法兰德斯中国商会 FCCC VCKK

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

# NEWSLETTER | 3 JUNE 2013



---

## FCCC ACTIVITIES

### FCCC Meeting reception in honour of the future Ambassador of Belgium in China, Mr Michel Malherbe – 19 June 2013, 18h00 – KBC, Brussels

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the future Ambassador of Belgium in the People's Republic of China, Mr Michel Malherbe. The meeting will take place on Wednesday 19 June 2013, at 18h00 at KBC, Grote Markt 17, 1000 Brussels.

This event will give you an excellent opportunity to meet the new Ambassador of Belgium in China and to talk to him about your company's activities in China. Should you wish to participate, please register online by 14 June 2013 at the latest.

Participation fee for FCCC members: €45, Non-members: €75. Registration on the FCCC website: www.flanders-china.be via this link.

### 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

## ACTIVITIES SUPPORTED BY FCCC

### Event Brussels Metropolitan meets Business International – 13 June 2013 – Brussels

The vast majority of the more than 600,000 expatriates in Belgium live and work in Brussels Metropolitan. With such a large international community it is no surprise that expats feel so welcome here. Brussels Metropolitan aims to make better use of the Brussels assets as an international center with all the decision-making EU institutions, 1,700 international organizations and the world's largest lobbying industry. The first ever expat event Brussels Metropolitan meets Business International is organized to bring the local business community and the international community together through a highly personal networking event, including a walking dinner that offers a variety of gastronomic tastings with Belgian delicacies.

It is an excellent opportunity to get your business noticed by the expat community in Brussels Metropolitan, to meet up with fellow expats in Brussels, and to network with the local business community. This event will take place on Thursday 13 June at Les Ateliers des Tanneurs, Huidevettersstraat 58-62 Rue des Tanneurs – 1000 Brussels (route description – parking space at flea market Place Jeu de Balle)

Program

18h00-18h20: Welcome drink
18h20-18h35: Hospitality as a key factor of Brussels Metropolitan: Striving for a better policy towards the international community
18h35-19h00: On the attractiveness and hospitality of Brussels
Paul Dujardin – CEO & Artistic Director Bozar Centre for Fine Arts. Paul Dujardin brings business insight and leadership to the arts. He shook the cobwebs off the Centre for Fine Arts and turned it into a prestigious cultural centre accessible to all by combining business strategy and -international- community insights.
19h00: Belgian Gastronomy Networking split by business sector

Attendance is free of charge however you must register in advance to secure your place. Registration via this link.

### Mission for growth to China – 18-20 July 2013

This joint mission of Vice-President Tajani and Commissioner Potocnik of the European Commission to China is centered on the theme of "green growth". It has three main objectives: (1) to promote sustainable and inclusive growth on both sides (2) to help our companies and in particular SMEs to operate in China; (3) to promote EU-China business contacts and opportunities.

Preliminary Programme

Thursday 18 July - Beijing

- Political meetings (time tbc)
- A.M. - Dedicated meeting for companies on "doing business in China" organized by the SME Center, the IPR/SME Helpdesk and Enterprise Europe Network to be jointly opened by VP Tajani and Commissioner Potocnik.
- Roundtable on Green business opportunities in China. Contacts between participating companies to the M4G and EU 'green' companies already present on the Chinese market (exchange of experience, main lessons learned …); discussions with Chinese high-level business or public actors on the potential of green economy in China.
- Evening - Reception at the EU Delegation with EU Member States ambassadors and the business delegation on 18/7 in the evening

Friday 19 July – Beijing and departure to Guiyang

- A.M. Matchmaking event organized with the help of EEN Network (local Chinese EEN contact points supported by their experienced European mentors from BE, DK, NL...) with important participation of Chinese companies (including SMEs).VP Tajani could pop up for a brief speech.
- Continuation of political meetings
- P.M. – Departure to Guiyang
- Evening - Welcome banquet by authorities

Saturday 20 July – Guiyang

- A.M. Participation to the "Eco-forum Global", a yearly prestigious meeting on the theme of the "Green economy" which is putting emphasis this year on green industry, green urbanization and green consumption.
- Multiple forums will take place in which Business representatives participating in the mission for growth may join in as speakers. A business roundtable and business contacts will be organised in the margins of the forum.
- P.M. Vice-President Tajani flies back on 20 July, but the "Eco-forum Global" continues on Sunday 21 July. Possibility for further speaking opportunities /business contacts for companies attending.

The deadline for registration is June 14, 2013. More information on the mission is available at the Flanders-China Chamber of Commerce: info@flanders-china.be

## PAST EVENTS

### China Information Session: "Assignments from China to Belgium and vice versa: Update on immigration and personal tax aspects" – 29 May 2013 – 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 organized an information session on aspects of immigration and social legislation which focused on the posting of Chinese nationals to Belgium and vice versa.

