



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

# NEWSLETTER | 4 NOVEMBER 2013

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## FCCC ACTIVITIES

### Doing business with China for SME's – Thursday 7 November 2013 – 15h30 – Gent

The Flanders-China Chamber of Commerce (FCCC) and VOKA East Flanders are organizing the conference: "Doing business with China for SME's". This event will take place at 15h30 on Thursday 7 November at the Voka Box, Lammerstraat 18, 9000 Gent.

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 Flanders-China Chamber of Commerce / VOKA East Flanders
16h10	"Practical aspects of intellectual property protection and Technology Transfer in China" by Mrs Sari Depreeuw, Senior Associate, Dewolf & Partners, Brussels Office and Mrs Ava Tu, Associate, De Wolf & Partners, Shanghai
16h50	"The Hong Kong Route" by Mrs. An Lettens, Tax Manager, Moore Stephens Verschelden
17h10	"Selling in China: a practical approach" by Mrs. Kristina Koehler, China Director, Klako Group
17h30	"Experiences of Nuscience in China" by Mr. Patrick Keereman, CEO, Managing Director Nuscience
17h50	Question and answer session
18h15	Networking reception

Participants to the conference 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 6 November at:

[http://flanders-china.be/eventdetail.asp?id=313&id\\_cat=1&cat=up&lang1=](http://flanders-china.be/eventdetail.asp?id=313&id_cat=1&cat=up&lang1=)

Price FCCC members: €75; non-members: €95.

## ACTIVITIES SUPPORTED BY FCCC

### EU-China Business Summit 2013 – 21 November 2013 – Great Hall of the People, Beijing

Time: 2013-11-21, 09:00 – 18:00 h.

Venue: The Great Hall of the People, West Chang'an Street, Beijing

Fee: CNY2,500

Type: Seminars

Event info:

The EU-China Business Summit, organized by the European Chamber and CCPIT, under the patronage of the European Commission and MOFCOM, and with the collaboration of EU China Business Association and BUSINESSEUROPE, will take place at the Great Hall of the People in the final weeks of November. The date will be confirmed after discussion with CCPIT and the European Delegation. It is likely to be scheduled for 21<sup>st</sup> November.

With limited seats available, [reserve your place now](#).

The European Chamber expects European Commission President Jose Manuel Barroso to speak as he did last year, as well as Chinese Premier Li Keqiang. This year's summit will gather around 700 Chinese and European attendees, including global CEOs and board members as well as many China CEOs and VPs.

The final agenda and speakers will be confirmed in the coming weeks, but expect speakers this year to be of the calibre of the 2012 Summit's line-up, with high-level officials representing both Chinese and European ministries, like:

**Mr Wen Jiabao**, Former Prime Minister of the People's Republic of China

**Mr Herman Van Rompuy**, President of the European Council

**Mr Jose Manuel Barroso**, European Commission President

**Mr Yu Ping**, CCPIT Vice Chairman

**Mr Li Tie**, Director of the China Urban Development Center at the NDRC

**Mr Jørgen Buhl Rasmussen**, President and CEO of Carlsberg Group

**Mr Yang Yunsong**, Chair of the APEC Business Advisory Council's SME & Entrepreneurship Working Group and President of XY Group International

**Mr Shi Lirong**, President of ZTE Corporation

**Mr Stefan Doboczky**, President of DSM Sinochem Pharmaceuticals

**Mr Xian Wenbo**, President of Sany Heavy Industry Co., Ltd

**Mr Davide Cucino**, European Chamber President

**Mr Stephen Phillips**, Chairman EU China Business Association

For registration, contact Ms. Danni You at [dyou@european-chamber.com.cn](mailto:dyou@european-chamber.com.cn) or 010-64622066 ext 54. For sponsorship opportunities, contact Ms. Betty Yin at [byin@european-chamber.com.cn](mailto:byin@european-chamber.com.cn) or 010- 64622066 ext 23.

## Urbanization Forum & EU-China Exhibition on urban development – 20~22 November 2013 – Beijing

In the framework of the China-EU Summit in November, the Urbanization Forum and the EU-China Exhibition on urban development will be held in Beijing. A total of 800 participants are expected to attend the forum, among which 500 from the Chinese side and 300 from the EU. Representatives from Chinese central government, local governments, businesses, experts and media are welcome. On the EU side, officials from the European Commission, representatives from EU missions in China and business community are welcome. The Forum plans to invite Premier Li Keqiang and leaders of the European Commission to deliver speeches at the opening ceremony. Several sub-fora will also be held. The Forum will take place at the Great Hall of the People in Beijing on November 20 and the Exhibition will be held on November 20~22 at the Beijing Exhibition Center.

For more information, contact the Flanders-China Chamber of Commerce at [info@flanders-china.be](mailto:info@flanders-china.be)

## Province of West-Flanders Networking Event China – 29 November 2013 – Brugge

The Province of West-Flanders is organizing a networking event on Friday, November 29, 2013 at the Confucius Instituut – Howest, Sint Jorisstraat 71 in Brugge. The Province of West-Flanders is stimulating international internships, studies and research of students and lecturers at West-Flanders institutes of higher learning Howest and VIVES, Ghent University – Campus Kortrijk, KU Louvain Kulab and Kulak; also to China. The Province is organizing the networking event to strengthen the network between companies of West-Flanders active in China, the aforementioned institutes and the student interns.

Programme:

- 19:00 h. Welcome and introduction of the Confucius Institute by Mr Lode Degeyter, General Director Howest
- 19:10 h. Introduction to the international strategy for higher education of the Province of West-Flanders by Mr Jean de Bethune, Vice Governor
- 19:25 h. Studying in China by Mr Glenn Andries (Howest) – studying at Gongshang University (Hangzhou)
- 19:40 h. Internship in China by Mr Hannes Dekeyser (VIVES) – Travelling Link Marketing (Beijing) and Mr Zeger Sierens (KU Leuven Kulab) – research at the Zhejiang University of Science and Technology (Hangzhou)
- 20:00 h. Why companies are accepting internships in China by Mr Guy Verrue, Beaulieu International Group
- 20:15 h. Network drink

The networking drink is an opportunity for all participants to get in touch. This is a unique opportunity for institutes of higher learning to get to know dynamic companies from West-Flanders which are active in China, and offers an introduction to the companies of the educational opportunities and innovative research of West-Flanders knowledge institutes. Former interns will be happy to exchange experiences with students who will be interns in 2014.

