the Shanghai Higher People's Court to overturn a previous ruling that invalidated its purchase of a major stake in a prime plot on the Bund from two property developers. SOHO bought a 50% stake in the parcel for CNY4 billion in late 2011. The dispute centered on whether Fosun's previous partners Zendai and Greentown could sell their shares to SOHO without Fosun's consent. Fosun argued it was entitled to a preemptive right to buy the remaining half of the project.
- Hong Kong developer K Wah International has jumped on the bandwagon of the free trade zone (FTZ) in Shanghai, hoping its upcoming residential project near the zone may anchor its expansion plans. K Wah plans to start construction soon of a residential complex with a ground floor area of about 30,000 square meters at Jinqiao, which is just a few kilometers from the free trade zone. K Wah has 270,000 sq m of developments under construction in Shanghai.

RETAIL

More bribery allegations against Dumex

Chinese state media broadcast further allegations of bribery against baby formula maker Dumex, a subsidiary of Danone. CCTV claimed Dumex had paid out nearly CNY500,000 in bribes in April alone to doctors and nurses in Beijing and five northern provinces – Heilongjiang, Hebei, Liaoning, Jilin, and Inner Mongolia – as well as Tianjin. Dumex said a thorough investigation was launched. An anonymous whistle-blower provided CCTV with a personal computer used by senior Dumex executives, which contained suspicious data on Dumex's payments to hospital staff. Last year, Dumex was the top seller of baby milk powder in China with CNY5.73 billion of revenue. The company has 18 factories and 9,216 employees in China. Swiss drug firm Novartis said it would investigate allegations that its eye care unit Alcon bribed doctors in China, and the local governments of Shanghai, Beijing and Guangdong are investigating whether Sanofi had bribed hospitals. Danone is also investigating reports that its Nutricia unit gave gifts to more than 100 doctors at 14 Beijing hospitals.

Fonterra to launch self-branded infant formula

The world's largest dairy producer Fonterra will launch its self branded infant formula in China by the end of the year. Fonterra CEO Theo Spierings said its Anmum brand of infant milk formula will be available in 70 Chinese cities in two to three years. The company also said it was stepping up its China expansion. Fonterra recently launched Anmum infant formula in Guangdong province on a pilot basis. But Spierings said the rollout for Beijing and Shanghai would be delayed as Fonterra had yet to develop a retail presence in the capital, and still had to assess whether it could take on fierce competition in Shanghai. In pushing its own brand in China, Fonterra will be up against rivals such as Danone – a major customer whose brands command 9.2% of the Chinese market – and Mead Johnson. The New Zealand company also plans to build an ultra-high temperature milk producing plant in China that is set to be operational by 2016. Sales of milk powder in China reached CNY75.2 billion last year and are set to grow to CNY152.4 billion by 2016, according to market researcher Euromonitor International. Fonterra China reported a 20% annual increase in earnings before interest and tax for the financial year ended on July 31.

- The China Food and Drug Administration has ordered an investigation into four beverage groups after claims that their juice products were being made from rotten fruit. Two companies in Anhui have been ordered to suspend operations and cooperate with law enforcement departments in further investigations. Reporters of the 21st Century Business Herald had found farmers in what are China's major fruit production areas selling poor quality produce to distribution centers. Fruit juice producer Huiyuan denied it used fruit that had quality problems.
- KKR & Co is leading a joint venture with China Modern Dairy Holdings and Chinese private equity firm CDH Investments to invest USD140 million in two large dairy farms

to meet rising domestic demand for premium milk products. Modern Dairy, China Mengniu Dairy Co and Inner Mongolia Yili Industrial Group Co are among the Chinese companies expected to eventually hold a dominant share of the milk industry as larger operators seize control of the market.

- The Little Sheep hotpot chain, which became a unit of Yum! Brands last year, will continue to expand rapidly after receiving positive feedback on its latest brand upgrading. By the end of this year, at least 10 new Little Sheep restaurants featuring a new logo, decoration, management and service culture will open in several cities. The brand's new logo was introduced in Fuzhou, Fujian province, last week.

