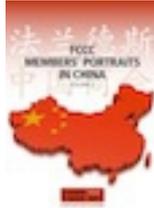


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FLANDERS-CHINA CHAMBER OF COMMERCE  
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

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## 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.

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

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

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

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

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

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

Full trip: €800, per city: €400. Registration before June 14 on the FIT website.

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

## 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.

## PUBLICATIONS

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



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

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

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

show the right attitude to become successful in China.

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

FCCC members can receive one copy free of charge.

List of interviews (companies in alphabetical order):

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

## EXPAT CORNER

### Expatriates donate blood in Shanghai

About 100 expatriates living in Shanghai donated blood on May 26 to mark World Blood Donor Day. Shanghai Blood Administration officials said foreigners helped boost the amount of certain blood types often in short supply. Zhu Yueguo, Director of the Shanghai Blood Administration Office, said 1,300 expats donate blood in Shanghai on average every year. Type A, O and the rare Rh negative blood are more common among Europeans and Americans, helping meet demand for blood transfusions in the city. Most expat blood donors have lived in the city for years and many said it was the first time they donated blood. It was also the first time so many expatriates donated blood on the same day in the city. Zhu said in a metropolis like Shanghai, the donation rate should reach at least 2% of the population to satisfy demand for blood. “The current rate is less than 1.5%, and the gap is still very big,” Zhu said. The rate of Rh negative blood among foreigners is 10% to 15%, compared with three or four per thousand in Han Chinese, Zhu said.

## FINANCE

### Temasek picks up Goldman's shares in ICBC

Singapore sovereign wealth fund Temasek has again taken up shares in the Industrial and Commercial Bank of China (ICBC) that Goldman Sachs wanted to unload. Temasek's stake in the bank rose to 7.04% from 6.71% after it paid HKD1.54 billion for 280 million ICBC shares. Temasek President Gregory Curl said that the fund was more comfortable investing in Chinese banks than their U.S. counterparts, “as there are less ambiguities about policies and regulatory changes in China than in the U.S.,” he said at a conference. Chinese banks were “better run than most people would think”, and their balance sheets more relevant to the country's real economic development, which made them more predictable, Curl said. Goldman Sachs raised USD1.1 billion from the sale of 1.58 billion shares at a discount of 2.5% to the May 20 closing price, Bloomberg reported. While ICBC had to disclose the purchase by Temasek because the fund owns more than 5% of it, the other parties that bought shares may have fallen under that threshold. The sale brought to an end the “strategic partnership” Goldman Sachs and ICBC had established. New York-based Goldman bought a 4.9% stake in ICBC for USD2.58 billion before the Chinese bank's initial public offering (IPO) in 2006. ICBC's USD240 billion market value is now just below the combined value of JP Morgan Chase and Barclays.

ICBC announced that Vice President Yi Huiman will replace Yang Kaisheng as President. Yi, 49, joined ICBC in 1985 and worked at ICBC branches in Zhejiang, Jiangsu and Beijing before being nominated as Vice President in 2008.

## RMB yuan becoming more internationalized

Of the 160 countries that settled payments with Hong Kong and the mainland last month, 47 had at least 10% of their transfers made out in the yuan, according to SWIFT. The number of such countries grew 9% in the nine months to April this year. "The big increase in countries with substantial RMB volumes is a good indicator that the currency has become more internationalized," said Lisa O'Connor, RMB Director at SWIFT. "This also presents business opportunities for those banks with RMB business intelligence and product capabilities in those countries." The average yuan payment weighting in all the 160 countries jumped to 6% in April, 2 percentage points higher than in July, SWIFT said. The yuan is increasingly popular in Italy, Russia, Britain and Singapore. The yuan was the world's 13<sup>th</sup> largest payment currency in terms of amount last month, but its share fell to 0.69% in April, from 0.74% the previous month.

- Yang Kun, former Executive Director and Vice President of the Agricultural Bank of China (ABC), was expelled from the Communist Party over allegations he accepted bribes and used his position to help others benefit. Yang is to be handed over to prosecutors with all his ill-gotten money confiscated. He allegedly improperly approved CNY3 billion in loans to developer Wang Yaohui of the Solana Lifestyle Shopping Park in Beijing, who owed CNY3 billion in gambling debts in Macao.
- China has emerged as the most financially secure country in an index jointly launched by PICC Property and Casualty Co and Genworth Financial. The report surveyed 13,000 households in 14 European countries, five Latin American countries and China. China scored 78 out of 100, the highest score of any country and the highest since the index was launched in 2007. Only 3% of Chinese households are financially vulnerable, whereas the same figure for Germany is 22% and 26% for France, according to the report.
- China needs at least CNY50 trillion in new investment by 2020 for further urbanization, according to the President of China Development Bank (CDB) Zheng Zhijie. China must urgently find special financing channels to support the urbanization process because local governments can't afford the spending, he said.
- UnionPay has become the latest member of EMV Co, an international organization that deals with standardized integrated-circuit card specifications, in a bid to develop a worldwide acceptance and issuance network.
- Singapore's biggest bank DBS expects yuan liquidity in the country to grow up to threefold from CNY100 billion in two to three years after the launch of clearing services for the currency there. The bank expects the increased use of yuan to encourage companies to issue yuan-denominated real estate investment trusts. That could include Dynasty REIT, backed by Li Ka-shing, that was put on hold last year because of poor market conditions. One REIT could be launched this year.
- China is likely to see interest rates liberalized as soon as the second half of this year, Ba Shusong, Deputy Director of the Research Institute of Finance under the Development Research Center of the State Council, said. The stable liberalization of loan interest and deposit rates is one of the major tasks of this year's financial reform, he said.
- The State Administration of Foreign Exchange (SAFE) has set up an operation in New York to make alternative investments in the United States. It will focus on private equity, real estate and other assets, in an effort by China's foreign exchange reserves manager to diversify away from U.S. government debt.
- Bank of Nova Scotia CEO Richard Waugh said he was too optimistic about the swift completion of a deal to buy a stake in a Chinese lender. Scotiabank has been awaiting regulatory approval from China on a deal announced in 2011 to buy a 20% stake in Bank of Guangzhou for CAD719 million.
- Economists are forecasting that the People's Bank of China (PBOC) is more likely to raise interest rates than cut them in the coming year. Eight of 15 analysts surveyed project an increase in the benchmark deposit rate by the end of June next year, compared with two who see a reduction.
- The State Administration of Foreign Exchange (SAFE) announced it will simplify the regulation of foreign currency transactions for companies operating in China's special economic zones (SEZs). Companies would be able to take legal profits derived from

exports out of the country. The changes will take effect from June. They will eliminate paperwork and reduce the frequency of regulatory checks.