Info and registration by 25 November 2013: Kristien Vandamme, Provinciebestuur West-Vlaanderen, T: 050-403359, E: [kristien.vandamme@west-vlaanderen.be](mailto:kristien.vandamme@west-vlaanderen.be)

### Group booth at “Domotex Asia/Chinafloor – Shanghai” – 25~27 March 2014 – Shanghai

This exhibition is already for many years the most important one on flooring in the Far East. Companies can present themselves at the booth in the Flemish pavilion, organized by FIT in cooperation with “Fedustria – Interieurtextiel”. More information is available at the website of [Flanders Investment and Trade](#). Registration by 13 November 2013.

In 2103, more than 1,100 companies from 36 countries participated in the exhibition, which received 42,165 visitors on 130.000 m<sup>2</sup> of exhibition space in 10 halls. 42,165 professional visitors attended the exhibition in 2013 (up 5.8% on 2012), mainly from China (73%) and overseas territories (27% from 107 countries). In the coming 15 years, China will build 40 billion square meters, equal to 10 times New York City. China's urban middle class is expected to number 612 million people by 2025, offering numerous opportunities to the flooring sector.

## PAST EVENTS

### IPR China and IPR Asean Conference – 29 October 2013 – Agoria, Brussels

Agoria, in cooperation with the Flanders-China Chamber of Commerce (FCCC), organized an IPR Conference on 29 October 2013 in Brussels. The conference was held in cooperation with FIT, BIE, AWEX, BCECC, FCCC, Belgian Chambers, CCIBW, CCIBV and EU China IPR SME Helpdesk.

The conference provided updated information on general IPR protection in China plus a focus on trademark registration, protection and litigation in China, as well as information on how to protect IPR in China and in Asean countries, manage intellectual assets and use the Chinese and Asean IP systems to enforce IPR rights effectively. The testimonial speakers shared their experiences of IP protection and enforcement in China, and gave practical tips on achieving the results required to do business effectively in China. An info folder was also distributed. Following a welcome word on behalf of all organizers by Francis Walschot, Director Regulations & Standardization, Agoria, speakers included Simon Cheetham and Joao Miranda de Sousa, European Commission IPR China SME Helpdesk experts; Fred Liu, Lawyer, Barco China; and Marc Messely, Group Industrial Property Manager, Bekaert. René Branders, President of Agoria International IPR Work Group, made the closing remarks. The event was concluded by a networking drink.

### Lunch session: “New trends in China sourcing: Evolution and Practical Tips” – October 21, 2013 – Kortrijk

The Flanders-China Chamber of Commerce (FCCC) and VOKA West-Flanders organized a

lunch session “New trends in China sourcing: Evolution and Practical Tips” on October 21 at Voka in Kortrijk. Guest speaker was 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 his presentation, Etienne Charlier presented this main evolution and highlighted the new strength of the country for companies looking for outsourcing manufacturing or sourcing parts and systems. He also gave practical advice 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.

### Meeting with Zhaoqing delegation – 16 October 2013 – Brussels

On 16 October, the Flanders-China Chamber of Commerce, Mrs Gwenn Sonck, Executive Director, participated in a meeting with a high-level delegation of Zhaoqing City, located in Guangdong Province. The Mayor of Zhaoqing city and his delegation were invited by the EU-China Friendship Association of the European Parliament. The aim was to promote Zhaoqing to foreign investors.

To date, the city has attracted 1,300 foreign-funded businesses and now has a committed foreign investment of USD8.88 billion. Overseas businesses with facilities in the city now include Wal-Mart and Leggett & Platt from the United States, Honda and Toyo Aluminum from Japan, SK and Hyundai from South Korea, as well as Asia Aluminum from Hong Kong and ABB from Switzerland. Neighboring Guangzhou and Foshan to the east and the Guangxi Zhuang autonomous region to the west, Zhaoqing has both rich natural resources and considerable allure for tourists. The city has also nurtured a number of key industries, including electronics and information technology, biomedicine, foodstuff and beverages, metal processing and automobile components. As a result, Zhaoqing has become one of the nation's most important centers for the electronics and IT industry, the die-casting industry and the building and hardware industries. Its tourism, real estate, commerce and logistics sectors have also demonstrated consistent growth.

More information, an investment guide and contact details can be obtained at the FCCC secretariat: [info@flanders-china.be](mailto:info@flanders-china.be).

### China Market Entry: “Challenges and Successes” – 14 October 2013 – Ghent

The Flanders-China Chamber of Commerce organized a conference: China Market Entry: “Challenges and Successes” on 14 October 2013 at the International Club of Flanders in Ghent. Highly experienced experts and business leaders shared their knowledge and expertise based on their achievements in China. Mr Howard Zhu, Managing Director CPM China/Competence@ talked about how development needs are different in the Chinese labor market. Mr Maarten Michielssens, CEO, Econation; Mr Filip Goris, Regional Manager Asia, Recticel; and Mr Lieven Danneels, CEO, Televic; introduced practical experiences on doing business in China. The event was concluded by a question and answer session and a networking reception. Participants received the publication “FCCC Members’ Portraits in China” with 17 portraits of member companies active in China. The event was organized with the support of Flanders Investment & Trade.

## PUBLICATIONS

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

See [FCCC Members' Portraits](#) on the FCCC website.

## EXPAT CORNER

### Frenchman unable to sell Beijing penthouse

A Frenchman in Beijing is unable to sell an illegal penthouse in Beijing. When Didier Boissière paid CNY7 million for a rooftop apartment in Beijing, it never occurred to him that buying a property in China would leave him stuck in the city. After moving from Paris for work in 2006, he bought a 200-square-meter flat at a high-end residential community in the Chaoyang Park area of the city. Seven years on, Boissière is planning to move to Mongolia, but has found

himself “somewhat taken hostage in China”. He can't sell his property because he can't get an ownership certificate. He can't get the certificate because, though he did not know it at the time, he bought an illegal apartment, and the developer won't buy it back. According to law, property developers should provide ownership certificates to buyers no more than a year after a transaction, but Boissière has yet to receive one. About 30 other foreign owners of flats in the Victoria Gardens development are facing the same problem. Beijing authorities said the developer constructed 19 illegal penthouses. Boissière has asked the developer to compensate him for the delay in issuing the certificate or buy back his property at the market price for legal apartments, which have at least doubled since the purchase, the South China Morning Post reports. Boissière is now planning to bring the case to court.