SCIENCE & TECHNOLOGY

More Chinese secondary school pupils studying abroad

More than one-in-four Chinese secondary school pupils keen to study overseas say they would like to go while they are still in high school, according to the Bluebook of Global Talent. By sending their children overseas to finish secondary school, parents hope their children will better master the language and acclimatize to a foreign culture, giving them a competitive edge during university admissions. The Bluebook's author, Wang Huiyao, said the number of Chinese children studying in American high schools had grown from 65 in 2006 to nearly 24,000 last year, according to statistics from the U.S. Department of Homeland Security. "Even more strikingly, pupils with outstanding performance have edged out those from privileged families to lead the trend among younger pupils going to study overseas," said Wang, who is also Director of the Center for China and Globalization. The survey of 7,700 secondary school pupils found 27% of those who wanted to study overseas hoped to head abroad before finishing secondary school. Another 61% would like to study abroad as they finish high school. Only 12% wanted to wait until finishing high school before going abroad. The exodus of younger pupils should serve as a wake-up call to education authorities, said Sang Peng, President of the Beijing Overseas-Study Service Association. It shows the country's school system is failing to properly nurture domestic talent.

U.S. and China partner on small-scale space projects

China and the United States are unlikely to partner on large space projects any time soon, but cooperation is already under way on smaller scientific endeavors. In a visit to Beijing, Nasa Administrator Charles Bolden met Bai Chunli, President of the Chinese Academy of Sciences (CAS). Bolden participated in the International Astronautical Congress (IAC), which was held in Beijing last week. In 2011, the U.S. Congress banned the use of federal funds in that year's fiscal spending bill for any collaboration between Nasa and China, but now cooperation would be possible in smaller projects such as in space geodesy – the three-dimensional measurement of the earth. Bolden expressed interest in more cooperation in fields such as space-to-earth observation.

- A new campus of the Shanghai University of the Elderly opened, aiming to bridge the technology gap between young and old. Located in the Shanghai Science and Technology Art Education Center, it offers training in tablets, digital cameras, smart TVs and games consoles to help seniors adopt the digital life. About 60 people aged between 50 and 80 years old have signed up.
- The U.S. Securities and Exchange Commission (SEC) charged former Chief Executive Chan Tze Ngon of China-based ChinaCast Education Corp with stealing tens of millions of dollars from investors in a U.S. public offering. The SEC also charged the company's former President of China Operations, Jiang Xiangyuan, with insider trading. The company, which once had a market capitalization of more than USD200 million, entered the U.S. capital markets through a so-called reverse-merger in 2006. Nasdaq delisted ChinaCast after it failed to file an annual report for 2011.

STOCK MARKETS

Alibaba drops Hong Kong listing, focusses on New York

Alibaba Group will try to convince New York regulators to accept its controversial executive partnership structure and list shares there after abandoning efforts to persuade Hong Kong authorities. A partnership arrangement is allowed under New York listing rules, but not in Hong Kong. Alibaba had been prepared to cut the number of partners and bind them to a three-year share sale ban to win the approval of Hong Kong regulators, but decided to focus on a listing in New York instead. Hong Kong regulators worry the partnership structure gives top executives more rights than ordinary shareholders by allowing them to nominate a majority of candidates to the Board of Directors. Sources close to Alibaba insist the firm does not want a dual share structure or a change to the rules. Instead, it had sought an exemption under an existing rule in the Hong Kong listing code. Alibaba Founder and Chairman Jack Ma wants to keep control of the board by being able to appoint the majority of its members, but Ma and his top executives own only about 10% of the company, compared with about 24% owned by Yahoo and 37% by SoftBank. Sources close to Hong Kong's Securities and Futures Commission (SFC) have consistently said that a structure giving one group of shareholders more power than another would be unacceptable, the South China Morning Post reports.