- The Chinese yuan strengthened above the 6.13 level against the U.S. dollar on the spot market for the first time in 19 years on May 24 after the central bank set a record reference rate for the currency and Premier Li Keqiang reiterated the country was making progress in opening up its capital account. The yuan touched an intraday high of 6.1279, the strongest since the government unified the official and market rates at the end of 1993.
- China Construction Bank (CCB) invested USD100 million in Russian lender JSC VTB Bank's new share offering. The Chinese bank's investment is a further step to expand its business in Russia after it set up a subsidiary in Moscow in March. It is the second overseas expansion move in May after the bank set up a subsidiary in Dubai, its first project in the Middle East. VTB Bank is Russia's second-largest lender. By the end of 2012, its total assets were worth around USD244 billion.
- Industrial and Commercial Bank of China (ICBC) will provide yuan clearing in Singapore to financial institutions starting on May 27. ICBC's Singapore branch said it would start yuan clearing bank services for participating banks. Live clearing in Singapore represents a major milestone in the development of the yuan as Singapore is widely expected to serve as a gateway for the use of yuan in South-east Asia.
- There is still no new Chairman at China Investment Corp (CIC) about three months after former Chairman Lou Jiwei, who helped establish CIC in 2007, was promoted to become Finance Minister. Other top finance jobs at the central bank, China Development Bank (CDB) and the "big four" state-owned lenders have all been filled. Potential candidates to become CIC Chairman include Jiang Jianqing, Chairman of Industrial and Commercial Bank of China (ICBC), and Huang Qifan, Mayor of Chongqing. Gao Xiqing, currently CIC's No 2 as Vice Chairman and President, and Tu Guangshao, Vice Mayor of Shanghai, are also on the list.

## FOREIGN INVESTMENT

### EU ready for investment protection agreement with China

The European Commission said it was ready to open negotiations with China on an investment protection agreement. "An EU-China investment agreement will help deepen our ties and sends the signal that we are firmly committed to building a strong partnership," EU Trade Commissioner Karel De Gucht said in a statement. "The agreement needs to secure existing openness and deliver new liberalization of the conditions for accessing each other's investment market," De Gucht said. "Crucially, it should also improve the treatment of investors and their assets – including key technologies and intellectual property rights," he added. The Commission said an accord would bring together current separate agreements into one text, with the aim of improving the protection of EU investments in China as well as Chinese investments in Europe. The Commission said there was "huge potential" to boost investment ties which are relatively modest considering the size of the overall trade ties, with China counting the EU as its largest export market. China and the EU are currently entwined in trade disputes over solar panels, steel tubes and telecom equipment, sparking fears of a trade war. Analysts said the increase in tensions could simply reflect the fact that both are feeling the pressure from a sharp economic slowdown and that the underlying relationship is so important that the EU and China ultimately have every incentive to settle their differences, the Shanghai Daily reports.

- Foreign direct investment (FDI) in Shanghai grew 14.9% from a year earlier to USD1.6 billion in April, a four-month high in terms of value due to the rapid growth of investment in the city's manufacturing sector, the Shanghai Statistics Bureau said. The pace picked up from the increase of 10.4% in March with a total of 259 foreign-invested projects signed last month.
- Companies from the Hong Kong and Macao special administrative regions signed contracts for 138 projects with an investment value of more than CNY175 billion in Sichuan province. The deals were agreed during a large-scale investment promotion fair launched in Chengdu.
- Swiss-Swedish engineering group ABB will maintain its annual investment scale of USD120 million in China as it sees huge potential from the nation's strong demand for

industry upgrades. ABB reported 20% year-on-year growth in revenue in China in the first quarter. As ABB's second-largest market in the world, China is one of the first markets to which the company brings its latest technologies and solutions.

## FOREIGN TRADE

### Crackdown on hot money may reveal export drop

China's crackdown on hot money inflows may ease some of the speculative pressure driving the yuan higher, but would also show that exports are dropping. Lu Ting, Director of Greater China Economics at Bank of America Merrill Lynch, reckons China's trade surplus might only be a tenth of its reported USD61 billion for the January-April period, if correct figures are used. Lu and other economists noted abnormally strong exports to bonded areas and regions such as Hong Kong and Taiwan. They suspect exports were used to bring in "hot money" to bet on yuan appreciation and take advantage of the interest rate gap between China and developed economies. Fast capital inflows fueled a 34% surge in foreign exchange in March from a year earlier, outpacing a rise of 15% in yuan-denominated loans, complicating the People's Bank of China's liquidity management, UBS Securities found. "Everybody believes the export data were problematic. Strengthened management by SAFE would help export data return to normal levels, but the effect remains to be seen," said UBS Economist Wang Tao. She estimated January-April exports may have expanded just 9% instead of the 17% reported by customs. The Customs Bureau and the Ministry of Commerce (MOFCOM) said they would investigate the unusual trade activity. Global trade appeared to have virtually ground to a standstill earlier this year, according to Carl Weinberg, Chief Economist at High Frequency Economics in New York, who cited International Monetary Fund (IMF) data. UBS cut its forecast for Chinese growth this year to 7.7% from 8%, citing weak export momentum. It said export orders continued to drop in recent months, while the yuan had appreciated by about 6% on a trade-weighted basis, developments that do not bode well for exports in the coming months.

### China seals free-trade agreement with Switzerland

Chinese Premier Li Keqiang and Swiss President Ueli Maurer announced the conclusion of free trade talks. "To conclude talks with such a developed and world-leading economy as Switzerland shows China's determination and courage in opening up wider," Xinhua quoted Li as saying. Negotiations on the agreement had been going on since 2011. Swiss Economy Minister Johann Schneider-Ammann said he hoped the pact could be signed when he visits Beijing in mid-July. After wrangling, notably over Chinese taxes on imported Swiss industrial goods and Switzerland's rules on China's agricultural exports, the two countries wrapped up their technical talks earlier this month. Bilateral trade between Switzerland and China was worth USD26.3 billion last year, with USD22.8 billion of that represented by Swiss exports to China. The agreement with Switzerland follows China's free-trade pact with Iceland, its first signed with a European country.