## FINANCE

### Merchants Bank and Citic Bank profits rise

China Merchants Bank (CMB) said third-quarter net profit rose 14.78% from a year ago to CNY13.1 billion, but the bank's non-performing loans ratio (NPL) also rose 0.08 percentage point to 0.79% over the quarter. Merchants Bank's capital adequacy ratio (CAR) increased 0.6 percentage point to 11.32% over the quarter, after rights issues helped it raise a combined net CNY33.67 billion in the mainland and Hong Kong markets. Its tier-1 ratio was 9.38%, up 1.38 percentage points from the end of June. Net interest margin, a key measure of lending profitability, dropped 0.12 percentage point to 2.73%. Citic Bank reported that third-quarter profit surged 33% from a year ago, due to rapid growth in fee and commission businesses. Its non-performing loan balances grew 38.54% over the first three quarters to CNY16.98 billion while provisions coverage dropped 56.4 percentage points to 231.85%. “Citic Bank still needs to make more provisions than its peers to meet the new regulatory rule of 2.5% reserves to total loans ratio,” May Yan, Analyst at Barclays Capital, wrote in a research report.

### Big five banks' profit up 9.9%

China's big-five banks posted a 9.9% annual rise in combined net profit to CNY222 billion in the third quarter, but the growth was weaker compared with 14.6% in the same period of last year. They are expected to report a combined net profit of CNY847 billion in 2013, or an on-year growth of 9.4%, Guotai Junan Securities Co said in a report. The banks' earnings growth may slow to 7.8% in 2014, the brokerage said. The Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China, the Bank of Communications and China Construction Bank have all announced their third-quarter results. Net income at ICBC, the nation's largest bank, rose 7.6% in the July-September period to CNY67.2 billion from a year ago. AgBank reported a 15% jump in net profit in the third quarter, the highest among the big five, to CNY45.6 billion. Net profit at BOC climbed 13.6% to CNY39.5 billion. BoCom saw a much weaker rise of 3.4% to CNY13.9 billion during the period, down from 11.7% in the same period last year. The five biggest lenders account for more than 70% of the total assets of the 16 listed Chinese banks. Bad loans also rose. ICBC had CNY87.36 billion in bad loans as of September 30, up CNY12.61 billion from a year earlier. ABC's non-performing loans (NPLs) stood at CNY87.9 billion, up CNY3.97 billion. BOC reported CNY72.6 billion in NPLs, up CNY7.96 billion. BoCom's NPLs totaled CNY74.75 billion, up CNY24.8 billion. “Banks are expected to accelerate writing off soured assets for the rest of the year,” said Zhao Xijun, Finance Professor at Renmin University.

### Insurers report profit growth

Earnings growth at China Pacific Insurance and New China Life Insurance was robust in the third quarter, bolstered by increased investment income and fewer impairment losses. But growth in premiums income will remain a challenge. China Pacific Insurance said its net profit rose 5.3 times to CNY2.6 billion, backed by 33.2% growth in investment income to CNY7.8 billion from a year ago. Impairment losses dropped to CNY64 million from CNY1.6 billion as a result of improved capital-market momentum. Premiums income for the three-month period increased 8.9% to CNY39.8 billion, with such income for the first nine months totaling CNY138.5 billion, a rise of 9%. The company said premiums income for life-insurance operations grew 2.6% to CNY76.9 billion for the first nine months from a year ago, while property and casualty insurance increased 18.2% to CNY61.5 billion, of which CNY46.8 billion was from motor insurance. Challenges remained in motor insurance because of low margins, brokerage firm Guotai Junan said in a research note. Rising claim costs would weigh on profitability, analysts said. New China Life's third-quarter net profit rose 4.2 times to CNY1.8

billion from a year ago, on the back of a 32% jump in investment income to CNY6.3 billion. Impairment losses dropped to CNY282 million from CNY2.8 billion in the same period last year. The company's insurance business was weak, with premiums income for the three months dropping 4.3% to CNY20.9 billion from a year ago. The average NPL ratio of the nine listed lenders climbed 0.01 percentage point to 0.92% over the quarter. However, the real asset-quality situation was more severe than the NPL ratio suggested, analysts said. Asset quality at all Chinese banks worsened for seven consecutive quarters up to the end of June, according to the industry regulator, as an economic slowdown set in and the lending binge following the 2007-08 global financial crisis backfired.