- Cofco, China's largest food trader and processor, is injecting mainland property assets valued at HKD14.17 billion into its Hong Kong-listed property unit, Hong Kong Parkview Group, in a back-door listing. The asset injection – covering commercial, office and hotel properties – will make Hong Kong Parkview "the overseas-listed platform of Cofco, holding its mixed-use complexes as well as other commercial properties", Hong Kong Parkview said in an announcement to the Hong Kong exchange. Hong Kong Parkview will be renamed Cofco Land after the deal is completed.
- China Huishan Dairy's stock fell on its first day of trading. The poor debut casts a shadow on listing hopefuls in Hong Kong. Huishan Dairy was one of the city's best-priced initial public offerings (IPOs) this year, with its listing priced at the top of the marketed range. The stock fell 3% from its offer price of HKD2.67. "The high-end price makes it less attractive to investors, who may be waiting on the sidelines for lower valuations," said Ronald Wan, Chief China Adviser at Asian Capital (HK). "The market is not stable yet and there are no sure-win IPOs." The value of Hong Kong offerings has reached USD7.8 billion this year, poised to surpass the USD8 billion for all of last year.

TRAVEL

Chinese tourists venturing further abroad

The travel website TripAdvisor said its data on customer searches showed people from mainland China still love to go to nearby Hong Kong and Macao, but are increasingly looking for holidays in Asia, Europe and North America. "This new generation of Chinese outbound travelers is making their own decisions about where to go, where to stay and what to do by doing their own research online, going beyond the old stereotype of big buses of group tourists," Lily Cheng, Managing Director of TripAdvisor China, said. Hong Kong was the most popular destination search in July to August, with interest from Chinese travelers rising 50% from the same period of last year, TripAdvisor said. Phuket in Thailand, was in second place, with 3.5 times as many searches than a year earlier. Taiwan was third (up 4.5 times), Bangkok was fourth (up 3.7 times) and Paris was fifth (up 4.6 times). Other popular places in the Chinese top 20 included Dubai, Seoul, Singapore, Bali, Rome, New York and London. Four destinations had booming growth, with searches up by more than six times: Jeju Island in South Korea, Kyoto in Japan, Kota Kinabalu in Malaysia and Vietnam's Hanoi. While tourism spending is on the rise globally, Chinese travelers are the most avid consumers and a big target market for operators of hotels, shops and attractions. Barclays analysts said in July that spending by Chinese tourists rose 22% in the second quarter, compared with 20% in the first three months of the year, as global tourism spending grew 14%. Last year, more than 83 million Chinese travelled abroad – a number expected to soar to 200 million by 2020. Chinese spending on overseas travel was the highest in the world last year at USD102 billion, the South China Morning Post reports.

Delivery of ARJ21 jet delayed again

The delivery date of China's long-delayed first commercial jet airliner has been pushed back again. Originally promised for 2007, the 90-seat ARJ21 was most recently expected late this year, but COMAC Chairman Jin Zhuanglong said it will now be ready in mid-2014. He blamed delays in the ARJ21 program on China's inexperience in designing, building and certifying commercial jetliners. The launch customer will be Chengdu Airlines, a small Chinese regional carrier that has ordered 30 planes. Delays in the ARJ21 could have knock-on effects for the development of the bigger and more ambitious C919, intended to compete with Boeing's 737 and the Airbus A320. The U.S. Federal Aviation Agency will not issue crucial U.S. certification for the larger plane until the ARJ21 is certified. COMAC already has about 240 firm orders and options for the ARJ21, mostly from domestic carriers, but also from GE Capital Aviation Services and Lao Airlines. It has about 380 orders for the 174-seat C919.