- An online platform of China's customs data was jointly launched by the International Business Daily and America Full-Houses Investment Management Group to serve small and medium-sized enterprises. Compared with the United States and Japan, China lags behind in marketing customs data and their use as valuable trade information, said Gary Ge, Chairman of Full-Houses and Executive President of the American Asia Trade Promotion Association.
- Chinese commodities firms importing everything from gold and rubber to base metals are struggling to get trade loans as banks scrutinize their activities and hold back credit following Beijing's orders to rein in currency speculation. A drop in imports as financing becomes harder could lead to lower international benchmark prices for these commodities. The latest crackdown mainly targets companies that are heavily involved in buying and selling imported goods stored in bonded warehouses within China's tariff-free areas. Those that import raw materials for their own consumption are less affected.
- The European Union dropped a threat to impose tariffs on bicycles from China to counter alleged subsidies for Chinese exporters. The European Bicycle Manufacturers Association withdrew its subsidy complaint on March 22, the European Commission said. The Commission opened the subsidy inquiry in April 2012 as a result of the

bicycle group's complaint.

## HEALTH

### H7N9 under control, but virus can spread through air

The H7N9 virus appears to have been brought under control in China largely due to restrictions at bird markets, but caused some USD6.5 billion in losses to the economy, UN experts said. Health authorities worldwide must be on the lookout to detect the virus, which could still develop the ability to spread easily among humans and cause a deadly influenza pandemic, the experts said. The new bird flu virus is known to have infected 130 people in mainland China since emerging in March, including 36 who died, but no cases have been detected since early May, Health Minister Li Bin told the World Health Organization (WHO). The H7N9 bird flu virus can be transmitted not only through close contact, but also by airborne exposure, a team at the University of Hong Kong found after extensive laboratory experiments. Though the virus appears to have been brought under control recently, the researchers urged the Hong Kong authorities to maintain strict surveillance, which should include not only poultry but humans and pigs.

- Cooked oysters sold at Haodexi, one of the most popular and famous BBQ oyster restaurants in Guangzhou, contained cadmium levels 20 times the national standard. A chef at the restaurant told the newspaper Yangcheng Evening News he cooks more than 6,000 oysters on weekdays and up to 8,000 on Saturdays and Sundays. Excessive intake of cadmium can lead to high blood pressure, cardiovascular disease, and kidney disorders, doctors warned. Moreover, oysters are often not properly cooked at BBQ restaurants, allowing live bacteria to enter a person's digestive system and cause acute gastro-enteritis.

## IPR PROTECTION

### Limited punishment for infringements still an issue

According to a nationwide survey on IPR protection, the 16,300 respondents were most dissatisfied with the severity of infringements, delay and inconvenience in dealing with IP disputes, and inadequate remedies for damages. More than half of the respondents reported serious infringements, whereas 24% said they believed that the number of infringements has gone down in recent years. Some 48% of them considered compensation for damages inadequate and untimely. The data show that there is still a gap between the level of enforcement and public expectations. There were 11 cities that scored higher than the national average on satisfaction, but Beijing ranked only 20<sup>th</sup>, and Guangzhou took 22<sup>nd</sup> place. Only about 28% of respondents claimed that they were knowledgeable about IP.

- A list of China's most influential people in the intellectual property domain for the year 2012 was announced in Beijing. This year, 12 distinguished figures won the honor, including Tao Xinliang, Dean of Shanghai University's intellectual property school, Huang Feng, Director of the Sichuan provincial IP office, and Chen Yidan, Honorary Adviser to and former Chief Administrative Officer of Tencent, China's leading internet service provider.
- Guangdong province topped a list of Chinese provinces and regions ranked by comprehensive patent competitiveness, according to an annual report by the State Intellectual Property Office (SIPO) late last month. Beijing was ranked second and Jiangsu province, third. The report analyzed and evaluated the creation, use, protection and management of patents as well as related services in 31 provinces, autonomous regions and municipalities.
- Jiangsu ranked among the top regions nationwide in terms of patent applications filed by and granted to companies in the province. Its companies filed 309,000 applications and were granted 186,000 patents, said Xu Yiping, Director of the Provincial Economic and Information Technology Commission. He also noted that more than 80% of the province's total R&D investment comes from local companies, which have founded nearly 4,000 R&D institutions.

## MACRO-ECONOMY

### China losing competitiveness in traditional industries

The competitiveness of China's traditional industries is weakening, while its growing competitiveness in new and emerging sectors still lacks sufficient capacity, according to a report by the Institute of Industrial Economics at the Chinese Academy of Social Sciences (CASS). The annual report said agricultural products and high-energy consuming, high-pollution and resource-intensive industries are where the country's traditional strength has been for many years, but this is gradually weakening. It added that the government's industrial policies do not support some of those industries any more, and that the nation's rising labor and resource costs mean it is now losing out to some countries with lower factory prices. But while losing some advantages in traditional industries, China is gaining in other areas, most notably in electronics, machinery and chemical products. For the first time, the report measured the technological sophistication of China's various export markets. It found that China's export sophistication level is now in the world's top 40 – above the world average, but still lagging well behind the United States, Germany and Japan. Zhang Qizi, the researcher at the Institute of Industrial Economics who oversaw the writing of the report, said China is strong in motorcycles, but only in low-powered, not high-powered ones. "China has also found a new strength in shipbuilding, but is still weak in building the engines that drive the ships," he added. To improve China's industrial competitiveness, the report suggests market forces should play a greater role. "The traditional ways of enhancing industrial capacity, such as setting up industrial parks and giving cheap land and capital to enterprises, have produced many economic side effects, such as overcapacity," Jin said. He added that the country should rely more on building a fair, competitive environment, in which good companies could be allowed to thrive while bad companies could be allowed to fail, the China Daily reports.

### HSBC Flash Manufacturing Index drops to 49.6

China's manufacturing activity contracted for the first time in seven months in May as demand both at home and abroad fell. It reinforced fears that recovery in the world's second-largest economy has been weaker than expected, and may prompt policy changes. The HSBC Flash China Manufacturing Purchasing Managers' Index (PMI) retreated to 49.6 in May from April's final reading of 50.4. Qu Hongbin, Chief Economist for China and co-head of Asian Economic Research at HSBC Holdings, said manufacturing activity is cooling in China. Qu called for more policy support because the labor market also showed slackness and the country had room to ease fiscal policies. The component indices showed that new orders, backlogs of work and quantity of purchases all fell below 50, changing growth direction and pointing to contraction. Only the indices of output and of stocks of finished goods edged up, but at a slower rate as well. Yao Wei, China Economist at Société Générale, said the Flash HSBC PMI continued to disappoint, effectively dashing hopes of a growth recovery in the current quarter. Nomura has projected China's economic growth in the second quarter at 7.5% and at 7.4% and 7.2% in the next two quarters. But Zhang Zhiwei, Economist at Nomura, said China is unlikely to loosen its monetary policy because the indicators were just weaker instead of collapsing, the Shanghai Daily reports.