- The People's Bank of China (PBOC) tried to reassure money market traders that a spike in short-term interest rates does not signal a dramatic tightening of liquidity. China's short-term interest rates began rising sharply more than a week ago, leaving banks stretched for funds even as the central bank repeatedly declined to inject fresh cash. A central bank official reassured traders that liquidity remained ample and the bank would keep its short-term monetary operations stable this year.
- Ping An Insurance has raised CNY1.8 billion through an offshore yuan bond, signaling a timely comeback for the dim sum market just ahead of a flood of redemptions and refinancings worth nearly CNY70 billion anticipated over the coming year. The dim sum market has picked up in the past two months, including deals by BP, Total and SK Global. Some of these issuers have genuine need for yuan to fund their operations in China, while others see marginally favorable pricing in the market when proceeds are swapped into U.S. dollars.
- China's international balance of payments showed a surplus in the third quarter of this year, marking the fourth straight quarter of surpluses. The surplus under the current account totaled USD39.7 billion in the three months. China also reported a surplus of USD57.3 billion under the capital and financial accounts in the third quarter. Net inflows of direct investment totaled USD40.7 billion. Foreign exchange reserves rose by USD97.6 billion.
- China Construction Bank (CCB) agreed to pay HKD5.7 billion for a 72% stake in Brazil's Banco Industrial e Comercial (BicBanco). CCB will make an offer to buy the remaining stock within 30 days after completion of the deal, which needs to be approved by regulators in Brazil, China and the Cayman Islands. Acquiring a lender was the easiest way for Beijing-based CCB to obtain a license in Brazil. CCB now has 17 subsidiaries with total assets of about USD120 billion in 15 countries.
- Wing Hang Bank, Hong Kong's second-largest family-owned lender, which is in takeover talks, would likely have its credit rating downgraded if the acquirer was based on the mainland, Moody's Investors Service said. That comes after the rating agency placed Chong Hing Bank under review for a downgrade following the bank's announcement it agreed to sell up to 75% of its shares to Guangzhou-based investment firm Yue Xiu. The list of potential suitors for Wing Hang includes Agricultural Bank of China and Singapore-based Overseas-Chinese Banking Corp and United Overseas Bank.
- Luxembourg hailed the opening of the European headquarters of a third Chinese bank: China Construction Bank (CCB), which is joining Bank of China (BOC) and ICBC. The grand duchy is behind only Hong Kong in yuan-denominated "dim sum" bonds, with CNY24.5 billion from the likes of Caterpillar and Volkswagen listed on its stock exchange. Luxembourg is also home to a further CNY214 billion of assets under management, according to its central bank. Offshore yuan loans in Luxembourg total some CNY62 billion, according to PwC, the highest level in Europe, and deposits, CNY40 billion, the largest pool in the euro zone. About 18% of China's global trade is denominated in yuan, compared with less than 1% nearly four years ago.
- The U.S. Treasury Department has declined to name China as a currency manipulator, but added that the renminbi remains "significantly undervalued". According to the report, through mid-October, the yuan has risen 12% against the U.S. dollar and 16% on a real, inflation-adjusted basis from June 2010. In the first nine months of this year, the yuan has appreciated 6.3% on a nominal effective basis, and 6.6% on a real effective basis, taking into account differences in inflation.
- Shanghai Pudong Development Bank (SPDB) has opened a representative office in London, the first overseas office for the 20-year-old Chinese bank. SPD Bank has a total of 39 branches and about 900 internet banking service points in China.

- Hong Kong-listed China Citic Bank has launched a hybrid bond that complies with Basel III rules. The 10½-year bond is callable after 5½ years. The bank aims to raise USD250 million to USD300 million, with a maximum coupon of 6¾%. The deal largely replicates a structure used by Hong Kong-listed ICBC (Asia), which in September launched Asia's first Basel III-compliant hybrid. Chinese banks will need to replace hundreds of billions in regulatory capital to make them Basel III-compliant.
- The Canadian province of British Columbia has closed the CNY2.5 billion sale of a one-year yuan-denominated bond with a coupon of 2.25%. It was the first foreign sovereign-backed issuer to use the so-called dim sum market, and its triple-A rating put it in the top tier of safety for investors. At the other end of the spectrum, Thai property developer Ananda Development was selling a perpetual dim sum bond with a 9.5% coupon. Both the issuer and the bond were unrated. The dim sum market, previously limited to Chinese corporates and large multinationals, is becoming more diversified.

## FOREIGN INVESTMENT

### Nicaraguan delegation discusses canal project

A top-level Nicaraguan delegation – headed by Laureano Ortega Murillo, the son of Nicaragua's President Daniel Ortega – led a group of 21 politicians, academics and businessmen on a tour to Beijing, Wuhan, Xuzhou and Hong Kong to discuss what could be the world's largest waterway project – a USD40 billion canal project that would connect the Pacific Ocean with the Atlantic Ocean through Nicaragua. The visit is the first to China by such a large and high-powered delegation since Nicaragua switched diplomatic recognition from Beijing to Taipei in 1990. They were hosted by the Hong Kong Nicaragua Canal Development Investment Co (HKND). HKND Chairman Wang Jing said the project was “strictly commercial”. The Ministry of Foreign Affairs in Beijing also stressed it was not a government-backed project. Nicaragua is one of the 23 countries that recognize the government in Taipei instead of Beijing. The tour happened three weeks after Nicaraguan Foreign Minister Samuel Santos Lopez angered Taipei when he referred to Taiwan as China-Taiwan in a statement. Arturo Cruz Sequeira, the country's former Ambassador to the United States who was also part of the group, said the trip was not official but it was a sign that “ties with Beijing are improving”. HKND has hired engineers from state-owned China Railway Construction Corporation to plan and design the canal, the South China Morning Post reports.

- “The operating environment for foreign firms has deteriorated in the past year in a serious way,” said Shaun Rein, Managing Director of China Market Research Group in Shanghai. “In my 16 years in China, it's some of the worst business sentiment among foreign executives. They don't feel as welcome as they used to.” When the U.S.-China Business Council, a Washington-based trade group, surveyed U.S. executives last month, the chief complaints included rising costs and bureaucratic red tape. Almost 70% of the more than 100 U.S. firms polled said their profit margin would be flat or narrow this year. Only 39% are optimistic about the next five years in China, while 58% felt that way in 2011.
- Sri Lanka opened a USD292 million Chinese-funded airport highway. The new 25.6 kilometer road was built with a loan of USD248.2 million from the Exim Bank of China, with China Metallurgical as the contractor. President Mahinda Rajapaksa's government has awarded more than USD4 billion worth of infrastructure projects to China, mainly with Chinese loans.
- DSM Materials Sciences' aim is to grow at twice the gross domestic product (GDP) growth over the coming years with new plants and application labs, said Dimitri de Vreeze, DSM Board Member responsible for Materials Sciences, citing China's growing demand for sustainable products. The company grew at around 8% annually in China on average over the past five years, roughly in line with the growth in GDP. The company supplies plastics to help automakers reduce car weight and also coatings to help solar firms increase the efficiency of photovoltaic modules.



## FOREIGN TRADE

### Shanghai FTZ to set anti-money laundering rules

China will implement more rigorous anti-money laundering rules in the pilot free trade zone (FTZ) in Shanghai to ward off potential risks as the country continues its financial reforms, Michael Thomas, Director of Wolters Kluwer Financial Services for North Asia, said in Shanghai. Adopting international financial standards shows China is serious about operating on the global stage, he said. In 2007, China became a full member of the Financial Action Task Force, the intergovernmental organization that combats money laundering and terrorism financing. "The financial institutions in China are required to submit new anti-money laundering solutions before the year end, which should be fully operational by 2016," Thomas said. Based on the United Nations Office on Drugs and Crime's estimates, CNY1.35 trillion is laundered every year in China. A firewall has been set up to monitor transactions made on capital accounts in Shanghai's pilot free trade zone (FTZ) in real time, raising hopes the country may announce rules to liberalize interest rates and capital accounts in the zone this month.

