法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 13 MAY 2013

FCCC ACTIVITIES

China Information Session: ”Assignments from China to Belgium and vice versa: Update on immigration and personal tax aspects” – Wednesday 29 May 2013 – 15h30 – Brussels

International mobility and flexibility have become key factors in today's business climate. Immigration procedures remain very strict and compliance with local immigration and social law is controlled and severely sanctioned in case of non-compliance. The Flanders-China Chamber of Commerce, in cooperation with Deloitte is therefore organizing an information session on aspects of immigration and social legislation which will focus on the posting of Chinese nationals to Belgium and vice versa. More specifically, the following topics will be discussed:

- Update on recent changes in Belgian and Chinese immigration law
- Recent and upcoming changes in European immigration issues: “What is Europe trying to achieve?”
- Update on recent changes in Belgian and Chinese law on personal taxation
- Highlights and preliminary results of Deloitte’s comparative study on the immigration of highly skilled non-EU employees to Europe: Benchmarking Belgium with 29 other countries.

The seminar will be held at KBC BANK and presented by Matthias Lommers, Senior Manager, Erwin Vandervelde, Partner (immigration aspects) and Boris Deraeve, Tax Director (tax aspects).

The aim of this event is to provide sound knowledge and understanding of the aforementioned issues, to enable companies to meet various requirements on a timely basis and avoid losing precious time or wasting resources.

The information session will take place at 3.30 p.m. on Wednesday 29 May at KBC Bank, Havenlaan 2 in Brussels and will be followed by a networking cocktail.

If you are interested to participate, please register online by Friday 24 May 2013 at the latest. Participation fee for FCCC members: €65, non-members: €95.

ACTIVITIES SUPPORTED BY FCCC

China Lecture Café: “EU emissions trading and international aviation and shipping: the position of China” – 16 May 2013 – KANTL, Ghent

The fifth Lecture Café entitled: “EU emissions trading and international aviation and shipping: the position of China” will take place on May 16, 2013 at 18:00 h. – 20:00 h. in KANTL (Koningstraat 18, Gent). Speaker is Prof. Frank Maes, Faculty of Law, Department of International Public Law.

In this lecture, Prof. Frank Maes will explain some major legal issues as a result of the EU directive to impose a cap on CO_2 emissions from all flights arriving at or departing from EU ports, regardless the country of origin or destination. Besides, international aviation will be incorporated in the EU emissions trading scheme. According to China and other non-EU countries, this unilateral action of the EU is contrary to international law and universal climate change law. China also fears that a comparable measure will be taken towards international shipping and that this EU action is a breach of the principle of common but differentiated responsibilities with consequences towards the future legal climate change architecture.

Prof. Frank Maes holds a Master in Political Sciences: Diplomatic Sciences – Ghent University, a Master in Shipping Law, University of Antwerp (UFSIA) and is Doctor in Law, Ghent University. He is professor Public International Law at the Law Faculty of Ghent University (www.law.ugent.be/intpub), lecturing inter alia International and European Environmental Law.

A free sandwich meal will be provided. Subscribing is free of costs, but mandatory, via https://webapps.ugent.be/eventManager/events/LectureCafes The Lecture Cafés are a joint initiative of the UGent China Platform, the India Platform and the International Office of the Faculty of Bioscience Engineering.

PAST EVENTS

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

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

Sino-Belgium Business Survey: Are Belgian companies suffering in China or enjoying an excellent year? – 24 April 2013 – Brussels

Last year the Chinese economy expanded by 7.7%, a rate of growth largely seen as a continued ‘slowdown’. How did your company perform by comparison? The results of the 2013 Sino-Belgian Business Survey set the performance of Belgian companies in the right context. When we talk about the growth of Belgian businesses in China are we comparing apples and pears? Equally importantly, how do Belgian businesses feel about the future of their business in China? Moore Stephens Verschelden, together with the Flanders-China Chamber of Commerce, Flanders Investment & Trade (FIT) and the Benelux Chamber of Commerce organized a discussion on the results of this year’s survey with a panel of leading business figures and independent experts on 24 April 2013, 17h at KBC Bank in Brussels.

Following an introduction by Mr Philippe Snel, Chairman Bencham Shanghai, a panel discussion was held, moderated by Mr Andries Verschelden, Partner Moore Stephens Verschelden. The panelists included Mr Tim Van den Bossche, Vice President Global Marketing & Strategy, Agfa Graphics; Mr Filip Goris, Regional Manager China & India, Recticel; Mr Wim Buyens, Senior Vice President Projection Division, Barco; and Mr Thomas Baert, Owner & CEO, Chinafloors. A Q&A session and networking reception concluded the event.

FINANCE

Timetable expected for yuan convertibility under capital account

The Chinese government said it will unveil a plan this year to make the currency fully convertible under the capital account and establish a comprehensive system for individuals' outbound investments, allowing mainlanders to directly buy Hong Kong stocks. While the yuan is already convertible under the current account – covering trade – the capital account, which covers portfolio investment and borrowing, is closely controlled. “The statement shows the leadership has attached great importance to the convertibility issue and the operational plan will give the all-clear for liberalization," said Li Huiyong, Chief Economist with Shenyin Wanguo Securities. "Global and domestic economic conditions have pushed the leaders to accelerate the pace for reforms." In 2007, Beijing first announced its ambition to internationalize the yuan and promote its use worldwide in step with China's economic rise. Beijing opened the current account in 1996, allowing companies to exchange foreign currencies for trade deals. Meanwhile, the State Administration of Foreign Exchange (SAFE) has stepped in to restrain corporate borrowing in U.S. dollars and crack down on hot money inflows under the guise of trade as the yuan's appreciation gains momentum. After a 1% rise of the yuan against the dollar so far this year, many companies have borrowed in U.S. dollars, converted them into yuan and bought into yuan-denominated assets, waiting for the Chinese currency to strengthen further. China's capital and financial account surplus ballooned from USD20 billion in the last quarter of 2012 to USD102 billion in the first quarter of this year, highlighting heavy capital inflows. In the first two months of this year China's exports surged 23.6% year-on-year, much faster than the 11.7% economists expected. Many exporters inflated bills to help channel in foreign exchange to await the yuan's appreciation, media claimed. About 80% of the capital-account items listed by the International Monetary Fund (IMF) are already convertible or partially convertible in China, according to Yi Gang, Deputy Governor of the People's Bank of China (PBOC).