- Profits at China's state-owned enterprises grew 5.3% from a year earlier to CNY689.1 billion in the first four months of this year, reflecting uncertainties in the recovery of the country, the Ministry of Finance said. The expansion slowed from the 7.7% rise in the first quarter. Profits at the centrally-administered SOEs rose 6.3% to CNY536.3 billion in the January-April period, while SOEs managed by local governments suffered a drop of 14.7% in their earnings to CNY152.8 billion. The SOEs posted a 10.2% rise in revenues to CNY14 trillion in the four-month period.
- UBS has downgraded China's GDP growth forecast from 8% to 7.7% in 2013 and 7.8% in 2014. Economic indicators have been relatively weak in 2013, it said in a research note, including lower rates of consumption, slower wage growth in recent quarters, the government's frugality campaign, a drop in export demand, and most importantly, strong credit expansion failing to generate expected increases in investment. "While some of the weakness may be transitory, increasing evidence suggests that growth will be weaker than previously envisaged," said Wang Tao, Economist with UBS.
- China's marine-based economy was worth more than CNY5 trillion last year, accounting for 9.6% of the national economy, according to the China Ocean

Development Report. The study by the China Institute for Marine Development Strategy of the State Oceanic Administration, analyzed all activities related to the sea. Coastal tourism experienced the fastest year-on-year growth of any related sector, up 28.3% to reach CNY697.2 billion, while the second was the ship industry, which rose 27.49%.

- China has the potential to maintain an annual growth of around 8% for the immediate future, said Justin Lin, former Chief Economist of the World Bank and Professor at Peking University. Lin made the forecast during a speech at a forum on China's economic trends in Fuzhou, Fujian province. Economic growth slowed to 7.7% in the first quarter, but the slowdown is understandable as demand from the European and American markets continued to shrink, Lin noted.
- China's plan to spend USD6.5 trillion on urbanization to bolster the economy could be delayed or scaled back, as top leaders fear another spending binge could push up local debt levels and inflate a property bubble. Premier Li Keqiang has rejected an urbanization proposal drafted by the National Development and Reform Commission (NDRC), seeking changes to put more emphasis on economic reform. Many local authorities have already lobbied to get funding for projects, ringing alarm bells among top leaders in Beijing. China plans to spend some CNY40 trillion to bring 400 million people to its cities over the next decade.
- China's economic recovery may be losing momentum, as indicators for new orders and financial conditions worsened, according to the latest MNI China business sentiment indicator of Deutsche Boerse Group. The flash index fell to 57.1 from 58.5 in April and 58.2 in March. It was the eighth straight month of expansion for the overall index.
- The National Development and Reform Commission (NDRC) released a guideline to deepen economic reform. A total of 22 major tasks in seven fields were set as priorities for this year, including delegation of approval authority, as well as fiscal and financial reforms to stimulate the real economy and promote an energy-saving and environmentally-friendly development. The document also pledged tax reform, including resource tax reform to tax coal production on a value basis instead of volume, as well as expansion of the value-added tax pilot program to replace business tax and lower the tax burden for companies.

## **MERGERS & ACQUISITIONS**

### **China leads emerging markets in outbound M&A**

China will continue to lead other emerging countries in outbound merger and acquisition deals in mature markets, driven by its quest for energy and technology, PricewaterhouseCoopers (PwC) said. China's state-owned companies will continue to lead outbound M&As by investment value, especially in energy and resources. The private sector will lead by the number of deals, eyeing prospects in high technology, entertainment and agriculture fields, PwC said.

## **PETROCHEMICALS**

### **PetroChina seeks cooperation with foreign oil majors**

PetroChina plans to boost cooperation with overseas refiners, including Exxon Mobil, BP and Royal Dutch Shell, as it seeks overseas resources. The company also plans to increase imports of natural gas this year due to surging demand, Zhou Jiping, PetroChina's Chairman, said at a conference in Beijing. The purpose of cooperation is to seek acquisitions or joint exploration activities, Bloomberg News reported, adding that the Beijing-based company will also work with Eni and Chevron. PetroChina and its state-owned parent China National Petroleum Corp (CNPC) have said they planned to spend USD7 billion buying assets from Mozambique to Australia. The supply of natural gas in China may reach 107 billion cubic meters this year, not sufficient to meet the expected demand of 115 billion cu m. The company plans to invest at least USD60 billion this decade in global oil and natural gas assets to lift the share of overseas output to half of its total, PetroChina has said.

## CNOOC builds Asia's biggest deepwater platform

China National Offshore Oil Corp (CNOOC) has completed construction of Asia's biggest deepwater platform in the South China Sea, marking a breakthrough for the company. The project, known as the Liwan 3-1 natural gas central offshore platform, will have an annual processing capacity of 12 billion cubic meters after completion and will be put into operation by the end of the year, CNOOC said. "The processed natural gas will be mainly supplied to power plants and other industrial users in Guangdong province, which will contribute to diversifying the natural gas supply in the region," said Yang Zhuangchun, Deputy Director of the project. "The project's production capacity of 12 billion cu m accounts for about 10% of China's current natural gas output, and will ease the gas shortage in southern China," said Li Lingxuan, Natural Gas Industry Analyst at Sublime China Information Co. The South China Sea's oil and gas reserves take up about one-third of China's total oil and gas resources. "However, up to 70% of the reserves in the South China Sea are in deep waters which have high environmental and technological requirements for exploration," she said. After two and a half years of construction, engineers from CNOOC installed the topside of the central platform – the last step in the construction process. The project combines a central platform, an onshore natural gas plant, seven underwater production facilities and a 419-km underwater pipeline.

- China's net exports of gasoline remained near the highest level in a year amid the nation's weakest domestic oil demand in eight months. Overseas sales of gasoline exceeded imports by 468,553 metric tons in April, equivalent to 132,360 barrels a day. In March, net gasoline exports were 506,110 tons, the most in a year. Apparent oil demand, or domestic refinery throughput plus net imports, was 9.66 million barrels a day last month, the weakest since August. Gasoline demand will increase 12% in the second quarter from a year earlier to 22.93 million tons, the newsletter China Oil, Gas and Petrochemicals reported.
- China's commercial crude stockpiles rose in April to the highest level in three months, and diesel supplies dropped after the nation curbed refining. Crude stockpiles increased to 28.68 million metric tons, or about 210.2 million barrels, according to data compiled by Bloomberg. Diesel inventories fell 7.7% to 9.82 million tons, the lowest since January.