The seminar was 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 the event was to provide sound knowledge and understanding of the issues, to enable companies to meet various requirements on a timely basis and avoid losing precious time or wasting resources. The information session was followed by a networking cocktail.

## PUBLICATIONS

### FCCC publishes "FCCC Members' Portraits in China Vol.2"

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

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

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

"The growth of the Chinese economy is slowing down a bit," says Chairman Bert De Graeve in the introduction, "but at 7.8% last year, it is still growing strong to offer a myriad of opportunities." For those companies which have not yet taken the step to open a


representative office, set up a subsidiary or form a joint venture, it is probably not too late yet to enter the Chinese market. “Do your homework” is one of the most frequently tendered

pieces of advice for companies contemplating their first steps on the China market. One might as well start with “FCCC Members' Portraits in China, Volume 2”.

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).

FCCC members can receive one copy free of charge by sending an e-mail to info@flanders-china.be

## EXPAT CORNER

### Beijing air quality big concern for expats

Beijing’s living environment is now the top challenge in retaining foreign workers, as opposed to salary or career development, said Adam Dunnett, Secretary General of the European Union Chamber of Commerce in China, citing research by the Chamber. Air quality has become a big concern, he said. “People leave for all sorts of reasons, but we inevitably hear nearly every time that one of the contributing factors is pollution.” Brenda Foster, President of the American Chamber of Commerce in Shanghai, has seen a similar trend. “Increasingly, we hear comments from members on the negative impact of air quality on their ability to attract and retain top talent.”

## FINANCE

### China to expand VAT reform

China will expand a reform of the value-added tax (VAT) to cover transport and some service sectors nationwide from August 1. China will charge 17% VAT for leasing tangible assets, 11% for transport, and 6% for selected modern services, the Ministry of Finance said. For small businesses with annual revenue of CNY5 million or lower, the preferential rate is 3%. For the first time, the Ministry has also expanded the VAT program to cover production, broadcast and publication of radio, films and television programs, which will see a 6% tax imposed. The move is an expansion of a regional VAT pilot program, which started in Shanghai on January 1, 2012, and was gradually implemented in three municipalities and six provinces. The program, which replaces the business tax with VAT for some service companies, aims to cut taxes for companies and streamline them across manufacturing and service industries. The National Development and Reform Commission (NDRC) has estimated VAT reform will cut CNY120 billion in tax for companies this year, the Shanghai Daily reports. As the VAT mainly goes to the central government, how VAT revenues will be distributed has become a major issue. Under China’s present tax system, 75% of the VAT goes to the central government, and the remainder goes to local governments. Zeng Kanghua, Public Finance Professor at the Central University of Finance and Economics, said that local governments are likely to ask for a larger share of the VAT in future. The property tax, along with a natural resource tax, should become the main source of local government taxes.

### Concern raised over China credit growth

Fitch Ratings Analyst Charlene Chu says the rate at which Chinese banks are increasing loan issuance is worrisome. Chinese banks are adding assets at the rate of the entire U.S. banking system in five years. Total lending from banks and other financial institutions was 198% of gross domestic product (GDP) last year, compared with 125% four years earlier, according to calculations by Chu, the company's Beijing-based head of China financial institutions. Fitch cut the nation's long-term local-currency debt rating last month, in the first downgrade by one of the top three rating companies in 14 years. “There is just no way to grow out of a debt problem when credit is already twice as large as GDP and growing nearly twice as fast,” Chu said. She questions how long China can maintain growth through bank lending that has allowed its economy to sidestep the global financial crisis. Fitch's sovereign-debt downgrade to A-plus, the fifth-highest level, has sparked a debate in which Chu's calculations have been called “biased” by one economist and a “misinterpretation” by a stockbroker. “Everyone is talking about credit – about the credit cycle, leverage and credit-quality problems,” said Stephen Green, the head of greater China research at Standard Chartered in Hong Kong, adding that there was not enough good data available. “It's a big black box, and it's quite scary.” The assets of banks expanded by CNY71 trillion in the past four years, according to government data. They might increase by as much as CNY20 trillion this year, Chu said. That will exceed the USD13.4 trillion of assets held by U.S. commercial banks at the end of last year, according to the Federal Deposit Insurance Corp, the South China Morning Post reports.

- HSBC Holdings plans to use the funds raised from selling the first yuan-denominated bonds in Singapore to increase the bank’s yuan lending. HSBC issued CNY500 million two-year fixed rate notes at a yield of 2.25% through its Singapore branch. Standard Chartered said it has also started the issuance process for selling yuan-denominated senior unsecured debt in Singapore. Singapore is the third offshore hub for “dim sum” note sales after Hong Kong and Taiwan.
- China Investment Corp (CIC) announced that Li Xiaopeng, former Vice President of the Industrial and Commercial Bank of China (ICBC), has replaced Jin Liqun as Chairman of the Board of Supervisors of CIC.
- China Taiping Insurance Holdings, China's fifth-largest insurer by market value, has agreed to acquire assets from its parent, China Taiping Insurance Group, for

CNY10.58 billion, as part of a restructuring plan. China Taiping's issued share capital will be raised by 50.6%, in which the group will hold 68.96%, up from the current 53.27%.