Amount of bad loans on the rise

Chinese banks will face asset quality challenges this year as bad loans continued to rise in the first quarter after the big five lenders wrote off CNY25 billion of sour loans last year, Deloitte Touche Tohmatsu said. Bad loans at the 16 listed lenders on the Chinese mainland totaled CNY424 billion by the end of March, CNY21.9 billion more than at the end of last year, according to the lenders' financial results for the first three months. The bad loan ratio stayed below 1% on average. "Chinese lenders have low non-performing loan ratios compared to their foreign peers because credit assets expanded at a faster pace than the rise in bad loans, which casts a 'dilution effect' (on the bad assets)," said Deloitte. China's top-five lenders wrote off CNY25 billion of bad loans last year, a surge of 110% from a year earlier, according to Deloitte. The bad loans at the big five banks totaled CNY340.8 billion by the end of March, or 80.4% of all listed lenders. The combined overdue loans of the top 10 listed Chinese commercial banks rose 29% from a year earlier to CNY487 billion at the end of 2012, according to PricewaterhouseCoopers (PwC). The average overdue loan ratio climbed to 1.21% from 1.06%, indicating the possibility of a further increase in non-performing loans in the future. The PwC report also noted the rapid rise in the wealth management business. Last year, 31,673 wealth management products worth CNY7.6 trillion were issued by the banks, up 68% from 2011.

Dagong to set up JV rating agency in Hong Kong

Dagong Global Credit Rating Co, the Chinese ratings agency, is launching a joint venture operation in Hong Kong next month with U.S. ratings agency Egan-Jones Ratings Co and RusRating from Russia to challenge the current ratings system. Universal Credit Rating Group (UCRG) will start with around 20 analysts which will gradually grow to more than 100. RusRating Founder Richard Hainsworth will be CEO and in charge of daily operations. Guan Jianzhong, Chairman of Dagong, who will also be Chairman of UCRG. "We hope that UCRG will bring a new perspective to the current ratings landscape and help build a new credit ratings system," Guan said. UCRG follows in the footsteps of China Chengxin, China's oldest rating agency, which established a foothold in Hong Kong in August. Experts are viewing the moves as growing evidence of a determination to boost Chinese influence on the global credit ratings system on the back of its growing economic and financial power. Guan said UCRG plans to spend six years creating a new credit ratings system that will fully disclose credit risks between creditors and debtors. He described the current system, dominated by the "big three" agencies – U.S.-based Moody's, Fitch Ratings and Standard and Poor's – as flawed and favoring developed economies. Inaccurate ratings by the three are widely criticized by some as having added fuel to the global financial crisis, the China Daily reports.

- Bank of China (BOC) has closed the account of North Korea's Foreign Trade Bank, the country's main foreign exchange bank. The closure is the first significant, publicly announced step taken by a Chinese entity to curb its dealings with North Korea in the wake of sanctions imposed by the U.S. and its allies. It is unclear how much of the

USD6 billion in annual trade between China and North Korea goes through the Foreign Trade Bank.

- China's Aa3 sovereign bond ratings are supported by its economic and financial strength, which has not been jeopardized by the country's slower growth, Moody's said. The rating agency's outlook for the country's credit rating is stable. "We see China's growth moderating further, but it will remain well above the global average over a five-year horizon, if not longer," Moody's said in its annual report. Moody's predicted China's gross domestic product (GDP) will grow 8% this year and 7.5% in 2014.
- Tian Huiyu, Director of Retail Banking and head of the Beijing branch of the China Construction Bank, will replace Ma Weihua, President of China Merchants Bank (CMB). Ma, 65, will step down from the post after being President of Shenzhen-based CMB for 14 years.
- Citibank (China) Co has launched multi-currency notional pooling with RMB capability, the first bank in China to do so. It will significantly enhance the efficiency of clients' liquidity management.
- The National Social Security Fund (NSSF) is budgeting for a 9.9% increase in its income to CNY3.28 trillion this year, including insurance fee income and government financial subsidies. Expenditure is expected to grow 16.8% to CNY2.79 trillion.
- The number of financial crimes rose substantially in Shanghai last year. Shanghai's Procuratorate has made 849 arrests involving financial frauds while dealing with 2,490 cases, up 78.5% over 2011 and accounting for 7.5% of total criminal activity, compared to just 4.5% in 2011, according to a white book on financial fraud by Shanghai People's Procuratorate. Most of the financial frauds involved credit card scams, which accounted for 79.1% of the total number of frauds.
- The cost of funding so-called dim sum bonds has risen as the swap rates between the yuan and the U.S. dollar are at record lows, tempering the pace of investment-grade corporate bond issues by foreign issuers. New issues of dim sum bonds grew about 20% to USD5.2 billion in the first four months of this year from the same period last year, according to data from Dealogic.
- Last week the renminbi yuan reached an exchange rate of 6.1396 to the U.S. dollar, the strongest level since the end of 1993. The daily fixing rate of the yuan rose 1.41% since the beginning of the year. Analysts have forecast continuous appreciation pressure on the yuan as major economies announced a new round of monetary easing.
- Banks in China extended CNY792.9 billion in yuan-backed loans in April, while M2, the broad measure of money supply, grew 16.1%, faster than the official 13% annual target. New local currency loans fell last month from CNY1.06 trillion in March, but stayed higher than CNY620 billion in February, according to the People's Bank of China (PBOC).

FOREIGN INVESTMENT

Rich Chinese investing more abroad

China's richest people are stepping up investment in U.S. real estate and other foreign assets as they try to preserve their fortunes in the face of a fast-changing economy, a report by China Merchants Bank (CMB) and the consulting firm Bain & Company said. Investor attitudes are being influenced by "the political environment and possible changes in tax policy," said Chen Kunde, Director of China Merchants' wealth management business. They are "switching their focus from deriving more profits to protecting their existing wealth." Growth in the number of Chinese people with at least CNY10 million in investable assets slowed in 2010-12, according to China Merchants and Bain. The total rose 18% over the previous two-year period to 700,000, down from 29% growth in 2008-10. At least 100,000 of those people have more than CNY50 million, while 40,000 have more than CNY100 million. The report was based on questionnaires filled out by 3,300 people and more detailed interviews with about 100 of them and with bank employees. Almost 60% of people surveyed with investments abroad plan to increase them, the report said. Real estate makes up the bulk of investment and top destinations include the United States, Canada, Hong Kong and Singapore. Last week, Australia's government announced a Chinese toy manufacturer and his family have become the first people to receive visas under a program for "significant investors". It requires an investment of at least AUD5 million in the country, the South China Morning Post reports.

SMEs lead new wave of European investment in China

A new wave of European investment in Asia is being fueled by small and medium-sized enterprises (SMEs), which may be unknown today but could become multimillion-dollar brands tomorrow. While overall foreign direct investment (FDI) in China continued to fall in the first two months of this year, investments from the 27 member states of the European Union climbed 34% to USD1.21 billion – the first rise in more than two years. Invest Hong Kong – the organization that helps foreign firms move into the city – said the number of EU companies setting up offices in Hong Kong had jumped by at least 10% in the first quarter. While France and Germany still make up the biggest European business sector in town, companies from Bulgaria, Romania, Turkey, Poland and Scandinavia are taking root in Hong Kong too, in areas from wine trading to multimedia communications. In the four years to 2011, total investments held by EU states in Hong Kong increased by 38% to €124 billion – even beating the €101.5 billion of investment that EU countries hold in China. More European companies established themselves in Hong Kong than on the mainland last year. While 60 companies from the 17 countries that use the euro currency set up shop in Hong Kong, the number of euro-zone companies on the mainland declined by 16% on the previous year to 1,698. Piter De Jong, Vice Chairman of the European Union Chamber of Commerce in China, also expects more small and medium-sized enterprises to come to China. SMEs recently looking to enter China included small car-parts suppliers, green technology firms and consumer goods distributors, the South China Morning Post reports.