### More firms register in Shanghai pilot FTZ

Statistics show that there were 208 newly registered companies in the China (Shanghai) Pilot Free Trade Zone by October 28 in the first month of its operation since it was launched. Among the 208 newcomers, 20 of them are foreign companies and the rest are Chinese. The total registered capital of newly registered companies in the area amounted to more than CNY3.5 billion by October 25, according to the latest statistics provided by the Shanghai Administration for Industry and Commerce (SAIC). A total of 1,528 companies have entered the name-approval procedure, which marks the start of the registration process. According to the FTZ's framework plan, 23 opening-up policies will be adopted, covering six industries. In one month, 12 policies have been implemented and another seven are about to be put into effect. Another four policies regarding cargo transportation, banking and legal services are waiting for detailed regulations and approval from the central government. So far, 23 financial institutions have been approved to operate in the FTZ. Five state-owned commercial banks, as well as Shanghai Pudong Development Bank, China Merchants Bank and Bank of Shanghai have set up branches in the FTZ. Four overseas banks including Citibank, DBS, HSBC and Bank of East Asia have also been approved to set up FTZ branches. The rental of office buildings in the FTZ has risen by 207% compared with the beginning of the year, according to Topsur Consulting, a Shanghai-based property market information provider. Property prices in the FTZ have been rising since April, when the local and central governments started to study the plans for the FTZ, the China Daily reports. More than 80% of newly set-up foreign-invested companies in the zone did not need administrative approval due to easier investment rules following a negative list applicable in the zone, the management committee said. As of October 29, 24 of the 29 companies applying to set up only needed to file records with the Committee instead of seeking administrative approval from government departments.

- China requested consultations with the European Union on the implementation of the Dispute Settlement Body's recommendations in the China-EU fastener dispute. In 2009, China filed a complaint to the WTO on the EU's anti-dumping measures on Chinese-made fasteners. The DSB adopted the Appellate Body report and the Panel report in July 2011 in favor of China.
- China and other big grain importers embarked on a corn and soybean buying spree during the U.S. government's 16-day shutdown last month, taking advantage of a lapse in mandatory reporting of the deals. Figures from the U.S. Department of Agriculture, which had halted collection of required weekly grain export sales information during the shutdown, showed purchases in the three weeks to October 24 had far outstripped analysts' expectations.

## HEALTH

### Horseshoe bat confirmed as source of SARS

The rufous horseshoe bat, a bat species widespread in China and southeast Asia, has been confirmed as the source of the deadly SARS virus that broke out in 2002. The study was led by Shi Zhengli, Researcher with the Wuhan Institute of Virology. SARS killed 774 people during 2002 and 2003. Palm civets were previously believed to be the direct source of the virus.

- Authorities in Jiangxi province say they will crack down on fruit sellers dyeing local specialty oranges with cancer-causing chemicals and artificially ripening them. Gannan navel oranges appeared for sale weeks earlier than expected. The oranges were ripened using the plant growth stimulator ethrel. Oranges were also found to contain carcinogenic red Sudan dyes.
- A group of Hong Kong and mainland researchers have concluded that closing live poultry markets all but eliminates the risk of human infection from H7N9 and is the most effective measure to control the deadly bird flu. The research, which was published in The Lancet medical journal, studied market closures in Hangzhou, Huzhou, Nanjing, and Shanghai.

## IPR PROTECTION

### 2,700 sit patent agent exam in Shanghai

About 2,700 candidates sat the national exam to become patent agents in Shanghai – up more than 10% on last year. Being a patent agent has become a popular and well-paid job in recent years. The National Patent Agent Qualification Exam has a reputation of being difficult, with a national pass rate of around 15%. Between January and September, the number of patent applications in Shanghai reached 61,009 – up 4.7% on the same period in 2012, according to the State Intellectual Property Office (SIPO). “The huge number of applications demands more patent agents and creates a new market for patent agencies,” said Xu Weihua, an official with the Shanghai Intellectual Property Administration. Xu said this year’s exam attracted more Taiwanese and Hong Kong candidates, aiming to learn more about the Chinese mainland’s patent situation. Last year was the first in which they could sit the exam in Shanghai. Last year, two Taiwanese candidates passed the exam in Shanghai. They can work as patent agents but not yet open their own agencies, Xu said. Foreigners are not permitted to take the exam.

## MACRO-ECONOMY

### Shanghai and Beijing post slow GDP growth rates

Shanghai and Beijing posted the slowest economic growth in the first three quarters of this year among China’s 25 provincial areas which have released their economic data. The gross domestic product (GDP) of the two cities grew 7.7% from a year earlier in the first nine months. With a growth rate of 12.6% in the January-September period, Tianjin topped the list, followed by Chongqing, whose economy expanded 12.4%. Shanghai targets an economic growth rate of 7.5% this year. Shanghai aims a further shift to “growth quality” by accelerating industrial restructuring, further raising people’s income and enhancing efforts to combat pollution, Mayor Yang Xiong said. China’s economic output totaled CNY38.6 trillion in the first nine months while the calculated output of the 25 provinces and municipalities amounted to CNY39.9 trillion, according to the National Bureau of Statistics (NBS). Zhao Xijun, Deputy Dean of the School of Finance at Renmin University of China, said the contradictory data are probably a result of overlapping calculations, which is a lasting problem in China.

### Development Research Center lists key reforms

The Development Research Center of the State Council, a Chinese government think tank, has highlighted eight key reform areas in a report ahead of the key plenum of the Communist Party of China. The center’s report details eight main reform areas, including monopoly industries, land, finance, tax and fiscal systems, opening-up, government administration and state-owned assets, as well as boosting innovation and green development. The report suggests further increasing market access and promoting competition in key industries; including diversifying investment in the railway sector; easing access to exploring unconventional oil and gas; and relaxing restrictions for importing crude, refined oil and natural gas. It also proposes reforming the electricity industry and its pricing plan, and reorganizing telecommunication enterprises. The report offers advice on deepening land reform, with suggestions to allow collectively-owned rural and state-owned land to enter the non-farmland market under certain conditions. Reform of the financial system should focus on lowering the threshold for entering the financial market and further liberalizing interest and exchange rates, the report said. The center’s economists also propose to promote competition in sectors

including energy, telecommunications and finance. The Communist Party of China will hold the Third Plenum of the 18<sup>th</sup> Central Committee on November 9 to 12 to discuss deepening reforms.