- China aims to introduce after-hours trading in Shanghai's futures market within two months and reintroduce government bond futures within the year. Extended trading will start with evening hours and possibly be expanded to holidays in the future. The plan is part of the Shanghai Futures Exchange's efforts to transform itself into a global marketplace. The SHFE earlier said gold and silver contracts would be available for night trading first. The SHFE, China's biggest commodity exchange, trades copper, aluminum, zinc, lead, natural rubber, fuel oil, steel, gold and silver contracts.
- The Shanghai Financial Prosperity Index published by the Shanghai Financial Association and Roland Berger Strategy Consultants jumped 12% from a year earlier to 2,838 points in 2012, slightly slower than the 14% growth in 2011. The index is a gauge that measures the development of the city's finance industry and its progress in becoming an international financial center. There were 22 locally-incorporated foreign banks in Shanghai by the end of last year. Their combined assets took up 18% of the city's banking industry.
- Bank of China (Hong Kong) has cut mortgage rates for some clients in an attempt to arrest the plunge in loan volume. Its lowest rate is the Hong Kong interbank offered rate plus 1.9 percentage points.
- Domestic assets owned by banking-related organizations in April exceeded CNY138 trillion, representing an annual increase of 17%, according to a report released by the China Banking Regulatory Commission (CBRC). Debts were more than CNY129 trillion, 16.8% higher than the previous year.
- China may accelerate approval of asset securitization projects in the second half of this year, according to the China Chengxin International Credit Rating Co, an affiliate of Moody's Investment Service in Shanghai. Last year, China re-started asset securitization by allowing banks and companies to pool various types of debts such as loans and mortgages, and sell them as bonds to various investors. The practice was suspended between 2008 and 2012 due to the global financial crisis. China last year allocated a CNY50 billion quota to restart the securitization projects, and six projects worth CNY23 billion have been approved for sale so far.
- Tian Guoli, the new Party Secretary of Bank of China (BOC), was elected Chairman after a shareholders' meeting. The appointment of Tian, former Vice Chairman of Citic Group, still needs approval from the China Banking Regulatory Commission (CBRC).
- China Railway Corp (CRC), established on March 14 with a registered capital of CNY1.04 trillion, plans to issue up to CNY20 billion of fixed-rate enterprise bonds in June. The issuer has mandated Shenyin Wanguo Securities to be the top lead on the deal, while five other securities houses will be joint leads. Chengxin has rated both the deal and the issuer AAA. Proceeds will be used entirely to fund the company's railway construction.
- NTT Communications has opened its new HKD3 billion data center in Tseung Kwan O, Hong Kong. Takanobu Maeda, President and Chief Executive of NTT Com Asia, the regional subsidiary of NTT, said the complex was Hong Kong's first "financial data center" with a so-called Tier-IV rating, consisting of high-performance infrastructure designed to meet the requirements of financial services providers and information technology companies. A cluster of 12 data centers is currently located in the Tseung Kwan O industrial estate.
- Hong Kong and mainland China were vital links in the USD6 billion money laundering network run by global currency exchange Liberty Reserve. A Hong Kong company, Extension Asia, deposited part of Liberty Reserve's funds now demanded by the U.S. authorities at the Hong Kong branch of Bank of Communications (BoCom) and a bank in Shenzhen, alleges a court indictment filed by U.S. prosecutors. Liberty Reserve is charged with laundering over USD6 billion in criminal proceeds.

## FOREIGN INVESTMENT

### Chinese investment in Germany on the rise

"Chinese investment in Germany began to pick up in recent years, but the potential has not yet been fully realized," said Feng Zhongping, Vice President of the China Institute of Contemporary International Relations. "The investment can be expected to expand into sectors of urbanization, ecological protection, new energy and innovation." In 2012, China became the third-largest foreign investor in Germany in terms of the number of projects, trailing only the United States and Switzerland. Germany attracted 854 foreign investment projects in 2012 and 98 were from China, said Germany Trade & Invest. Auto parts and machinery manufacturing accounted for 29% of Chinese investment, and energy, mineral and metals for 22%, while electronics made up 8%. A Bertelsmann Stiftung report said China's investment in Germany rose by about 22% year-on-year to USD626 million in 2012, and the figure is expected to increase to USD2 billion in 2020. Chinese investment in Germany, on the whole, is very small compared with German investment in China, which increased by 28.5% year-on-year to USD1.45 billion in 2012.