- Finnish elevator company Kone has opened its largest manufacturing plant to date in Kunshan, Jiangsu province. China is by far the single biggest market for new elevators and escalators. With such an extended domestic demand, the world's top eight elevator and escalator manufacturers are following Kone in penetrating the Chinese market, with the elevator industry projected to supply 4 million units to meet market demand in 2015.
- Chinese companies' investments in the United States rose to USD6 billion last year from just USD700 million in 2005, with the momentum seen picking up, according to the "Chinese Investing in the U.S. Summit Forum" held in Shanghai. Tianjin Pipe Corp spent more than USD1 billion in building a facility in Texas in 2011, the largest investment in manufacturing by a Chinese firm in the U.S.

FOREIGN TRADE

China's export growth expected to slow to 10%

China's export growth is likely slow to about 10% in the second quarter from 18.4% in the first owing to rising domestic labor costs and trade barriers, according to the State Information Center (SIC). The first quarter's figure was high as companies had inflated their numbers to facilitate foreign-exchange inflows, it added. The think tank forecast imports may grow about 8% in the second quarter, slightly below the 8.4% in the first three months, generating a trade surplus of about USD128 billion. Chinese exporters have been plagued by sharply rising operating costs, including labor, capital, resources and logistics, said the report compiled by a team led by Economist Fan Jianping. "Apart from that, companies will also have to bear high transaction costs resulting from deepening global trade barriers," the report said. Negotiations between China, Japan and South Korea on setting up a free-trade zone had been proceeding slowly due to political reasons. Short-term speculative capital, or hot money, had flowed rapidly into the mainland through foreign trade in the first quarter, the think tank said. While exports surged 18.4% in the quarter, the value of export deliveries rose only 6.2%. The two sets of data had "matched each other historically", the Center said. "Some companies may have reported higher prices for products exported and lower prices for importing them back to channel forex funds into the mainland." The SIC called on Beijing to expand yuan swaps with nations such as France and Britain to help companies cope with exchange-rate fluctuations.

The mainland's gold imports from Hong Hong more than double

Gold imports by the Chinese mainland from Hong Kong more than doubled to an all-time high in March. Mainland buyers purchased 223,519 kilograms, including scrap, compared with

97,106 kilograms in February, according to data from the Hong Kong government. Net imports by the mainland, after deducting flows from the mainland into Hong Kong, were 130,038 kilograms compared with 60,947 kilograms a month earlier. “This is quite out of expectation as all these imports were done before the market slump in April,” said Qu Mingyu, a trader at the Bank of China (BOC), one of the country’s three largest bullion banks. “Judging from the explosive growth of trading volume on the Shanghai Gold Exchange in the second half of April, and anecdotes that many jewelry shops are sold out throughout the country, imports might be even more substantial in April.” The purchases in March were over three times higher than the 62,913 kilograms in the same month last year, data from Hong Kong’s Census and Statistics Department showed.

Stronger than expected growth raises questions

China’s exports rose 14.7% in April, while imports grew 16.8%, leaving the country with a trade surplus of USUSD18.16 billion for the month, the Customs Administration said. From a month earlier, exports edged up 2.7 percentage points while imports fell 7.7 percentage points. Some analysts suspect exporters may have overstated their business to sneak funds into the country and avoid capital restrictions. While Taiwan reported a 2.7% fall in imports from China in April, China reported a 49.2% surge in exports to Taiwan. Analysts have calculated that the exaggeration has added about 5 percentage points, and maybe more, to China’s export growth in recent months. In the first four months, China’s exports grew 17.4% and imports rose 10.6%, leaving a trade surplus of USD60.9 billion. China’s shipments with the European Union, the country’s largest trading partner, fell 1.3% to USD168.1 billion while trade with Japan lost 8.5% to USD97.9 billion. In comparison, trade between the U.S. and China grew 9.4% to USD159.7 billion.

- The State Administration of Foreign Exchange (SAFE) will boost scrutiny of cross-border capital flows by importers and exporters to stop speculative funds from entering the country disguised as trade payments. China is investigating possible fraud behind first quarter export growth figures questioned by economists from Goldman Sachs Group to Nomura Holdings. The practice of false trade declarations “does exist, but is definitely not mainstream,” Customs Administration Spokesman Zheng Yuesheng said. Recipients of SAFE’s warnings have 10 days to explain the need for their transactions and those who fail will be placed on the Administration’s B list, which means their activities will be closely monitored for at least three months. SAFE said it would “severely punish those who use fake documents.”
- A growing number of Chinese exporters attending the 113th Canton Fair reported they are successfully shifting their traditional export-focused businesses to chasing sales at home. Fair organizers reported transactions with traditional buyers from the European Union, the United States and Japan were down 4.9%, 0.5% and 12.6% year-on-year, respectively.
- A trial of China’s first free trade zone will be launched in Shanghai’s Pudong New Area as early as the end of this year. “Customs formalities within the free trade zone will be so simple and convenient that the entry of goods will only require registration of the variety and value of the goods without any inspection and intervention,” said Huang Shengqiang, Director General of Shanghai Customs. “Also, there will be no declaration process for goods coming in and out of the zone.” Pudong authorities have accelerated preparations to consolidate the three bonded zones in Waigaoqiao port, Yangshan Deep-Water Port and Pudong International Airport into the free trade zone.

HEALTH

Use of antibiotics limited by new regulation

Health officials say local hospitals use excessive amounts of antibiotics, especially on hospitalized patients. A new regulation issued by the National Health and Family Planning Commission has set a detailed and strict limit on the use of antibiotics in general and in specialized state-owned hospitals. Doctors prescribing unnecessary or excessive amounts of antibiotics without any legitimate reasons can face punishment and even have their licenses revoked. The permissible use of antibiotics should not be more than 60% on hospitalized patients, 20% at outpatient departments and 40% in emergency units in general hospitals, according to the regulation. Wu Hong, from the Shanghai Health and Family Planning

Commission, said Shanghai has stepped up control of antibiotics and seen a year-on-year drop in their use in recent years, but their use in domestic hospitals remains high. Research into drug use from 2005 to 2010 in Shanghai, Wuhan, Hangzhou and Chongqing found 30% to 40% of medication taken was antibiotics. Only 10% of patients were given antibiotics on average in the world.

- The number people who have been infected by the H7N9 virus in China has risen to 130, according to Chinese health authorities. 32 of them have died. No human H7N9 bird flu infections have been reported in Shanghai for more than 20 days, prompting the city to end its emergency response scheme for epidemic diseases. However, hospitals and health authorities will continue to monitor and prevent the spread of the virus, the city government said.
- Scientists said that flu infections were rising among pigs raised for slaughter on farms in south and southeastern China, and the risk of spillover to humans was “constant or growing”, according to one of the authors of a study published in Proceedings of the Royal Society. Pigs can act as a “mixing vessel” in a process known as re-assortment, brewing new flu strains from swine, poultry and human viruses in areas where they live in close proximity. But the H7N9 virus has not been traced to pigs and has not been shown to jump from person to person.
- Hutchison China MediTech is in talks to license a cancer treatment based on traditional Chinese medicines, said Christian Hogg, the company’s CEO. The Hong Kong-based company, known as Chi-Med, completed due diligence with potential partners and will probably reach an agreement by year-end. The medicine may be used to treat colorectal, lung, breast and gastric cancers.