- The Shanghai city government has approved the city's first Bus Rapid Transit (BRT) route, which is to use its own dedicated lanes linking a residential area in Fengxian district to the Oriental Sports Center in the Pudong New Area, cutting the duration of the trip by half an hour to about 45 minutes. The BRT line will be 22 kilometers long with 14 stations.
- Shanghai will work out regulations for its taxi booking service by the end of the year and incorporate 85% of the city's taxis into the booking system. Shanghai currently has 32,600 taxis registered with the telephone booking service, accounting for 67% of the total. In recent months, mobile taxi booking applications have been popular among smartphone users, posing a challenge to traditional taxi booking service.
- Three Chinese companies have ordered 68 A320 aircraft, Airbus said, in deals worth more than USD6.75 billion at list prices. Aircraft-leasing firm BOC Aviation ordered 25 planes, Qingdao Airlines requested 23 planes, and Zhejiang Loong Airlines sought 20. The orders marked a "vote of confidence in the long-term appeal of our popular A320 family," John Leahy, Airbus's Chief Operating Officer for Customers, said. Eric Chen, President of Airbus China, said the company plans to deliver the first of the new A330-300 aircraft by the end of 2015 or early 2016.
- NWS Holdings, an infrastructure arm of New World Development, says it is seeking to acquire new toll roads in China. The company booked a 24% year-on-year drop in full-year net profit to HKD4 billion. Toll-road operations contributed 30% of the company's operating profit, at HKD1.24 billion. Executive Director Tommy Cheung said the Ministry of Transport discussed extending toll-road operators' concession periods earlier this year to compensate them for the losses caused by the new rule that toll roads would be free during holidays.
- John Slosar, Chief Executive of Cathay Pacific, said it would be unfair if Jetstar Hong Kong – which he described as a franchise of foreign carriers – was granted air traffic rights in the city. The start-up airline, which was established by Australia's Qantas Airways and China Eastern Airlines last year, invited Shun Tak Holdings to be a shareholder in June – in a bid to boost its local credentials. But Slosar said it would break Article 134 of the Basic Law if the government granted a license to Jetstar Hong Kong.

ONE-LINE NEWS

- Shanghai has issued a circular to all government and Party officials, forbidding the holding of unnecessary government-funded training programs abroad. The size of the group and the length of overseas stay should also be strictly controlled.
- At least 25 people were killed when Typhoon Usagi hit Hong Kong and Guangdong. It was the strongest storm to hit eastern Guangdong in 40 years. In Hong Kong, more than 500 flights were cancelled or delayed. The storm affected more than 3.56 million people in Guangdong, with 7,100 homes collapsing and throwing the province's transport system into chaos. Direct economic losses were estimated at CNY3.24 billion.
- Chinese military officials will have to undergo an audit before they can retire or be promoted, state media reported, in the latest measure in the leadership's campaign against corruption. The audit will encompass officials' "real estate property, their use of power, official cars and service personnel", Xinhua news agency reported, citing a guideline issued by the Central Military Commission (CMC).
- Christie's organized its first auction in Shanghai of 42 works by Pablo Picasso, Andy Warhol and others. It was the first time any foreign auction house held such a sale on the mainland without having to go through intermediaries.

- Yu Guangyuan, a renowned Economist who helped Deng Xiaoping launch his market reforms in 1978, has died. He was 98. He co-wrote a keynote speech delivered by Deng at the Third Plenum of the Communist Party's 11th Central Committee in December 1978 that is seen as heralding the era of market reform and openness.
- Gong Aiai, a former banking official at a rural commercial bank in Shaanxi province who became known as “Sister House” after amassing a real estate empire of at least 44 properties purchased using multiple fake identities, was jailed for three years. She was convicted of illegally purchasing a Beijing household registration and of forging two ID cards. Gong told the court she earned her money mainly through the coal business.
- Chronic diseases have become the top killer in Shanghai with about 31% of local adults overweight and 8.55% obese. Over 98% of the elderly have dental problems that can disturb the quality of life and seriously affect the overall health, experts from the Shanghai Huamei Plastic Surgery Hospital said.

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Membership rates for 2013:

- Large enterprises: €975
- SMEs: €385

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