## Official PMI rises to 18-month high

China's manufacturing activity accelerated to an 18-month high in October. The official Purchasing Managers' Index (PMI), increased to 51.4 last month, the China Federation of Logistics and Purchasing (CFLP) said, up from September's 51.1 and August's 51. The components showed that production picked up to 54.4 in October, up from 52.9 a month earlier. However, new orders lost 0.3 points to 52.5, finished goods inventory decreased to 45.6 from 47.4, and input prices dropped 1.2 points to 53.3. Zhou Hao, Economist at Australia and New Zealand Banking Group, said he was cautiously optimistic about the economic outlook. The HSBC Purchasing Managers' Index, which gauges conditions in mostly private and export-oriented manufacturers, rose to a seven-month high of 50.9 in October. Qu Hongbin, Chief Economist for China at HSBC Holdings, said China was on track for a gradual growth recovery. The service sector expanded in October at the fastest pace in 12 months. The non-manufacturing Purchasing Managers' Index rose to 56.3 in October from 55.4 in September, the National Bureau of Statistics (NBS) and China Federation of Logistics and Purchasing (CFLP) said.

- China is among the world's top 20 economies in the world in taking efforts to improve its business regulations since 2005, a World Bank Group report said. It implemented a regulation that guarantees borrowers' right to inspect their own credit data, and it amended the civil procedure code to streamline and speed up court proceedings, making it faster to enforce contracts through the courts. The World Bank rankings are based on 10 indicators and cover 189 economies. China fell five places this year to 96<sup>th</sup> place.
- The number of newly registered enterprises has increased by 25% so far from the same period last year. Of all newly registered companies, the number of privately owned ones has increased by 37%, fueling a 23% rise in China's total private investment.

## PETROCHEMICALS

### Sinopec pumping shale gas from test wells

Sinopec Corp is for the first time pumping shale gas from test wells in commercial quantities in what it hopes will be a breakthrough in the development of the new energy source. Sinopec's Jiangnan unit has more than doubled its 2015 output target for the key shale area of Fuling in the Sichuan Basin after successful pilot drilling, hoping to cut costs through measures such as drilling numerous wells at once and recycling fracking liquids. "The high yield in the Fuling area lays the foundation for commercial production in the area," said a Sinopec Jiangnan official with direct knowledge of the Fuling drilling, adding that another 50 or so wells are planned for commercial development in 2014. Sinopec has drilled nearly 30 pilot shale gas wells in the Fuling area of Chongqing, part of the Sichuan basin – one of the most promising geological zones for the unconventional fuel. Six of the wells are pumping a daily combined rate of 1.06 million cubic meters of gas, or an average of nearly 180,000 cubic meters per well. They are among the most prolific of the total of around 150 wells Chinese companies have sunk over the past three years in pilot explorations. That has led the operator to target an annual production capacity to be built at the field of 5 billion cubic meters by the end of 2015. That would be 100 times greater than China's estimated output last year of just over 50 million cu m from all test drilling at shale formations, the Shanghai Daily reports.

### Two Chinese oil majors report profit rises

Sinopec's net profit rose 20% from a year earlier to CNY22 billion in the third quarter, beating the median estimate of CNY19.3 billion of eight analysts polled by Bloomberg News. PetroChina Co's net profit swelled 19% to CNY29.8 billion. The two refiners have been enjoying better refining margins after the government in March introduced a new fuel pricing mechanism which reviews prices every 10 working days from the previous 22 days. That helped domestic fuel prices to move more closely with the global crude oil markets. Sinopec's

refining business generated an operating profit of CNY6.7 billion in the first three quarters, compared with a loss in the same period a year earlier. PetroChina said its refining operations reduced losses by CNY24.7 billion from a year earlier in the January-September period. Still, PetroChina said it had a net loss of CNY31.7 billion from the sale of imported natural gas to the domestic market in the first three quarters. The government's price controls make it impossible to make money from importing gas, although China's gas imports have been rising rapidly to meet demand. Analysts have said the deregulation of gas prices could take longer because the government has to consider the wider implications of a price rise such as whether residents could afford more costly gas, the Shanghai Daily reports. China's oil consumption last year rose 5% to 10.2 million barrels a day from 2011, according to BP's Statistical Review of World Energy, a figure that was the highest since it started compiling data in 1965. By contrast, oil production increased 2% to 4.2 million barrels a day. China, the world's second-largest oil user, already relies on imports for 60% of its consumption and is set to double its fuel use by 2030.

- China has announced a small decrease in fuel prices as crude rates fell. In Shanghai, the ceiling price for 92-octane gasoline is CNY7.75 per liter while 95-octane is CNY8.24. All local gas stations have upgraded to offering the cleaner 92 and 95-octane gasoline to replace 93 and 97-octane gasoline under a government push to use fuels of standards similar to the Euro V specifications. Pump prices vary among provinces and regions.
- Sinopec Corp has won initial approval from the National Development and Reform Commission (NDRC) to build a USD10 billion refinery and petrochemical complex in Shanghai. The project will include a 400,000-barrel-per-day refinery and a 1-million-ton-per-year ethylene project. The new Sinopec plant, designed to process mostly imported crude oil, will be built in the Caojing industrial park, some 50 kilometers from the center of Shanghai. Sinopec will shift some of the facilities at its Gaoqiao refinery in the densely-populated Pudong New Area to the new site.
- China and Iran are in talks to resolve energy bills that Beijing has not been able to pay as a result of UN sanctions. Iranian parliamentary Speaker Ali Larijani was in Beijing last week to raise the issue as he met President Xi Jinping. The oil and gas debts owed by China had reached €22 billion and Tehran has sought to offset the unpaid bills through barter. Sanctions imposed by the United States have blocked U.S. dollar-denominated transactions with Iran.
- Debt-laden Titan Petrochemicals Group, controlled by partially state-owned fuel and metals trader Guangdong Zhenrong Energy, plans to present a new debt restructuring proposal to creditors to whom it owes more than USD400 million. Titan is left with few assets of any value, and if the creditors do not agree to a debt restructuring, liquidation may ensue unless another white knight is found.