IPR PROTECTION

Patent search app for mobile devices launched

A patent search application for mobile devices was recently launched, enabling users to have more convenient access to patent information via cellphones. Developed by the China Patent Information Center, the app can be used on Android-based devices, and it will eventually be extended to other systems, such as iOS and Window 8 in the future. The app allows access to the patent databases of countries across the globe, including China, and provides online translation for patent names and summaries, said Ning Long, Director of the Center.

- Protecting intellectual property and developing strategic emerging industries go hand in hand, said Tian Lipu, Commissioner of the State Intellectual Property Office (SIPO) in a speech to the annual open house at SIPO on April 26, the World Intellectual Property Day. Because of fierce international competition. Emerging industries require a higher level of IP management and protection, he said.
- A new online portal designed to fight counterfeits was launched in late April. Created by the newspaper China Intellectual Property News, the website helps to expose cases of IP infringement with the goal of distinguishing the authentic from the fake, and it offers online consultation. Organizers said they wish to improve IP information services, protect consumers from being cheated and promote the watchdog role of the press.
- For eight consecutive years Chengdu has lead other central and western Chinese cities in the number of patents applied for and granted. Residents of the city applied for 48,901 patents last year, including 10,886 for invention patents, increasing 46% year-on-year. More than 32,000 patents were granted in that same year.
- The organizing committee of the 113th China Export and Import Fair in Guangzhou, which ended on May 5, received 542 intellectual property disputes during the event. More than 660 companies were involved, a decrease of 0.9% compared to the previous session. CEIF Spokesman Liu Jianjun said that most of the companies have strengthened awareness of IP protection, and their capacity to handle IP complaints and protect themselves has also been improved.

MACRO-ECONOMY

Richest Chinese owns CNY70 billion

Zong Qinghou, 68, Founder and Chairman of the Hangzhou Wahaha Group, tops the 2013 New Fortune 500 Rich List with CNY70 billion in personal assets. The Rich List records a huge increase in the wealth of billionaire entrepreneurs despite a perception that private businesses may be struggling. After a brief downturn in 2012, the cut-off point to make the list is CNY3 billion, equaling the top 10 benchmark of a decade ago. Average wealth grew 16.7% to CNY7.16 billion – the second highest level in the list's 11-year history, and the CNY10 billion club grew from 68 people to 87. Despite efforts to cool the housing market, property remains the biggest source of wealth as strong demand drove China's housing prices up more than 8% last year. The property industry accounted for 21.8% of individuals on the list, including four among the top 10. Leading the pack is last year's top-ranked Wang Jianlin, Chairman of Dalian Wanda Group, who came second this year with CNY54 billion. The average wealth of real estate moguls amounted to CNY8.03 billion, 1.12 times the figure across industries. Another notable trend is that the rich are diversifying their business into the finance sector. The average wealth of the 21 financiers on the list reached CNY7.43 billion this year, up 40.5% from a year earlier, the Shanghai Daily reports.

Plan to revitalize old industrial bases criticized

The Old Industrial Base Restructuring Plan, which was approved by the Chinese government last month, has raised concerns that spending on the relics of sunset industries is antithetical to market reforms and a waste of taxpayers' money. Trillions of yuan are expected to be pumped into the 10-year plan starting this year that will rejuvenate 120 cities saddled with heavily polluting and cash-guzzling state-run heavy industries set up in the early days of the country's industrialization drive. "I think the plan would hurt the economy more than the CNY4 trillion stimulus package did, in terms of the wastage it would generate," said Yuan Gangming, Researcher at the Chinese Academy of Social Sciences. "I'm afraid the move comes across as a sweetener to regions that lag behind in market reforms, rather than one seriously aimed at improving productivity through market forces." From Jiamusi in Heilongjiang province to Liupanshui in Guizhou, the plan covers 95 cities and 25 districts in first-tier cities, including the Shijingshan district of Beijing and the Minhang district of Shanghai, which are the cradles of these cities' heavy industry. Under the scheme, the central government will set aside funds for relocating the plants, and arrange fiscal transfers to local governments to support the economy during the transition. It will also encourage investment firms to issue bonds to finance infrastructure construction at the sites vacated by the old plants. Relocating heavy industries is a costly exercise. In Shijingshan, the relocation of steelmaker Beijing Shougang to Caofeidian, a district in Tangshan, Hebei province, took six years, finishing in 2010. It cost more than CNY50 billion. Zhao Xijun, Finance Professor at Renmin University in Beijing, said the scheme was a "continuation and expansion of the Northeast revival" plan kicked off a decade ago that aimed at restructuring and strengthening state-owned enterprises. Niny Khor, a China-focused Economist at the Asian Development Bank (ADB), said that the government should not be sustaining sunset industries and prolonging them unnecessarily, the South China Morning Post reports.

April's inflation increases to 2.4%

China's consumer price index rose 2.4% in April from a year earlier, but analysts expect the figure to ease again as poultry and pork prices declined sharply amid the bird flu scare. The index gained from March's 2.1%. Yu Qiumei, Senior Economist at the National Bureau of Statistics (NBS), said the rising costs of vegetables was the major reason for the rebound. Last month, the costs of fresh vegetables jumped 5.9% from a year earlier due to cooler and drier weather. Rice prices surged 5.2%. Zhou Hao, Economist at the Australia & New Zealand Banking Group, said the risk of higher inflation was diminishing in the near term. "The inflation momentum has eased sharply after the Chinese New Year, led by decelerating output growth," Zhou said. "Also, the outbreak of bird flu may keep China's inflation tepid due to falling poultry and pork prices." In April, pork prices fell 6.5% on an annual basis while overall food prices added 4%. "The subdued inflation outlook can give authorities a chance to engage in fast structural reforms on factor prices (water, electricity, and energy prices), interest rate liberalization, as well as fast deregulation in project approval and private sector participation in the state-sponsored infrastructure programs," Zhou said. In the first four months, China's inflation rose 2.4% from a year earlier, less than the 3.5% target for the year. The Producer Price Index (PPI) decreased 2.6% year-on-year in April, the lowest since last November, signaling weakening market demand. “Nearly all China’s recent data pointed to slower growth in various industries, indicating insufficient demand for powering ahead China’s expansion,” said Li Maoyu, Analyst at Changjiang Securities Co, the Shanghai Daily reports.