## REAL ESTATE

### Fosun turns to housing for the elderly

Fosun International plans to build more housing projects for the elderly, betting on ballooning demand for this niche as the population ages. "Together with Fortress Investment Group, we will sign five to six more projects for the elderly, mainly in major cities, including Beijing," Fosun Chairman Guo Guangchang said. Fortress has partnered Fosun to operate joint venture Shanghai Starcastle Living Services, which already has a housing project for the elderly in the city. Fortress is publicly traded on the New York Stock Exchange (NYSE). Its private-equity portfolio investments include Brookdale Living and Holiday Retirement – two of the largest senior-housing operators in the U.S. "We are exploring how to tie our insurance and medical businesses into homes for the elderly," Guo said. Shanghai-based Fosun has invested in insurance businesses, including a 50% interest in Pramerica Fosun Life Insurance, which is a joint venture with Prudential Financial; and an 85.1% interest in Peak Reinsurance, which is co-invested by the International Finance Corp (IFC) of the World Bank. Last month, the Pramerica-Fosun China Opportunity Fund invested up to USD240 million jointly with Fosun's subsidiary Shanghai Fosun Pharmaceutical to acquire a 95.6% stake in Israel-based Alma Lasers, a manufacturer of lasers used in cosmetic surgery. China is expecting a rapid increase in the number of elderly while the central government has implemented measures to cool the property market. Other developers are also eyeing the elderly-care market, including China Vanke, the country's largest developer by market value. The China National Committee on Ageing has estimated that the number of citizens aged 60 and above will rise to more than 200 million this year. By 2050, a third of the population will be above 60, the South China Morning Post reports.

### Shopping malls to be more profitable than offices and homes

Shopping malls will surpass office and residential space as the most profitable type of property investment in China over the next two to five years, thanks to the nation's booming middle

class and its fast-growing income, says ARA Asset Management, a property investment firm partly owned by Li Ka-shing. "District shopping centers with a gross floor area of one million square feet or bigger, and a high number of visitors will offer the biggest upside with limited risks for private funds in the coming years in China," said Ng Beng Tiong, Chief Executive of ARA Private Funds. Ng, a former investment banker, is targeting an internal rate of return of 20% with the building and operating of shopping centers on the mainland through the newly raised USD441 million of Asia Dragon Fund II. HSBC forecasts that 93 million Chinese households will join the middle class by 2015. The China Chain Store and Franchise Association expects the number of malls to jump 40% to more than 4,000 by 2015. Not all of the new malls would provide decent returns, so real estate funds would have to be selective, Ng said, warning that the presence of luxury brands did not guarantee fat margins. "We don't go for malls that are full of Guccis and LVs (LVMH luxury goods), but the ones that serve the daily needs of a large catchment of residents and office workers," Ng said, citing Asia Dragon Fund I's Dalian shopping mall and Festival Walk in Kowloon Tong, Hong Kong, as examples. The firm, in which Cheung Kong holds a 14% stake, is looking to expand its footprint to key tier-two cities, such as Hangzhou, Suzhou, Guangzhou, Shenzhen, Chongqing, Chengdu and Wuhan. It already has projects under way in Shanghai, Beijing, Dalian and Nanjing. By 2015, the retail market will double in key tier-two cities, according to HSBC research, and shopping malls will account for 74% of the retail market in these cities, up from 51% currently, the South China Morning Post reports.

### Higher debt, falling profits at Chinese developers

Chinese developers recorded higher debt ratios and falling net profit last year amid stringent controls on the housing market, a survey of 184 mainland developers, all listed in Hong Kong, Shanghai or Shenzhen, found. The survey was conducted by the China Real Estate Research Association, the China Real Estate Association and China Real Estate Appraisal. The listed companies' net gearing ratio last year climbed nearly 9 percentage points to 64.4%, from 55.6% in 2011. The number of developers that posted a drop in operating profit rose to 87 last year from 26 in 2011, the study said. The average net profit of the 184 companies last year was down slightly by 0.5% to CNY1.18 billion, as some developers faced higher operating costs, although their average revenue grew more than 12.3% to CNY6.28 billion. The study ranked China Vanke, the country's largest developer by market value, as the most competitive developer for the sixth year after assessing factors such as profitability, operating efficiency and scale. Poly Real Estate Group jumped from fourth place to second, followed in the list of top five firms by Evergrande Real Estate Group, China Overseas Land and Investment and China Resources Land.

- Grade-A office rents in Beijing remained unchanged in the first quarter at CNY396 per sq meter per month while the vacancy rate edged up 1 percentage point to 4.8%, according to a report from international real estate firm Knight Frank. The limited new supply means a further increase is unlikely.
- The second batch of cities for the pilot property tax program are likely to be announced this year, the 21<sup>st</sup> Century Business Herald reported. Citing Wang Zhaocai, Deputy Director of the Financial Science Research Institute at the Ministry of Finance, the newspaper reported that the selection of the second batch of cities will be based primarily on their willingness to implement the program, adding that sources at the Ministry of Housing and Urban-Rural Development say the list will be published within the year.

## RETAIL

### Chinese consumers remain confident

Chinese consumers remained upbeat in the first quarter of this year and those in lower-tier cities saw confidence rise faster. The Consumer Confidence Index in China stood at 108 in the first three months, 15 points higher than the global level, Nielsen China said in its quarterly Global Survey of Consumer Confidence and Spending Intentions. A reading above 100 signals optimism. "The outlook among Chinese consumers of their personal financial situation and job prospects was stable, showing an optimistic attitude on China's economy," said Yan Xuan, President of Nielsen China. Willingness to spend rebounded to the highest level in more than two years.

- Bird flu, which erupted in March, has so far cost the poultry industry CNY40 billion, Li Xirong, Deputy Director of the China Animal Agriculture Association, said at a recent industry forum. Li said this year is “the hardest ever” for the industry. Since bird flu erupted, prices for poultry have slumped, and sales have sharply declined. Financial losses have been widespread, leading to job losses and bankruptcies.
- China Huiyuan Juice Group plans to acquire fruit planting and juice-concentrate-making businesses from its Founder and Chairman, Zhu Xinli, as it seeks to bolster investor confidence. The transaction, valued at HKD4.9 billion, would help enhance its profitability while creating a vertically integrated business model for the Huiyuan brand. The firm now deals with only downstream businesses including bottling and sales of Huiyuan-branded products.
- Canali Holding, the Italian menswear retailer, expects sales in China to grow 15% this year as the company expands its presence in China. The closely held retailer, which reported sales growth of 15% in 2012, plans to open five new boutiques in China to tap the rising income of Chinese consumers. The company currently has 60 outlets in the country. While the growth in the Chinese economy “is slowing a little bit, it will be one of the most important markets for us”, said Stefano Canali, the group’s General Manager.