## European companies pessimistic about profits and lack of reforms

Pessimism among European companies in China is on the rise, according to the European Union Chamber of Commerce in China. About 44% of the companies in the Chamber's confidence survey reported a rise in their China earnings, down from 64% last year. A rising share – 21%, up from 14% last year – of companies reported a drop in earnings, according to the survey, which covered more than 550 European businesses operating in China. Less than a third of the companies said they remained optimistic about their profitability outlook in China over the next two years, compared with close to half in 2008. "The most notable factor negatively affecting net profit margins is rising labor costs, but slower economic growth in both China and Europe, as well as increased competition, also had notable effects," the Chamber said in a statement. Last year, 25 provinces raised the minimum wage by an average of 20.2%, the National Bureau of Statistics (NBS) said, exceeding the 7.8% economic growth last year. The government should treat foreign and domestic enterprises equally, allowing foreign businesses to participate in the projects or sectors that are off-limits to them, said Chamber President Davide Cucino. The potential drivers of the Chinese economy deemed most important are rule of law and transparent policy making, as well as promotion of fair competition and fewer monopolies, the survey found. Only 38% of the respondents said they believed the new leadership would implement significant economic reforms. "European companies have so far perceived few concrete changes," said Cucino. He urged "meaningful changes" to be "swiftly implemented". Despite the challenges, foreign companies still view China as a priority market for expanding business, according to the survey. Only 10% of respondents said they were considering shifting investments outside China, down from 22% last year. About 86% stated that they were considering expanding operations in China, while 41% said they were mulling mergers and acquisitions (M&As), the South China Morning Post reports.

- Henry van der Heyden, former Chairman of New Zealand's biggest dairy exporter Fonterra, has apologized for his remarks that the Chinese should not be trusted when doing business. "You've got to go and do business with your eyes wide open ... Don't ever trust them ... never," he said at a business forum but later clarified the comments and said his intent was to convey the message: "Be wary, be very careful." He added: "It was an ill-judged comment taken out of context. I apologize to China, its people and government. China is where New Zealand's future is."

# FOREIGN TRADE

## EU majority rejects solar panel tariffs

A majority of EU governments oppose a plan to impose hefty duties on solar panel imports from China, a survey of member states showed, undermining efforts by the European Commission to pressure China over its trade practices. The duties, averaging 47%, will come into force from June 6 for a trial period and could be withdrawn if both sides can reach a negotiated settlement. The case is the largest trade case the Commission has undertaken, with around €21 billion of Chinese-made solar panels sold in the EU. Fearful of losing business in China, Germany, Britain and the Netherlands are among at least 15 member states who oppose the sanctions. EU Trade Commissioner Karel De Gucht still has the authority to impose duties, but doing so in the face of member states' opposition would be awkward. Provisional duties will more than likely still go ahead on June 6, once they are published in the European Union's official journal, officials say, but the pressure to roll them back before they become permanent in December will be intense. Reuters confirmed that 15

EU member states opposed the duties while six supported them. The other six either declined to disclose their point of view or could not be reached by Reuters. France and Italy are leading a group of countries who say De Gucht is right to go ahead with sanctions, arguing that China's rapid rise in solar panel output to more than the world's entire demand could not have happened without "illegal state support". Chinese companies have captured more than 80% of the European market from almost zero a few years ago. Chinese Premier Li Keqiang and German Chancellor Angela Merkel, meeting in Berlin, called for an end to the dispute. It was a German company, Solar World, which first raised the complaint against Chinese dumping. Merkel now appears to favor a negotiated solution.