- China’s private and export-oriented firms saw service activity grow at the slowest pace in 20 months in April. The HSBC Business Activity Index stood at 51.1 in April, down from March’s 54.3 and at the lowest level since August 2011. The latest reading signaled only a marginal increase in service sector activity. New orders grew at the smallest pace in 20 months, while staffing levels in the service sector fell for the first time since January 2009.
- The Chinese government announced detailed plans on deepening economic reform, fulfilling its pledge to cut government intervention. The government will cancel or delegate power to lower levels on 62 items that were previously subject to central government administrative approval, after similar approaches were taken on 71 items last month. It will improve measures to check local government debts and make the budget system more transparent.
- The Xinjiang Production and Construction Corps (XPCC) is seeking USD8.5 billion of investment in five projects to use natural gas and coal in chemicals manufacturing. XPCC accounted for more than a sixth of Xinjiang's economic output last year. Thanks to its vast land mass and small population, Xinjiang can better handle pollution from chemical industries than the more developed coastal regions.
- Hebei province is planning to build at least one zone in every city in the province to attract companies looking or forced to move from Beijing and Tianjin. Hebei attracted more than CNY219 billion in investment from Beijing, which accounted for 43% of its total external investment last year. The province wants to take advantage of its location surrounding Beijing and Tianjin to adsorb their spillover and attract companies that are moving out.
- Shenzhen unveiled the three-year “Shenzhen Overall Reform Plan for 2013 to 2015” to deepen reform, with development of the Qianhai-Shenzhen-Hong Kong cooperation zone at the top of the agenda. The plan aims to accelerate institutional reform in Qianhai, help promote the service industry and industry upgrades, and enhance cooperation between Shenzhen and Hong Kong.
- Irregularities involving billions of yuan were found in a review of 2011 revenue and expenditure at 10 state-owned companies and three banks by the National Audit Office (NAO). Violations included China Mobile spending CNY24 million to buy gym cards for staff, which was a breach of salary management rules; China Guodian Corp investing in projects worth CNY30 billion without approval; and China Huaneng Group owing business tax of CNY392 million and investing CNY32.4 billion in unapproved projects.
- Hong Kong’s economy grew a meager 0.2% in the first three months of the year compared with the previous quarter. It was the slowest growth in three quarters. On a year-on-year basis, gross domestic product (GDP) grew 2.8%, unchanged from the previous quarter’s growth rate. Government Economist Helen Chan said the government is maintaining its full-year growth forecast of 1.5% to 3.5%.

MERGERS & ACQUISITIONS

65 M&A deals reported in April

Sixty-five deals were completed in the Chinese mergers and acquisitions market in April, with investment of USD2.5 billion, down 50.8% year-on-year, according to a Zero2IPO Group report. Fewer overseas M&A deals were made in April compared with the same period last year. The property sector continued to be popular in April for M&A deals, with nine completed. In the first quarter, 25 deals were made in this sector, making it the most active.

- Bright Food Group is considering selling U.S. dollar-denominated bonds before an October deadline to repay financing for its acquisition of Weetabix. Bright Food, based in Shanghai with operations from sugar to dairy and wine, plans to meet investors in Asia and Europe. The company is due to repay a USD300 million loan in October, part of USD850 million borrowed last year to buy 60% of British cereal maker Weetabix.

- China Mengniu Dairy Co will pay HKD3.18 billion to raise its stake in raw milk provider Modern Dairy to 28% to gain greater control of milk supplies amid rising worries of food safety among Chinese consumers. Before the deal, Mengniu owned a 1% stake in Modern Dairy, which is now the company's largest raw milk supplier with 22 dairy farms across China and aims to have 30 farms by 2015. Mengniu's 2012 profit fell 21% to CNY1.26 billion.

PETROCHEMICALS

CNOOC and BG Group reach LNG deal

The China National Offshore Oil Corp (CNOOC) has inked an agreement to buy 5 million tons per annum (MTPA) of LNG, starting in 2015, from BG Group and buy a 40% stake in QCLNG Train 1, increasing its equity ownership from 10% to 50% for USD1.93 billion. It will acquire a 20% equity interest in the reserves and resources of certain BG Group assets in the Walloons Fairway region of the Surat Basin, Queensland, Australia, lifting its equity ownership from 5% to 25%. It will also acquire a 25% equity interest in certain other upstream tenements held by BG Group in the Surat and Bowen Basins in Queensland.

REAL ESTATE

China Vanke reports drop in revenue

China Vanke has posted a significant drop in April revenue from March, in a clear sign that the government's efforts at curbing housing prices have started to affect major developers. Its revenue fell 18.55% month-on-month to CNY12.38 billion in April, it revealed in a filing to the Shenzhen Stock Exchange. The figures are still positive on a yearly basis. The company sold 1.1 million square meters of residential floor space during the month, a 44.3% rise on April 2011, while its CNY12.38 billion April revenue represents a 66.39% year-on-year increase. Vanke sold 1.27 million sq m of space and generated CNY15.2 billion of revenue in March, a 26-month high. Ning Jingbian, Analyst with China International Capital Corp (CICC), said he expects Vanke to post CNY165 billion in annual sales revenue, against CNY141.2 billion in 2012. "The company has completed 26% of its yearly target in the first quarter, which is better than its average rate of 21% over the last five years," Ning said.

Hong Kong-listed Hopson Development Holdings reported sales surged 51% year-on-year to CNY3.5 billion from January to April, but its sales in April also declined 20% from March. Guangzhou R&F Properties remains the only listed property developer to achieve month-on-month growth in revenue in April. The Hong Kong-listed company recorded CNY3.7 billion in April revenue, a 28.5% growth year-on-year, against CNY3.4 billion of sales in March. But despite the April sales dips, developers remain confident and are still buying land plots, said Su Xuejing, Industrial Analyst with China Securities. Land sales also declined in April, but are expected to pick up in May. The China Index Academy said that 635 land plots were traded in 300 cities in April, a drop of 18% compared with March, but a 13% rise year-on-year. Total traded space across the 300 cities declined 21% month-on-month, but edged up 3% year-on-year. The average land trading price for residential floor space grew 5% month-on-month to CNY1,062 per sq m nationwide, but surged 32% year-on-year. Residential land transactions soared by 2,096% in Hangzhou, 381% in Beijing and 133% in Shanghai, the China Daily reports.

- China has overtaken Japan to become the Asia-Pacific's largest market for investment-grade commercial real estate, DTZ, which is now part of UGL Services, a division of UGL, said in its latest "Money into Property" report. The value of such real estate in China totaled USD1.5 trillion in 2012, a 15% annual rise in local currency terms. Globally, the Asia-Pacific, which saw an 8% increase last year, was the only region where such investment grew.
- Three land parcels on the former World Expo site in the Pudong New Area fetched nearly CNY2.6 billion at an auction, with two of them being sold at starting prices. The three plots, designated for office and retail purposes, were all priced at around CNY27,000 a square meter. One was the most expensive plot sold in Shanghai in over a year. A subsidiary of Far Eastern New Century Corp, a Taiwan-based conglomerate, paid CNY978 million for the 6,100-square-meter parcel.
- China's property market will continue to grow, but at a slower pace, while developers

which focus on the mass market will experience strongest growth, Moody's Investors Service said. It expected a 10% year-on-year growth in the value of residential property sales over the next 12 months, in line with last year. “Urbanization and favorable mortgage financing for first-time homebuyers will continue to support demand and sales volume,” said Kaven Tsang, Moody's Vice President.