## REAL ESTATE

### Shenzhen raises downpayment to 70% for second homes

Shenzhen became the first Chinese city to raise the minimum downpayment to 70% for second-home buyers in an effort to curb soaring housing prices. Shanghai will keep the current 60% threshold unchanged. Shenzhen had the largest home price increase among the 10 major Chinese cities with a monthly rise of 2.83% in October, followed by a 2.56% growth in Beijing and a 2.35% rise in Shanghai. Home prices across China rose at an accelerated pace in October, surging for the 17<sup>th</sup> straight month. The average price of new houses in 100 cities across the country increased 1.24% from September to CNY10,685 per square meter, the China Index Academy said, compared to a growth of 1.07% in September and 0.92% in August. Seventy-five cities saw monthly price increases, down from 79 in September, of which 29 cities registered a growth of more than 1%. Changshu in Jiangsu province led last month's gainers with a 3.92% rise. There were price drops in 24 cities with Lianyungang, also in Jiangsu province, recording the biggest decline of 2.18%. In the 10 largest cities, the average price of a new home climbed 1.95% to CNY18,533 per sq m last month, compared to a month-on-month growth of 1.72% in September. In Shanghai, new home purchases stood above 1.4 million square meters for the second consecutive month in October, a year-on-year surge of 60%. They were sold for an average CNY24,932 per sq m, a monthly rise of 1.33% and an annual increase of 14.2%, the Shanghai Daily reports.

- Divorce rates in Shanghai and Beijing have soared since the announcement of a property tax that includes a loophole for couples who split up, figures show. Nearly 40,000 couples divorced in the Chinese capital in the first nine months of this year – up 41% on the same period in 2012. The figures were similar in Shanghai. Couples with two properties who divorce and put each house into one person's name, can then sell them tax-free under certain conditions.
- China will increase the supply of land for homes and spend more on affordable housing projects, President Xi Jinping said, as the government steps up efforts to stabilize the red-hot property market. New home prices rose the most in nearly three years in September, adding to the risk of a property bubble. Authorities are also concerned about social stability as more people are priced out of the market. The government might soon decide to raise property taxes.

## RETAIL

### Foreign fast-food chains face local competition

Chinese fast-food brands such as chicken chain Dicos, Country Style Cooking and Kung Fu Catering are slowly eating into the market share of U.S. chains, attracting cost-conscious diners with healthy, local fare. McDonald's said last week it was thinking of slowing expansion in China as diners are tempted by local rivals. Yum, KFC's parent, warned last month economic weakness in the country would drag on a recovery in sales dented by a food safety scare at the end of last year. McDonald's has seen its market share by value stagnate at 2.3% since 2007, according to data from market research firm Euromonitor. Yum, which held a 6.5% market share last year, is up slightly over the same period, but its same-store sales were hit after a food scare last year and a local outbreak of avian flu. Yum has 5,600 KFC and Pizza Hut China stores, and McDonald's has 1,800 local outlets. Brands like Ting Hsin International-owned Dicos, the third-largest fast-food brand in China, plans to triple its store count to about 3,700 by 2020, to "break the traditional Western fast-food mould". Dicos is highlighting its Chinese roots. Its website displays an ornate blue ceramic bowl steaming with traditional herbal tea, while rice-cake burgers and soybean milk flank the chain's nuggets and crispy wings.

## SCIENCE & TECHNOLOGY

### Two foreigners to join Antarctic mission

Two foreign scientists will be among 256 members setting off on the Xuelong, or Snow Dragon, China's only icebreaker, from its Shanghai base for the nation's 30<sup>th</sup> Antarctic mission. The vessel is set to return to the city on April 10 next year. Scientists and engineers will build China's fourth Antarctic station. They will also conduct a geological study for the construction of the fifth station. Taishan, the fourth station, will be used only in summer while the fifth station will be used all year round. "Both the fourth and fifth stations will be completed before 2015 when China will have five stations for scientific research and observation," said Qu Tanzhou, Director of the Polar Research Office of the State Oceanic Administration (SOA). China now has three research stations in the Antarctic – Changcheng, Kunlun and Zhongshan.

- A Shanghai-made lunar rover is set to land on the moon with the Chang'e-3, China's third lunar probe that is set to be launched next month. Equipped with four cameras, the six-wheeled rover will be able to climb onto hills and cross over obstacles on the moon surface, said Xiao Jie, the rover's designer with the Shanghai Academy of Spaceflight Technology. Two mechanical legs on the rover will be used to dig and take earth samples from the moon. The rover will patrol the moon's surface for at least three months. China will launch its fifth lunar probe, the Chang'e-5, in 2017 to bring back samples from the surface of the moon. There is still no timetable for putting a man on the moon.
- New York University Shanghai began accepting 2014 enrollment applications, expanding its recruitment scope to all Chinese mainland students. The country's first Sino-U.S. joint venture university opened in September with an enrollment of 300 students. In 2014, it will also recruit 300 students – 151 from the mainland and 149 from overseas. This year, the university recruited students from only 10 provinces or municipalities, but for 2014 students from anywhere on the mainland can apply. The school uses an all-English teaching environment and Western-style education.

## STOCK MARKETS

### Huishang Bank signs up five key investors

Huishang Bank, a city commercial lender based in Hefei, Anhui province, has secured five cornerstone investors as it kicked off a roadshow for its long-planned initial public offering (IPO) in Hong Kong. Shenzhen-based property developer China Vanke, Hong Kong-based jewelry firm Chow Tai Fook, state-owned manufacturing-to-pharmaceuticals conglomerate Genertec and two Chinese individuals had pledged about USD500 million, said a banker involved in the deal. They will take up 44.2% of the entire offering, assuming the shares are priced at the bottom end of the range. Trading is scheduled to begin on November 12, according to the preliminary schedule. Huishang is offering 2.61 billion shares in an indicative range of HKD3.47 to HKD3.88 each, translating into a price-book ratio of 0.93 to 1.01, based on the expected book value this year – slightly higher than the official requirement of one times if priced at the top end. Meanwhile, Shanghai-listed China Everbright Bank has received approval from the Hong Kong stock exchange for its third attempt to raise up to USD4 billion from selling 12 billion shares.