- China's Ministry of Commerce (MOFCOM) said it will levy provisional anti-dumping duties on pyridine imported from India and Japan. The Ministry determined that Indian producers had sold pyridine in China at dumping margins ranging from 24.6% to 57.4%, and Japanese producers sold the product at a 47.9% dumping margin. Pyridine is an organic compound used as an important raw material and solvent in the production of pesticides, drugs, animal feed, food additives and other chemicals.
- China agreed to cut import tariffs on Swiss watches by 60% in 10 years as the two nations seek to expand trade. The duties will be cut by 18% in the first year and around 5% in each of the following nine years. Chinese imports of Swiss-made watches tumbled 24% in the first quarter from a year earlier, as President Xi Jinping's campaign against corruption damps demand for luxury gifts. Value-added and consumption taxes will remain unchanged. The two countries signed a memorandum of understanding (MOU) on concluding a free trade agreement (FTA) during Premier Li Keqiang's visit to Switzerland in May. China will cut import duties on 84.2% of imports from Switzerland to zero, and will lower the levies on another 12.3% of Swiss shipments by 60% over a 10-year period.
- China and Norway are close to the "final stage" of negotiations for a free-trade agreement (FTA), after talks were suspended for about two years following the awarding of the Nobel Peace Prize to dissident Liu Xiaobo. Assistant Commerce Minister Yu Jianhua did not give a time frame for its completion. "Norway has raised some demands, which are quite difficult to our industries," he said.
- The founding of the China-Germany Chamber of Commerce was announced in Berlin during the visit of Chinese Premier Li Keqiang. It is set to be one of the largest business organizations for Chinese enterprises operating overseas. After Li met with German Chancellor Angela Merkel, China and Germany said they will strengthen their partnership in urbanization and cooperate on agriculture, forestry, grain, consumer protection, food safety and eco-labeling. They also agreed to deepen dialogue between their central banks, and improve the dialogue mechanism between their finance ministers.
- China and New Zealand are in the early stages of negotiating the direct convertibility of each other's currencies. New Zealand's exports to China jumped 32% in the first quarter, surpassing shipments to Australia for the first time, led by dairy products, logs and meat. New Zealand targets NZD20 billion in two-way annual trade with China by 2015 from about NZD15.2 billion in the fiscal year ending in March.
- China's Ministry of Commerce (MOFCOM) said it is studying the possibility of joining the U.S.-led Trans-Pacific Partnership (TPP) trade talks, after the existing 11 members allowed Japan to join the negotiations. Countries currently involved in the TPP completed the 17th round of talks in Peru and aim to reach an agreement by year's end. China began talks in May with 15 other Asian countries on a separate trade agreement called the Regional Comprehensive Economic Partnership. In November, then-U.S. Secretary of State Hillary Clinton invited China to join the TPP in a speech in Singapore.
- China's soybean imports are predicted to jump 19% in May and June from a year earlier, after falling in the first four months of 2013. Total imports in the two months may climb to 13 million metric tons from 10.9 million tons in the year-earlier period. Incoming shipments dropped by 2.6 million tons in the first four months to 15.5 million tons.
- The European Union extended 20-year-old trade protection measures against bicycles from China to Indonesia, Malaysia, Sri Lanka and Tunisia, saying Chinese manufacturers used the four countries to evade the levy of 48.5%. Separately, the EU lowered the levy to 19.2% for one Chinese exporter and to zero for two others

including Ideal (Dongguan) Bike Co.

- China launched an anti-dumping probe into chemical imports from the European Union and the United States. Perchlorethylene, also called tetrachloroethylene, is a colorless fluid widely used in dry cleaning. It is the second such anti-dumping procedure by China against European and U.S. industries in less than a month, after it launched an investigation into companies making unwelded pipes. Trade relations between China and the EU have been strained by disputes over solar panels and telecom equipment.

## HEALTH

### Survey shows problems of China's growing elderly population

The China Health and Retirement Longitudinal Study, an unprecedented study of China's ageing population, has shown a third of the elderly report poor health and a quarter are struggling below the poverty line. The research reveals the grave challenge facing the country as it tries to cope with the fastest-growing ageing population in the world. It is struggling to put in place adequate health care and retirement support before the problem spins out of control. The study covered 17,708 people aged 45 or above in 28 provinces. One in four elderly – those aged 60 and over – were found to be living below the government's official poverty line of CNY2,433 a year. More surveys will be conducted in the coming years and the data will give policymakers and academics a better understanding of the social, economic and political implications of the nation's ageing society. Nearly 38% of elderly reported difficulties in completing basic daily tasks on their own. A total of 24% needed help with their daily lives and a third experienced bodily pain. Physical exams showed 54% had hypertension, with the condition undiagnosed in 40% – which equates to 40 million people. More than 48% of elderly women and 32% of elderly men reported depressive symptoms, such as restless sleep or feelings of fear. Albert Park, a principal investigator of the study and Professor at the Hong Kong University of Science and Technology, said that it will be a big challenge to provide adequate physical care for those who need assistance.

- Laboratory tests have revealed resistance in some H7N9 bird flu patients to the only available treatment, said virologists. Three out of 14 patients monitored at a clinic in Shanghai had a genetically-mutated version of the virus that makes it drug resistant, a team of researchers in China wrote in the journal The Lancet. Of the three, one developed drug resistance only after being medicated, “probably as a result of treatment with Tamiflu”. No new human cases of the deadly H7N9 bird flu strain have been recorded for three weeks in a row. A total of 130 people have been infected and 37 died since the outbreak started in China in February.
- Chinese Premier Li Keqiang has vowed to tighten the monitoring of production of milk powder for babies and crack down on safety violators. He said the quality of infant formula affects the nation’s future. Li said that the quality of infant formula should be tested with the same standards used for medicines and that each step of the production process must be monitored. A campaign targeting baby milk powder safety will be launched to weed out unqualified baby milk powder providers, baby milk powder companies, operators of milk collection stations and milk transport vehicles.