- A report from the investment bank Jefferies estimated that pre-sales by major developers last month fell 17% month-on-month, although they grew 24% year-on-year on average. Despite the drop from March, stronger developers were on track to reach full-year targets, it said. Daiwa Capital Markets said in a report the average property price would continue rising, at least over the next two to three years.
- Shanghai-based property developer Greenland Group has bought an additional stake in Hong Kong-listed SPG Land Holdings to become its controlling shareholder. After the deal, Greenland will hold a 60% stake in the Hong Kong-listed company, and the latter will change its name to Greenland Hong Kong Holdings.

RETAIL

Nongfu Spring halts production in Beijing

Bottled water company Nongfu Spring has decided to cease production of barreled water in Beijing permanently following a temporary suspension order imposed by the capital’s quality watchdog in a dispute over standards. The company said that nearly 100,000 residents in the city who had prepaid for deliveries would be given five 4-liter bottles of its water produced in other provinces instead of their usual 19-liter barrel. A 19-liter barrel costs CNY20 while five 4-liter bottles cost CNY35. Zhong Shanshan, the company’s CEO and Chairman, told a press conference in Beijing the company couldn’t “produce water under such circumstances.” Production of 19-liter barrels was suspended on April 20. Zhong said the company didn’t follow national standards but those of Zhejiang province, where the company is based, because they were stricter. “The standard of Zhejiang, DB33833, covers 57 criteria while the one of Fujian province covers 28, Hunan province 37, Chongqing 25, and Guangdong province 40,” Zhong told reporters. He said the ph of Nongfu Spring was controlled at between 6.8 and 7.8, which was also stricter than most standards in China. The Beijing plant made a profit of CNY4.2 million last year while this year it was estimated the figure would reach CNY5 million. The company has filed a lawsuit against the Beijing Times claiming CNY60 million compensation for publishing reports that had seriously damaged its reputation, the Shanghai Daily reports.

Chinese consumers turning to domestic brands

Chinese consumers are no longer swayed by the lure of foreign brands and would instead prefer to buy more brands that are made in China, according to the 2013 China customers’ loyalty study conducted by marketing research firm Epsilon. The number of local-brand supporters has increased to 43% from 31% in 2011. Led by the fashion industry, self-branded products from other sectors, such as cars and consumer electronics, are also growing in popularity. Four out of the top five smartphone vendors in the Chinese market are domestic brands, with Samsung Electronics the only international player on the list. There is also an increasing convergence between foreign and Chinese brands. The Epsilon survey found that 75% of the respondents in China are optimistic that their individual or family economic prospects will improve significantly over the next 10 years, 11 percentage points higher than in the 2011 survey.

Significant rise in gold consumption

Gold consumption in China, the world’s largest user after India, jumped 26% in the first three months of 2013 from a year ago amid strong bullion sales and rising jewelry demand. Total consumption reached 320.54 metric tons in the first quarter, the China Gold Association said. Purchases of gold bars surged 49% to 120.39 tons, while jewelry gained 16% to 178.59 tons. Gold output in China, the world’s largest producer, gained 11% in the same period to 89.91 tons. “Physical demand picked up significantly over the last couple of weeks,” said Zhang Bingnan, Secretary General of the China Gold Association. “Consumers and industrial users tend to see price drops as buying opportunities. Investment demand should continue to stay strong through the rest of the year because of limited investment alternatives.” Zhang added that both gold sales and processing volumes spiked last month. India and China account for more than a third of global demand, according to the World Gold Council. China produced 403 tons of gold last year, but consumption was more than double that, at 832 tons. A Spokesman for Hong Kong jewelry chain Chow Tai Fook, the world's largest jewelry retailer by market value, said traffic at its mainland stores jumped by 50% during the Labor Day holiday.

- Yum Brands said its roughly 450 Little Sheep hot pot restaurants in China are not involved in a fake mutton scandal after Shanghai authorities said they were testing mislabeled mutton from a wholesaler. Yum Brands said the wholesaler at issue is not one of its two suppliers. Media reported that police had busted a crime ring that had passed off more than USD1 million in rat and small mammal meat as mutton. Yum Brands bought a controlling interest in Little Sheep in February last year and now owns 93% of the chain.
- Annual sales growth of the catering sector slowed sharply to 8.5% in the first quarter from 13.6% in the whole of last year. The sales of large caterers dipped 2.6% in the first quarter, compared to a 12.9% rise last year. That put a drag on China’s consumption, with annual retail sales growth slowing to 12.4% in the first quarter from 14.3% over all of last year.
- British retailer Tesco will close a shop in Shanghai’s Jing’an district at the end of this month when its lease ends amid speculation that rising rent may be a factor. The outlet opened in July 2003. Tesco has 113 outlets in China, with 23 stores in Shanghai. Last year, it added 13 new stores and closed five in the country, a drop from the 16 new openings in 2011. Wal-Mart’s growth also slowed in 2012 when it added 30 new stores in China, down from 50 new outlets in 2010 and 41 in 2011.

SCIENCE & TECHNOLOGY

First China (Shanghai) International Technology Fair held

More than 800 high-technology projects were on display at the first China (Shanghai) International Technology Fair in Shanghai last week. Fair participants also attended more than 70 forums and events promoting trading of technology, protection of intellectual property and innovation-driven development. The value of China’s technology trade totaled CNY64.37 billion in 2012, tripling from that of 2006. A virtual system to test new drivers in Shanghai and the latest 3D printers were some of the highlights at the fair. Chen Deming, President of the Association for Relations Across the Taiwan Straits and China’s former Minister of Commerce, said China should take advantage of the trade in technology to offset unfavorable economic conditions such as rising costs, a deteriorating environment and manufacturing overcapacity. “There is vast room for cooperation in trade of technology with foreign countries, and we hope in the foreseeable future, China will become an important supplier of technology transfer in the world,” he said at the fair. The Ministry of Commerce (MOFCOM) said China’s trade of technology totaled USD73.6 billion last year, which was 20 times the value in 1978.

- International scientific journals no longer consider China a low-income country. U.S. online publication PLoS One charges Chinese researchers as much as USD1,350 per article, a standard fee for contributors from the United States and Europe, but it charges nothing for papers submitted from low-income countries such as Afghanistan, Cambodia and Ethiopia, while charging USD500 for lower-middle-income countries such as India, Cuba and Egypt. China produced 168,000 sci-tech papers in 2012 – the second highest number in the world. The vast majority of these papers were published in foreign journals, because domestic sci-tech publications were far less influential.