## SCIENCE & TECHNOLOGY

### Science associations’ role to be expanded

Chinese Vice President Li Yuanchao urged science-and-technology associations and societies to strengthen their social management roles. He made the call in a speech at the opening ceremony of the 15<sup>th</sup> Annual Meeting of the China Association for Science and Technology in Guizhou province’s capital Guiyang. The China Association for Science and Technology is the country’s largest non-governmental organization of scientific and technological workers, with 181 member societies. For example, the Chinese Medical Association performs medical malpractice appraisals and the China Fire Protection Association drafts industry and technical standards. Li said he hoped the associations would be pro-active in taking on the social responsibilities transferred to them from the government, accept supervision and expand accountability. The meeting also addressed the quality of China’s scientific journals. Only 5% of the country’s more than 5,000 scientific journals are published in English and even fewer qualify as internationally influential. Only 20% of China’s Science Citation Index (SCI) papers were published in domestic journals in 2011. Also in 2011, 155 Chinese science journals were included in the global SCI, accounting for 1.86% of SCI journals.

- More than 10,000 Chinese have applied to join a one-way trip to Mars. The first to sign-up, Ma Qiang, a 39-year old former policeman from Dujiangyan, Sichuan province, said: “Our people should be allowed to dream for something that seems impossible today but possible with an effort tomorrow, not discouraged and scared.” The number of Mars One applicants from all over the world had reached 78,000 by May 7. Chinese state media have questioned the project’s credibility and warned the project could be a scam.
- As more students graduate from universities, they find it more difficult to get a job. By early this month, 52.4% of Chinese students about to graduate had signed job contracts, down seven percentage points on the same time last year. In the industrial hub of Guangdong, the rate was 46%, and in Beijing, home to such top universities as Peking and Tsinghua, it was just 33.6%. President Xi Jinping made a high-profile visit to a job fair in Tianjin on May 14 to reassure jobseekers, pledging to create more jobs by boosting economic growth.
- Central China’s Loess Plateau was mostly covered by grass for the past 20,000 years – not forest as popularly believed – scientists say, warning that an ambitious government tree-planting campaign could be doomed to fail. The 440,000 square kilometer area, centered on Shaanxi province, gave birth to Chinese civilization, but is now characterized by a denuded, yellowish and deeply eroded landscape. A research team of the Institute of Geology and Geophysics found from pollen records that the region was dominated by grasses as far back as 20,000 years ago, with few signs of trees.

## STOCK MARKETS

### ChiNext full of risks, warn insiders

Securities insiders have warned of risks for ChiNext, China's Nasdaq-style market. "ChiNext is expensive relative to growth, and has become crowded," said Hong Hao, Managing Director of BOCOM International Holdings Co. The ChiNext board, which started trading on October 30, 2009, is home to high-tech companies and those with high growth potential. So far, 355 companies are listed on the board, with a total market capitalization of CNY1.19 trillion. A BOCOM International report said ChiNext's earnings growth is about four times that of the main board, but it is about six times as expensive. "The quest for reform and the wish for an immediate strong market recovery cannot be fulfilled at the same time," said Hong, because reform introduces an element of uncertainty. "The resumption of IPOs will likely prick the ChiNext bubble," said Hong. Yi Jigang, President of Beijing-based private-equity firm Orient Jiyi Investment, showed more confidence. "Many Chinese technology stocks on the ChiNext market perform very well because their businesses are good and the Chinese market is large and of great potential," he said. Yi added that there are limited means of investment in China, and investing in good quality stocks is a wise choice. Besides, the China Securities Regulatory Commission's strict examination of the stock market since the end of last year will boost investors confidence, he said.

### Arrests after closure of HK Mercantile Exchange

Hong Kong police have so far arrested five suspects as they investigate the failed Hong Kong Mercantile Exchange set up by Barry Cheung, who said he was taking an immediate leave of absence from public duties. Police are also questioning three senior executives. Cheung, 54, was Chairman of the Urban Renewal Authority. The Commercial Crime Bureau made the arrests after it was asked by the Securities and Futures Commission (SFC) to take over its probe into the affairs of the Exchange, which closed after running into financial problems. The SFC said its initial investigations had revealed "the suspected irregularities are serious ones". Facing criticism that it was too lenient towards the scandal-shrouded Hong Kong Mercantile Exchange, the SFC says it handled the fiasco appropriately. Three out of the five people arrested have been charged since the HKMEx surrendered its trading license after failing to maintain the necessary financial requirements. The SFC had been closely monitoring the financial situation of the HKMEx for a year before it finally closed its doors. An SFC Director said the regulator could not have taken action earlier. "HKMEx was a newly set-up exchange, and it is natural its turnover would not be huge in the early stages," the Director said. Cheung initially sought an authorized exchange license, the person said, but only an exchange with a great deal of capital to support clearing facilities could qualify for it. Eventually, the SFC granted the HKMEx a lower-level license to offer an electronic trading platform. Cheung has also resigned from his positions in major businesses – as a board member of Russian aluminum producer United Co Rusal and as an independent Non-executive Director of AIA Group.

### China and U.S. sign agreement on audit files

China has signed an agreement with the United States to share company audit files, paving the way for more investigations into accounting scandals involving Chinese firms listed in the U.S. The Chinese affiliates of the five top accounting firms were charged by U.S. market regulators in December with violating securities laws for refusing to provide audit data related to investigations into some China-based but U.S.-listed companies. But some of the auditors said that while willing to assist, they were caught up in legal differences between the two countries, and Chinese law did not allow such information transfers. "The signing of the MOU is a significant step in cross-border cooperation," the China Securities Regulatory Commission (CSRC) said. The two sides have yet to agree on how Chinese accounting firms auditing U.S.-listed companies should be supervised. The agreement applies only to enforcement cases against auditors, not against China-based companies suspected of accounting fraud, and it does not allow U.S. regulators to do on-the-ground inspections of auditors on the mainland, a key part of efforts to combat fraud. "This is a step in the right direction," said James Doty, Chairman of the Public Company Accounting Oversight Board, the U.S. regulator for audit firms. The agreement calls for the Board to cooperate with its Chinese counterpart, the China Securities Regulatory Commission (CSRC), and the Ministry of Finance, on the exchange of documents. Any non-public documents exchanged will be kept confidential, according to a memorandum of understanding (MOU) between the agencies. However, the deal may not resolve a lawsuit filed by the U.S. Securities and Exchange Commission against five top audit

firms in China over their refusal to turn over documents. Under the agreement, the board can share documents with the SEC, but only if they were obtained for a Board enforcement action.