## IPR PROTECTION

### SOEs liable for IPR infringements

State-owned enterprises (SOEs) were found liable in some 88% of intellectual property cases filed against them from 2008 to 2012, according to a judicial white paper released by the Shanghai No 2 Intermediate People’s Court. Factors that led to violations include weak awareness of IP protection at SOEs. It also noted that SOEs were plaintiffs in 40 cases and defendants in 131 disputes, about 76.6% of the total investigated.

- Even though they have at most just 140 Chinese characters, original micro blog entries are protected by copyright and reposting them without authorization is infringement, said judges and delegates from major domestic micro blog operators at a recent seminar in Beijing. Zhang Qinkun, Senior Manager of legal affairs at Tencent, said micro blog content is protected by copyright law if it carries creative thinking, but not if it is just a copy-and-paste work or simply an expression of mood.

- Companies in Beijing's Zhongguancun high-tech hub have now been awarded 20,212 invention patents, more than 60% of the city's total. Powered by strong innovation capacity, companies generated CNY2.45 trillion in revenue last year, an increase of 25% from 2011, fully 20% of the city's total GDP.
- A national copyright trading center will be founded in the Jiangxia Economic Development Zone in the Hubei provincial capital Wuhan, the second of its kind after Beijing. An industrial park covering more than 60 hectares, the center will offer copyright consultation, evaluation, trading, financing, protection and management.

## MACRO-ECONOMY

### Industrial profits rose further in April

Industrial profits grew at an faster rate last month, led by the power generation and auto manufacturing sectors, the National Bureau of Statistics (NBS) said. Combined profits posted by major industrial companies rose 9.3% from a year earlier to CNY436.7 billion, after gaining 5.3% in March. The figures were skewed by a fall of 2.2% in industrial profits in April last year. In the January-April period, industrial profits rose 11.4% to CNY1.61 trillion, down from a 12.1% gain in the first quarter. Power companies more than doubled their aggregate profits to CNY28.1 billion in April, thanks to lower costs. Car manufacturers posted CNY41.8 billion in profits, up 18.7% from a year earlier because of healthy demand, especially for new models. The computer, telecommunication and electronic equipment sector also helped drive growth. The HSBC/Markit flash purchasing managers' index (PMI) showed manufacturing contracted in May for the first time in seven months. Tim Condon of investment bank ING said profit growth would be affected by the government's control of the "three excesses": house price inflation, total credit, and local government borrowing. A surge in the yuan may complicate companies' efforts to increase profits since a stronger local currency reduces the cost of imported raw materials but makes exports less competitive. The yuan rose to a 19-year high against the U.S. dollar on May 27, after the central bank set the fixing rate at a record 6.1811 per dollar. Beijing has allowed the yuan to strengthen over the past month.

### Premier Li calls for further development of the service sector

Premier Li Keqiang criticized the slower development of the service sector compared with the rest of the economy, pledging to speed up growth in the sector to create more urban jobs. Li made the remarks in his keynote speech at the China International Fair for Trade in Services in Beijing. China will this year have to provide work for about 7 million new college graduates. He added that tapping the potential of the service sector is an important way to improve the efficiency of China's economy. The service sector remains a weak point of the economy, comprising 44.6% of China's GDP in 2012, and accounting for 36% of the nation's jobs. With these figures, China falls significantly behind developed economies, and trails similar developing economies by about 10 percentage points, Li said. Wei Jianguo, Vice Chairman of the China Center of International Economic Exchanges, said China is the world's No 1 merchandise exporter, but ranks only fifth in the world in service exports. Services comprise only 10% of the nation's total foreign trade. The value-added growth of China's service sector in the first quarter of this year was 8.3% compared with a year earlier, totaling CNY5.69 trillion and accounting for 47.8% of GDP in the same period, according to the National Development and Reform Commission (NDRC).

### Rival PMI's show conflicting signals

The official Purchasing Managers' Index (PMI) rose to 50.8 in May from 50.6 in April, the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP) said. That was higher than all estimates in a Bloomberg survey of 30 analysts and above the median projection of 50, which divides growth from contraction. But the HSBC/Markit Purchasing Managers' Index (PMI) for May fell to 49.2, the lowest level since October last year and down from April's final reading of 50.4, as both domestic and external demand softened, while growth in the services sector cooled, pointing to slowing momentum. The figure was slightly lower than a preliminary reading of 49.6 released on May 23. "The downward revision of the final HSBC China Manufacturing PMI suggests a marginal weakening of manufacturing activities towards the end of May, thanks to deteriorating domestic demand conditions," said Qu Hongbin, Chief China Economist at HSBC. The reading adds to evidence in recent weeks that China's economic growth is losing momentum. "Together with the official PMI above the 50 mark, the two figures signal the current stable economic growth situation has not been changed," said Cai Jin, Vice President at CFLP. The official PMI focusses on bigger and state-owned firms, while the HSBC/Markit one covers more smaller private enterprises. The differing results point to a two-tier recovery. "Big manufacturers are supported by state-led investment while smaller firms are more exposed to the volatile export market," said You Hongye, Economist at China Essence Securities in Beijing. In the HSBC manufacturing PMI, the sub-index for total new orders dipped to 48.7, the first time it has retreated below 50 since last September, suggesting weaker demand from domestic firms.