STOCK MARKETS

Tong Ren Tang shares more than double on debut

The price of Beijing Tong Ren Tang Chinese Medicine shares more than doubled on its debut in Hong Kong. The Chinese drug distribution and manufacturing company, a spin-off of Tong Ren Tang Technologies, shot up 137% within a couple of hours of trading. It closed the day slightly lower but still up 115% over its offer price. “The company has laid out a bold expansion plan for the European market, which is set to be its next growth driver after achieving a meaningful presence in Asia,” Beijing Tong Ren Tang Chief Executive Ding Yongling said. The company planned to spend about HKD100 million on store expansion in its new markets, including Britain and Poland. In the latter, the company would set up a cultural center to promote Chinese medicine culture. Tong Ren Tang's inventory rose to HKD87.2 million last year, from HKD62.1 million in 2011, while the rate of turnover slid to 206 days from 222. Chief Financial Officer (CFO) Lin Man said the increase was the result of a change of accounting procedures and the rising prices of raw materials. Beijing Tong Ren Tong raised HKD570 million by selling 200 million new shares, half of which were subscribed by 11 shareholders from Tong Ren Tang Technologies. Beijing Tong Ren Tang's strong performance came as a surprise after a slew of uninspiring debuts by small companies on the exchange. Its opening performance was ranked the third best on the Growth Enterprise Market (GEM), an alternative fund-raising platform focused on start-ups, after Tom.com and Hongkong.com at the height of the internet bubble in 2000. Bankers have pinned high hopes on the coming listings of Sinopec Engineering and China Galaxy Securities, the South China Morning Post reports.

In a setback a day after the IPO, the Hong Kong health authorities unexpectedly issued a statement ordering Tong Ren Tang Hong Kong Medicine Management (TRTHK) to recall a batch of branded Chinese medicine that was found to contain excessive levels of mercury. Nevertheless, the share price of TRTCM continued to rally on May 8, partly thanks to support from some major institutional investors. Analysts said TRTHK and TRTCM are two different companies. The assets of the newly-listed TRTCM do not include the shops that TRTHK is running in Hong Kong and from which some Hong Kong consumers bought the Chinese medicine product that is now being recalled. From a financial and investment perspective, there is a clear difference between TRTCM and TRTHK. But for ordinary consumers, there is hardly a difference as the brand is the same.

- The number of commercial urban banks awaiting IPO approval reached 16 by May 2, according to the China Securities Regulatory Commission (CSRC). The Bank of Dongguan reported a 45% rise year-on-year in net profit in 2012, the highest among the 12 pre-IPO lenders which had released their 2012 annual figures by May 5.
- Businesswoman Sun Min has been handed a record fine and costs totaling just under HKD24 million by Hong Kong’s Market Misconduct Tribunal for insider trading in connection with Coca-Cola's failed bid to acquire Hong Kong-listed China Huiyuan Juice Group in 2008. It is the highest fine ever imposed by the Tribunal.
- The China Securities Regulatory Commission (CSRC) has announced its heftiest fine in a decade on an IPO sponsor, underlining its determination to get tough on financial investigations. Ping An Securities, the sponsor of Wanfu Biotechnology (Hunan) Agricultural Development Co’s IPO in 2011, has been fined CNY76.65 million, the equivalent of three times its fee for acting as sponsor. Wanfu Biotechnology had started falsifying its books as early as 2008 in preparation for its listing. Ping An has also been banned for three months from submitting any new IPO application.

TRAVEL

Transport network being built for Shanghai Disneyland

A vast public transport network is being built to serve the expected flood of visitors to Shanghai Disneyland. A hub at the west gate of the amusement park will comprise five bus terminals, car and taxi parking lots, washrooms and six lounges. The city government is inviting tenders for the construction of the hub that is budgeted at CNY182 million. The project should be completed within a year. Metro Line 11 will also be extended from Luoshan Road Station to Disneyland. A new elevated highway, costing more than CNY10 billion is being built. It will be completed in 2015, just in time for the opening of the park. An upgrade of the super capacitor buses that were used at the World Expo 2010 Shanghai may be used to shuttle visitors. Shanghai Disneyland, Disney’s first theme park on China’s mainland, is expected to attract 7.3 million visitors a year in 2015. It has recruited more than 300 Chinese professionals ahead of the opening, with at least 5,000 more to join when it opens in two years time.

Hilton Group to launch Hilton Garden Inn brand

Hilton Group is launching a mid-scale brand called Hilton Garden Inn in China to cater to the needs of the fast growing number of business travelers. The brand will be launched in five Chinese cities – Lijiang, Chengdu, Harbin, Dandong and Huzhou – and will be expanded later to more second- and third-tier cities. The group will also open its fifth Conrad hotel in China later this year. Alex Kassantly, General Manager of Beijing Conrad Hotel said that Hilton Hotels & Resorts is on track to achieve its ambition of expanding its presence from the current 32 hotels on the Chinese mainland with more than 12,000 rooms to more than 150 properties with 55,000 rooms in the next several years. By 2015, the group will have hotels in 75 cities across the country. Yang Honghao, Researcher with the China Tourism Academy, said in a report on China's hotel industry that the country has 60,000 hotels with 14,000 stars. By the end of 2010, nearly 70 international hospitality brands from 41 countries and regions had entered the Chinese market, managing about 20% of the country's top-end hotels and taking 80% of the profits. Hilton plans to open around 10 properties this year in China. China is expected to have the same number of hotel rooms as the United States by 2025, said Richard Solomons, Chief Executive of InterContinental Hotels Group (IHG). In 2012, the group saw its businesses in China growing rapidly, with operating profit up 21%. Of its 1,053 properties under development globally, more than half are based in China. Last year the hotel group created luxury hotel brand Hualuxe hotels and resorts specifically for the Chinese market with a plan to reach 100 cities across China. One of the major challenges for China's hotel industry is human resources. China's labor market has a shorter-than-average employee retention rate and fierce competition for trained and qualified service personnel, the China Daily reports.

New visa policy to boost cruise sector

Shanghai plans to extend the visa-free policy at its two airports to the cruise terminals, and set up duty-free stores and tax-refund outlets there. Since January 1, air travelers from 45 countries have been permitted a 72-hour visa-free stay inside the "administrative area" of Shanghai, provided they have visas and a plane ticket to travel to a third country. Developing the cruise industry has become an important strategy for seaside cities like Shanghai, Tianjin and Sanya to boost tourism. In March, the number of passengers at Shanghai's Wusong and Beiwaitan ports rose 60% year-on-year to about 90,000. Industry insiders said the visa-free program will cement Shanghai's reputation as a global tourist hotspot and help it compete in attracting overseas visitors. "We have been calling for the policy since the beginning of this year," said Zhang Fubao, General Manager of the Shanghai Port International Cruise Terminal. Gu Xiaoming, Professor of the Tourism Department at Shanghai's Fudan University, said the policy can put Shanghai in a better position to compete with Tianjin and Hainan province as a cruise homeport.