- PICC Property and Casualty Co is raising CNY5.76 billion via a rights issue in Shanghai and Hong Kong to bolster its balance sheet. The rights issue is conducted on the basis of 1.1 new shares for every 10 existing shares held by the shareholders. The move will improve PICC Property and Casualty's solvency adequacy ratio by 20 percentage points. People's Insurance Company Group of China, the parent of PICC Property and Casualty, will contribute around CNY4 billion to keep its stake at 69%. American International Group (AIG) also has agreed to invest HKD718.1 million to retain its 9.9% stake.
- Citic Securities Co is to regain a controlling stake in a top fund management company, as it plans to spend up to CNY2 billion to buy a 10% stake in China Asset Management Corp from state-owned Wuxi Guolian Development Group. The deal will give Citic Securities 59% of China AMC, the securities company said.
- China Galaxy Securities Co raised USD1.1 billion in a much-anticipated Hong Kong IPO. The shares rose 11.3% at one point, before ending the day up 6% on its trading debut. The city's IPO drought has been broken by the new listing, along with that of Sinopec Engineering (Group) Co. Analysts said the two IPOs will help meet retail investor demand for new listings in the Hong Kong stock market, and the market's liquidity may support more new listings in the second half of 2013. Galaxy Securities' IPO was the second-largest in Hong Kong in 2013. The offer was significantly over-subscribed.

## TRAVEL

### China to boost revenue from aircraft industry

China expects CNY100 billion revenue from its aircraft-making industry by 2020, the Ministry of Industry and Information Technology (MIIT) said. Its domestically-made jumbo jets will account for over 5% of all aircraft in the country by then, the Ministry said. China is also investing billions of yuan to develop regional and general aviation jets by 2020. MIIT also suggested in a guideline that China should develop its own aircraft engines and not rely on foreign-made ones. "China will deliver its C919 jumbo jet soon. It will also realize the mass production of its ARJ-21 and Xinzhou-60 regional jets," the Ministry said. The C919, which can seat 150 and has a flying range of 4,075 kilometers, already has 235 orders from over 10 Chinese companies. It is due to make its first flight in 2014. The ARJ21, which has more than 200 orders from Chinese state-controlled companies, has begun final flight test certification. China also plans to build 70-seat Xinzhou-700 regional jets as well as bigger jumbo jets that can seat over 200 passengers. China has invested more than CNY10 billion to produce aircraft to reduce the reliance on Boeing and Airbus, but the country still lags in developing its own aircraft engines. The engines used to power the first batch of C919 jets will be made by CFM International, a joint venture between U.S.-based General Electric and France's Safran. The country aims to build its first assembly line for aircraft engines by 2015, but it will take 10 years to develop a home-made engine for jumbo jets, the Shanghai Daily reports.

### Chinese airlines to fight flight delays

The Civil Aviation Administration of China (CAAC) will request airlines with above average flight delays to reduce the number of flights and shorten their operating time. The CAAC also urged airlines to decrease delays that can be avoided by 10% by the end of the year. Airports that fail to ensure that at least 90% of flights depart on time will not be allowed to expand their operations. The move came after a CAAC report disclosed that Chinese airlines' flight delays are worsening. Despite efforts by airlines to improve performance, 630,000 flights of Chinese airlines in 2012 failed to take off or land on schedule, accounting for 25.2% of the total 2.5 million flights, according to the CAAC's annual industry report of 2012. The rate in 2011 was 22.8%. Airlines themselves were responsible for most of the delays, as 38.5% of flight delays in 2012 were due to the airlines. Air control measures contributed to 25% of delays and bad weather 21.6%. Other unidentified factors led to 14.9% of delayed flights, according to the report. Earlier media reports quoted Li Jiexiang, Director of the CAAC, as saying that the recent boom in renovation or expansion of Chinese airports has affected airlines' on-time performances. More than 100 airports on the Chinese mainland are expected to be renovated

or expanded during the 12<sup>th</sup> Five Year Plan (2011-15), Li said. The central government urged the CAAC and Chinese airlines to make sure that more than 80% of flights arrive on schedule by 2020.

## Chinese managers to spend more on business travel

Chinese managers say they are likely to spend more on business travel in the next 12 months, according to a new survey by AirPlus International, a German company that provides business travel payment solutions. China is now considered the world's fastest-growing market for business travel, and the sector is expected to continue expanding. 41% of the Chinese respondents said they expect more trips over the next 12 months, up from 31% the year before, against the global average of 32%, AirPlus said. The report also showed that just over half of the Chinese managers predicted travel expenditures to rise in the coming year, a sharp rise from the 29% in 2012. Chinese corporate business travel expenditure is predicted to increase by 15.1% in 2013 to CNY1.38 trillion, and by the end of 2015 the market is likely to overtake the U.S. to become the world's largest. But globally, next year will see the lowest growth in business travel since the peak of the financial crisis in 2008, according to AirPlus. In 2012, AirPlus earned €11.4 billion in billing sales for its business travel products and solutions, a 10% increase year-on-year, as its travel volume rose by 16%, the China Daily reports.

- Hoax callers who target civilian flights will face harsher punishments in future, China's Ministry of Public Security said. Two suspects, an unemployed migrant from Inner Mongolia and a man in Jiangsu province, have been arrested for making false bomb threats that disrupted a number of flights earlier this month. The Ministry said the hoaxes severely disrupted civilian flights. Anyone who intentionally disrupts flight operations by fabricating threats can be jailed for up to five years, or more if the actions have severe consequences.
- The Shanghai subway and maglev operators started issuing common Maglev & Metro pass tickets, combining Metro's one-day pass with a maglev ticket. For CNY55, pass users are entitled to a single journey on the maglev and full-day use of the city's metro.
- The Civil Aviation Administration of China (CAAC) has certified the Boeing 787 Dreamliner, paving the way for domestic airlines to start taking deliveries one month after U.S. regulators approved Boeing's redesign of the battery system. China Southern will be the first Chinese customer of the airplane. It is expected to put the plane into commercial service within weeks. It has ordered 10 of the jets. Chinese airlines have ordered 41 Dreamliners to date.
- China Eastern Airlines is launching a direct flight between Shanghai and Lhasa in Tibet, in July. The carrier will use the 250-seater Airbus A330 on the route, which takes about five hours. Meanwhile, China Eastern Airlines also announced that it will increase the number of flights between Lhasa and Xian, in Shaanxi province, and Kunming, in Yunnan province, to meet increasing tourist demand.
- Juneyao Airlines has opened several new routes from Shanghai. It is operating five direct flights between the city and Yinchuan, capital city of Ningxia, shortening the previous five-hour trip to three hours. Juneyao is also starting a service from Shanghai to Xining, in Qinghai province, via Xian. Earlier this month, a direct flight was launched between Shanghai and Jeju in South Korea. There will be four services per week, with the flight taking about one hour and 20 minutes.