- China's 163 million migrant workers saw a slower rise of 11.8% in their wages last year as economic growth eased and demand for labor weakened, a National Statistics Bureau (NBS) survey showed. The average monthly wage of migrant workers grew to CNY2,290 last year from 2011. The growth slowed sharply from the 21.2% surge in 2011. Last year, the number of migrant workers rose 3%, a slowdown from 2011's 3.4% growth, to 163.4 million. The proportion of migrant workers employed by the construction sector rose the most to 18.4% in 2012 from 17.7% in 2011, while that in manufacturing fell the most to 35.7% from 36% a year earlier.
- China's National Audit Office (NAO) uncovered irregularities involving billions of yuan in five expressway construction projects. The construction of a 3,017-kilometer expressway linking Baotou, Inner Mongolia, with Maoming, Guangdong province, included an 85.6 km stretch that had a budget of CNY7.7 billion, but its cost had ballooned to CNY10.85 billion by completion. Six companies were found to have illegally subcontracted out projects worth CNY262 million. For the expressway encircling Guangzhou, 31 companies exceeded their budgets by a total of CNY66.35 million, while CNY253 million of contracts were awarded to 62 power, telecommunication and technology companies without public tender.
- Chinese auction houses say prices for art are back to normal after prices of some artworks increased 10 times between 2008 and 2010. According to the China Association of Auctioneers, art auction sales plunged to CNY27.93 billion last year, a drop of 51.5% from 2011, which itself was a 56.1% increase from 2010. Analysts blamed China's economic slowdown for the drop in sales. Dong Jun, General Manager of Beijing Forever International Auction, said the spring auctions might not see significant rises in prices but that the market had stabilized.
- Fred Hu, Chairman of the Beijing-based investment firm Primavera Capital Group, said he did not think China faced a debt crisis in the near term, and he rejected speculation on local government debt as overblown. Last month, JP Morgan's Chief China Economist, Zhu Haibin, estimated that China's shadow banking system had grown to CNY36 trillion, or nearly 70% of gross domestic product (GDP). "At this point in time, I think China is in good shape and there is no imminent debt crisis in China," Fred Hu said. He added that China's public debt-to-GDP ratio of up to 65% was moderate compared with the United States, Britain and Japan.
- The International Monetary Fund (IMF) expects China's economy to grow 7.75% this year, lowering its earlier forecast of 8% due to weaker global demand. The projection is still above the 7.5% target set by the Chinese government and in line with China's gross domestic product (GDP) expansion of 7.7% in the first quarter of the year.
- The International Monetary Fund (IMF) has urged self-discipline on China's provincial and city governments, warning headlong investment fueled by rapid credit growth may threaten economic sustainability. "Augmented" general government debt, including loans to local government financing vehicles, had risen to nearly 50% of China's gross domestic product (GDP), the IMF's First Deputy Managing Director, David Lipton, said in Beijing. The "augmented" fiscal deficit was estimated at 10% of GDP.
- China's first service center focusing on the development of the outsourcing industry opened in the Shanghai Pudong Software Park. The Shanghai Outsourcing Promotion Center was created to give assistance to companies that subcontract with outside businesses to provide services. The new center has already signed partnership agreements with India-based Infosys, the Shanghai Foreign Service Co and Shanghai Hyron Software Co. China's outsourcing industry was valued at about USD61.3 billion last year, up 37% from 2011. Revenue is expected to hit USD85 billion in 2015.
- Nearly four out of every 10 Chinese business people feel they were under serious

stress despite their happiness improving each year, according to a survey conducted by Forbes China. The happiness index of Chinese entrepreneurs increased from 7.8 in 2011 to 9 this year, an indicator that the majority of them are optimistic. But the survey also discovered that nearly 40% were under pressure and one third felt stressed.