Taxi bookings and fares to be adjusted in Beijing

The Beijing municipal government will implement a new regulation on taxi bookings through hotlines and mobile apps from June 1. Beijing currently has two major taxi hotlines – 96103 and 96106 – run by separate companies. The Beijing Transportation Commission noted earlier that relatively few passengers now book taxis through hotlines, only about 30,000 rides out of more than a million each day. The Beijing government plans to make available a new unified taxi booking app for mobile phones. A public hearing will be held on May 23 in Beijing to decide how much taxi fares should be raised, part of an effort to address the taxi shortage in the capital. According to the plan, taxi drivers will charge CNY13 for the first 3 kilometers – up from CNY10 – and an additional CNY2.3 or CNY2.6 for every kilometer beyond that, up from CNY2. There has been no price increase since 2006. The CNY3 additional fuel surcharge will be reduced to CNY1 per journey. Per 5 minutes waiting in traffic, 2 kilometers instead of one will be added to calculate the fare. The pricing reform will allow taxi drivers to earn an extra CNY1,400 to CNY2,300 a month.

Shanghai considering to build suspended monorail

Shanghai is likely to introduce the country's first suspended monorail train by 2015 to improve the city's worsening traffic congestion and pollution levels. Suburban Jiading district as well as Changning district are among the many prospective bidders to clinch the first deal with Air Train International, the manufacturer of the system, according to Chairman Chen Changgui. The first track connecting two campuses of Dortmund University in Germany has carried 5,000 passengers on a daily basis without a single accident since its maiden trip in 1984. It costs about CNY150 million to build 1 kilometer of suspended monorail, which is about one quarter of the cost needed to build the same length of subway. It takes just one week to construct 3 kilometers. Wang Mengshu, Deputy Chief Engineer of the China Railway Tunnel Group and a member of the Chinese Academy of Engineering (CAE), said the "floating train" serves as a perfect supplement to public transportation in a city's busy area. The system can carry about 10,000 people in one hour, at a speed of 30 to 50 km/h, the China Daily reports.

- A combined Metro and maglev ticket will become available at CNY55 to travel from Pudong International Airport to Shanghai's city center.
- Shanghai will upgrade capacity and facilities at Pudong International Airport to handle more Airbus A380 flights after two European airlines said they will fly the world's biggest jumbo jet to the city from September. Boarding gates will be renovated and more bridges built at its two terminals. Hongqiao airport will also be renovated because it serves as the backup airport for the A380, which can seat 853 passengers in an all-economy class setting. Air France and Lufthansa unveiled plans to fly the A380 to Shanghai from September.
- Garuda Indonesia launched an immigration-on-board service for Shanghai travelers to Jakarta, as part of its effort to improve tourism between China and Indonesia. Immigration officers will provide visas on arrival to passengers on board Garuda Indonesia flights from Shanghai to Jakarta.
- Tollway operators who have been financially affected by the government's toll-free policy during holidays may be allowed to extend their collection periods, according to a draft amendment to China's tollway management regulation, which took effect in November 2004. According to the regulation, the time for non-government-invested highways to collect tolls should not exceed 25 years. Those in central and western regions are allowed to extend the period to 30 years. The revenue, expenditures and maintenance information of tollways must be made public for scrutiny, the draft said. The country's 19 listed highway companies reported a total net profit of CNY2.7 billion for the first quarter of this year, a CNY330 million drop compared to the same period last year.
- Air China announced a large-scale aircraft purchasing plan. The Chinese flag carrier said it plans to buy 100 Airbus aircraft, without giving any details on models or a timetable for the purchases. Six A340 aircraft, the oldest in its Airbus fleet at an average 14.6 years, will be retired. At the end of last year, Air China had a fleet of 461 aircraft, including 209 Airbus airplanes. Such a large order showed that Air China is optimistic of continued growth in China's civil aviation industry. Air China completed its first Beijing-Geneva flight on May 7, the carrier's 12th destination in Europe.
- Thailand remained the most popular overseas destination among Shanghai travelers last year, while more local people traveled further and longer. Thailand was followed by Japan and South Korea, and the U.S. finished fourth and France fifth, the first time those two countries ranked in the top five. In 2012, some 102,825 Shanghai tourists in organized groups visited the U.S., up 101% from the previous year, according to a report released during the 2013 Outbound Tourism Forum at the Shanghai World Travel Fair. The number of organized travelers from Shanghai to Thailand surged 74% last year to 331,828, accounting for almost one fourth of outbound trips.

VIP VISITS

Israeli Prime Minister Netanyahu visits China

Israeli Prime Minister Benjamin Netanyahu met Chinese President Xi Jinping and Premier Li Keqiang in Beijing. Xi urged Netanyahu to restart peace talks with the Palestinians as soon as possible. Earlier, Netanyahu lauded Shanghai for its past role as a haven for Jewish refugees fleeing Nazi persecution on a visit to the city's former ghetto. He also visited the Shanghai Jewish Refugees Museum, which includes the Ohel Moshe synagogue. "Seventy years ago, only Shanghai opened the door to provide a sanctuary to Jewish refugees," Netanyahu said. During the visit, Netanyahu had a coffee at the Café Atlantic, a newly opened recreation of an establishment from the 1940s when the area was known as "Little Vienna" for its coffee houses and shops. China and Israel set up a task force to deepen economic cooperation and boost trade. Li and Netanyahu also presided over the signing of five deals covering the aerospace industry, agricultural research, financial cooperation, science and technology, and Chinese language instruction. China's imports from Israel totaled USD5.3 billion last year and its exports to Israel reached USD2.8 billion, says Israel's Central Bureau of Statistics. Li vowed to deepen cooperation with Israel in four areas – trade, technology transfer, agriculture and public works – and said China would encourage Chinese companies to participate in Israeli public works projects.

- China hopes to host and chair the G20 summit in 2016 to gain a bigger say in international economic affairs, French Foreign Minister Laurent Fabius said in Hong Kong. He briefed the media on the talks in Beijing last month between President Xi Jinping and French President Hollande. He dismissed concerns that if China chaired the summit, it would give Beijing undue influence. “It makes sense that a very large country like China wants to lift its international influence,” he said. Fabius also called on China to buy more French goods. France's trade deficit with China fell by €1.5 billion last year to about €26 billion.

- Indian Foreign Minister Salman Khurshid paid a two-day visit to China, as a border dispute has been toned down in the past days. Two-way trade totaled USD69 billion in 2012, dominated by USD54 billion of Chinese exports to India. Khurshid met with China’s Foreign Minister Wang Yi and other Chinese leaders. He has said it was important to avoid “destroying” years of progress made between the two countries, while Indian Prime Minister Manmohan Singh also stressed his desire to avoid escalating the situation. The informal frontier dividing the two countries, called the Line of Actual Control, has never been formally demarcated.

ONE-LINE NEWS

- Macao casino operator SJM Holdings, controlled by the family of Stanley Ho, posted a 12% year-on-year increase in first-quarter net profit to HKD1.9 billion, buoyed by strong interest from cash-rich Chinese gamblers. This compared with HKD1.7 billion a year earlier. SJM has the largest market share among the six licensed operators, with 27%. Analysts said a 10% growth in gaming revenues for the first quarter was decent considering the operator was not present on the Cotai strip, which is dominated by casinos from rivals Sands China, Melco Crown Entertainment and Galaxy Entertainment Group.

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