## VIP VISITS

### Li Keqiang wraps up first overseas trip as Premier

On the second day of his visit to India, Premier Li Keqiang said that China had no intention of containing India and called on both nations to step up cooperation in South Asian affairs and resolve border disputes. Wrapping up his maiden diplomatic trip to New Delhi, Li played down fears that China posed a threat to India, and said Beijing supported New Delhi playing a bigger role in the United Nations Security Council. Li told members of New Delhi's Chinese community that the Sino-Indian relationship had entered a "critical stage" where common interests overrode differences. Li Keqiang also paid a two-day state visit to long-time ally Pakistan under extra-tight security. The Premier's plane was escorted by six fighter jets as it

entered Pakistani air space and mobile phone networks were briefly shut down in Islamabad. Li attended a lunch with Pakistani President Asif Ali Zardari and Prime Minister-elect Nawaz Sharif. He said that China and Pakistan should remain “trustworthy partners.” Bilateral trade last year rose above USD12 billion for the first time and both sides are aiming to reach USD15 billion in the next two or three years. The two countries signed a series of cooperation documents covering the economy, culture, and science and technology. There are an estimated 10,000 Chinese people and more than 120 Chinese companies in Pakistan, many working on infrastructure and energy projects. China and Pakistan should make cooperation on power generation a priority, Premier Li Keqiang said, as Pakistan struggles with power shortages. China and Pakistan agreed to set up an economic corridor to further connect their two economies. Former Chinese Ambassador to Pakistan Zhou Gang said Pakistan, which shares a 600-km border with China, has an important role in helping to keep stability in Xinjiang and implementing China’s strategy of developing the western region. Wang Xu, Researcher in South Asian studies at Peking University, said the Pakistani manufacturing sector will be greatly boosted and updated if China can transfer some of its factories to its neighbor.

From Pakistan, Premier Li traveled to Switzerland. President of the Swiss Confederation Ueli Maurer said prior to the visit: “We feel honored being the first European country to be visited by the new Premier.” Official Swiss figures show the country’s foreign direct investment in China reached more than CHF12.5 billion in 2011. About 400 Swiss companies with more than 900 branches are based in China, while some 65 Chinese companies operate in Switzerland.

Premier Li Keqiang said China is ready to work with Germany “to enhance mutual understanding and trust,” as he arrived there on an official visit. Li held talks with Chancellor Angela Merkel and launched the “the Year of Languages” program between their countries.

- Chinese President Xi Jinping and U.S. President Barack Obama will hold their first meeting since Xi became President in March when they sit down for a June 7-8 summit in Rancho Mirage, California. “This year, Sino-U.S. relations have got off to a good start and are facing an important opportunity for development,” Chinese Foreign Ministry Spokesman Hong Lei said. The fact that Xi and Obama will devote two days to the talks shows an intent by the two leaders to build a closer relationship, the Shanghai Daily reports. President Xi Jinping will also make state visits to Mexico, Trinidad and Tobago, and Costa Rica.
- China and Tajikistan established a strategic partnership, which observers said would benefit the two countries’ economies and regional stability, as Tajik President Emomali Rakhmon visited Beijing. Chinese President Xi Jinping and his Tajik counterpart also agreed to promote cooperation in areas ranging from traffic and agriculture to financing and cultural exchanges. They will expand cooperation in minerals exploration, energy and electricity infrastructure construction.

## ONE-LINE NEWS

- Founder and Chairman of New Hope Group, Liu Yonghao, will hand over the reins of his business to his daughter Liu Chang when he steps down as Chairman of listed subsidiary New Hope Liuhe Co, but he will remain on the Board. Liu Chang, 33, will co-head the Board of New Hope Liuhe with Chen Chunhua who will also serve as the company’s new Chief Executive. Liu Chang currently holds a 36% stake in New Hope Group and leads its non-listed Sichuan South Hope Industrial Co.
- China’s first lady Peng Liyuan has made it onto Forbes’ list of the world’s 100 most powerful women, ranked 54<sup>th</sup>. The magazine complimented Peng for the impact she had in changing the image of China. Her Made-in-China fashion statement caught the attention of the world when she traveled with President Xi Jinping during his recent official trips abroad. Margaret Chan, Director General of the World Health Organization (WHO), was the highest ranked Chinese at No 33.
- Global views of China’s influence have deteriorated sharply, according to a poll conducted for the BBC’s World Service, reaching their lowest level in years. The 2013 Country Ratings Poll asked 26,299 people in 25 nations between December and April to rate 16 countries and the European Union on whether their influence in the world was “mostly positive” or “mostly negative”. Views on China’s influence dropped to the lowest level since the poll began in 2005, with positive views falling eight points to

42% and negative views rising eight points to 39%.

## QUOTES OF THE WEEK

“All peace-loving people should uphold the post-war peace order which brooks no damage nor denial. China would like to work with all peace-loving people to uphold the post-war order and safeguard world peace and prosperity. I would like to stress that paragraph 8 of the Potsdam Proclamation makes it clear that the terms of the Cairo Declaration shall be carried out. This was a victory secured at the price of tens of thousands of lives and an important underpinning of the world order established after WWII. Only by facing history squarely can one have a future.”

Chinese Premier Li Keqiang, speaking in Berlin, quoted in the Shanghai Daily, May 27, 2013.

## ANNOUNCEMENTS

### FCCC's new address, telephone and fax numbers

Please note the Flanders-China Chamber of Commerce's new address, telephone and fax numbers:

Lammerstraat 18, B-9000 Gent, Belgium  
Tel.: +32 9 266 14 60/61  
Fax: +32 9 266 14 41

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**Membership rates for 2013:**

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The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail [michel.jc.lens@gmail.com](mailto:michel.jc.lens@gmail.com). Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.