### Shenyin Wanguo and Hong Yuan in merger talks

Shenyin Wanguo Securities is in merger talks with Shenzhen-listed Hong Yuan Securities, paving the way for a long-awaited industry consolidation. The two securities firms are owned indirectly by China Investment Corp (CIC), China's USD575 billion sovereign wealth fund. Its subsidiaries Central Huijin Investment and Jianyin are the controlling shareholders of Shenyin Wanguo and Hong Yuan with a stake of 55.4% and 60% respectively. If the merger goes ahead, Huijin, a fully-owned unit of CIC, will be the owner of the two brokers. The deal could significantly increase Shenyin Wanguo's market share and its position in the domestic securities market, putting the newly formed firm just behind industry leaders Citic Securities and Haitong Securities. Shenyin Wanguo could also gain listing status through the merger. China's brokerage industry is fragmented, with the top 10 securities firms representing only 45% of the market. Many of them have expanded almost identically and offer similar products, leaving policymakers such as Huijin with the difficult task of consolidation.

- The shares of Zoomlion Heavy Industry Science and Technology rallied, after Chen Yongzhou, a reporter with Guangzhou newspaper New Express confessed on television that he had accepted bribes to write negative reports about the machinery maker. Despite the stock's recovery, some analysts still expressed concern about the company, pointing to the large amount of money in unpaid bills its customers owe. In September, Zoomlion had filed a report with police accusing New Express of defamation. A JP Morgan report said Zoomlion boosted its reported operating cash flow in the first half by "factoring" CNY8.9 billion of its receivables, equal to 44% of its revenue of CNY20.17 billion during that period.
- Two Chinese companies priced their initial public offerings (IPOs) in the United States above the marketed range last week. 58.com, the Chinese version of Craigslist offering an online marketplace, surged 41% on its first day of trading after its IPO raised USD187 million on the New York stock market. Qunar, a Chinese travel-booking service controlled by Baidu, raised USD167 million. Several Chinese firms, including mobile chipmaker Montage Technology Group, are preparing for IPOs in the U.S.

## TRAVEL

### Air China and China Eastern forex gains prop up profits

Yuan appreciation helped shore up earnings at Air China and China Eastern Airlines in the first nine months of the year, with analysts predicting that fourth-quarter business could benefit from a recovery in business travel. Air China earned CNY4.06 billion, including a CNY2 billion increase in exchange gains, against a profit of CNY4.2 billion in the same period last year. China Eastern posted net profit of CNY3.6 billion, on par with last year, after its financial expenses fell CNY2 billion, mainly due to exchange gains, it said in a filing to the Shanghai Stock Exchange. "A stabilizing economic outlook and increasing infrastructure investments suggest a better outlook for business travel demand," Davin Wu, Transport Analyst at Credit Suisse, said in a report. A full recovery in the core business of Air China and China Eastern, however, was still reliant on a rebound in the air cargo market, another analyst said. Air China

flew 58.5 million passengers in the first nine months, up 7.4% year-on-year. It sold 81.7% of seats, up 0.7 percentage point from a year earlier. Cargo volume rose 1.1% to 1.07 million tons but its cargo load factor was 58.1%, down half a percentage point. China Eastern carried 59.8 million passengers in the same period, up 8.3% year-on-year. Its cargo traffic inched up 1% but cargo load factor fell 3.37 percentage points to 59.6%. Shanghai International Airport, which operates the Pudong and Hongqiao airports, reported a 24% increase in net profit to CNY1.46 billion in the first nine months from a year earlier. Guangzhou Baiyun International Airport said its net profit shot up 15% to CNY664.6 million in the nine months, the South China Morning Post reports.

- The last county in China to be accessible by modern land transport was finally linked up to the rest of the country with a new road that has taken decades to build. The 19,000 people of deeply isolated Medog in southeastern Tibet, have until now had to depend on horses for land travel and trade. The 117-kilometer road took so long to build because of the precipitous topography. The project includes a 3.3 km tunnel that turns a four-hour trek over a snow-capped mountain into a less than four minute drive.

## ONE-LINE NEWS

- Shanghai's two leading press groups – Jiefang Daily Group and Wenhui-Xinmin United Press Group – have merged, creating the country's biggest newspaper company and the new parent company of Shanghai Daily. The consolidated group Shanghai United Media Group has total assets of CNY20.87 billion. The merger will allow the group to expand in the new media sector.
- Chinese newspaper advertising income is expected to decline 3.4% this year and 2.4% next year, after experiencing its first drop in eight years in 2012, media investment management firm Group M said in a report last month. Print was the only segment to show a drop in ad revenue. Advertising spending across all media categories in China is expected to grow 10.7% this year, reaching CNY429.5 billion.
- President Xi Jinping is the world's third most powerful person, according to a new list released by Forbes. He ranked ninth last year. Other Chinese on the list include Premier Li Keqiang (No 14), Hong Kong tycoon Li Ka-shing (No 30), China Investment Corp Chairman Ding Xuedong (No 36), Hon Hai Precision Chairman Terry Gou (No 48), and Baidu CEO Robin Li (No 61).
- Dozens of mainlanders have protested in Hong Kong against Digital Crown Holdings HK (DCHL), which had set up a controversial multi-level marketing scheme for health and beauty products causing them to lose money when they were unable to resell the products they had bought. One man said he spent tens of thousands of dollars on what he was told was sapphire jewelry, but turned out to be made of glass and worth just HKD1,000.
- The Beijing No 1 Intermediate People's Court sentenced Tian Xueren, former Vice Governor of Jilin province, to life imprisonment for taking more than USD3 million in bribes. The 66-year-old was found to have abused his authority in allocating business contracts and promotions, in exchange of which he received cash from individuals and companies. Jilin Zixin Pharmaceutical Industrial Co and Xu Weimin, a former police officer in Changchun, regularly bribed Tian, the court heard.

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