- Hong Kong has lost its status as the world's most competitive economy, according to the latest report by the International Institute for Management Development (IMD) in Switzerland. Its overall ranking has dropped to third this year, overtaken by the United States and Switzerland. Hong Kong's performance dropped in all four major areas studied – economic performance, government efficiency, business efficiency, and infrastructure. The biggest fall was seen in economic performance, from fourth last year to eighth. Singapore was the only other Asian economy in the top 10 as ranked by the Institute, falling from fourth to fifth.
- Sales of robots in China jumped 50.7% to reach 22,600. By next year, China will surpass other countries to become the top market for robots worldwide, according to the International Federation of Robotics. Rapidly rising salaries of factory workers are leading to the increased use of robots. “China is increasingly facing low-cost competition, and as Chinese employment costs rise we can expect more use of robotics to maintain competitiveness,” the Federation said.
- The Chinese economy is proving less responsive to credit. The government's broadest measure of credit rose 58% to a record CNY6.16 trillion in the January-March period. Each USD1 in credit added the equivalent of USD0.17 in GDP, down from USD0.29 last year and USD0.83 in 2007. The diminishing returns show the need for what the International Monetary Fund (IMF) said are “decisive” policy changes.
- The pace of improvement in overall Chinese business conditions increased on a seasonally adjusted basis in May but weakened in unadjusted terms, according to the latest MNI China Business Sentiment Indicator. The overall conditions index rose to 55.2, from 53.8 seasonally adjusted, but fell to 56.7, from 58.5 in April unadjusted. The unadjusted result was down from 57.1 in the flash May result.

## MERGERS & ACQUISITIONS

### Shuanghui International buys Smithfield Foods

Chinese meat processor Shuanghui International Holdings has agreed to buy Smithfield Foods for about USD4.7 billion in a deal that will take the world’s biggest pork producer private. Hong Kong-based Shuanghui owns a variety of global businesses, including food, logistics and flavoring products and is China’s largest meat processing enterprise. Smithfield owns brands such as Armour and Farmland. Shareholders of Smithfield will receive USD34 per share, a 31% premium to the Virginia company’s stock price. Both companies’ boards have unanimously approved the transaction. The companies put the deal’s total value at about USD7.1 billion, including debt. Smithfield’s stock will no longer be publicly traded once the deal closes. Shuanghui has 13 facilities that produce more than 2.7 million tons of meat per year. Under the agreement, there will be no closures at Smithfield’s facilities, including its Virginia headquarters. Smithfield’s existing management team will remain in place and Shuanghui also will honor the collective bargaining agreements in place with Smithfield workers. The company has about 46,000 employees. Smithfield CEO Larry Pope called the move a “great transaction for all Smithfield stakeholders, as well as for American farmers and U.S. agriculture.” The transaction is the largest Chinese takeover of a U.S. company, but the deal will face the scrutiny of the Committee on Foreign Investment in the United States (CFIUS) and raised concern about food safety, as Shuanghui was forced to recall tainted pork in the past. The agreement highlights China’s growing appetite for protein-rich food, particularly pork, the leading animal protein consumed in the country.

### CFIUS approves sale of ILFC to Chinese consortium

The Committee on Foreign Investment in the United States (CFIUS) has granted initial approval to the sale of International Lease Finance (ILFC) to a consortium of Chinese firms. The USD4.3 billion deal could be a milestone for U.S. acquisitions by Chinese firms. The consortium, led by Chongqing-based fund management firm New China Trust and little-known P3 Investment, entered into negotiations in December with insurer American International Group (AIG) for at least 80% of its stake in the wholly-owned aircraft leasing arm. The buyers' group, which also includes China Aviation Industrial Fund, has an option to purchase 9.9%

more. China Aviation Industrial Fund, which is partly owned by an aviation industrial base controlled by the government of Xian, Shaanxi province, was a concern for CFIUS. Weng Dingxing, Chairman of New China Trust, bought its forerunner from Industrial and Commercial Bank of China (ICBC) in January 1998. His Shenzhen investment arm owns 71.9% of New China Trust, while British bank Barclays owns 19.5%.

- The Chinese Commerce Ministry has given its official approval for Warren Buffett's Berkshire Hathaway and private equity firm 3G Capital to buy U.S. ketchup giant HJ Heinz for USD28 billion. The approval came three months after the announcement of the intended takeover, although it was still one of the last major players to give its approval, behind only the EU and Russia. Moreover, the deal has little or no anti-trust implications.
- Chinese acquisitions in Australia have hit a record USD8.5 billion so far in 2013, almost triple the USD2.9 billion achieved in the same period last year, a report by Dealogic showed. Two bids in particular stand out: one from State Grid Corp of China for a 60% stake in SPI (Australia) Assets and one for a 19.9% stake in SP AusNet for a combined total of USD7.5 billion.
- Shanghai Fosun Pharma (Group) has acquired a 95.2% stake in Israel-based Alma Lasers for USD221 million. Set up in 1999, Alma is a developer and manufacturer of laser, light-based, radio-frequency and ultrasound products. It accounts for 15% of the global high-end aesthetic devices market. Fosun Pharma said it made the investment together with its subsidiary Pramerica-Fosun China Opportunity Fund, a U.S.-dollar denominated investment fund.

## PETROCHEMICALS

### PetroChina to sell stakes in oil fields and pipelines

PetroChina is set to sell minority stakes in oil and gas fields as well as gas pipeline projects in west China to raise cash for overseas acquisitions. Some agreements may be announced in the next few months. The pipelines offer near double-digit investment returns. Talks are taking place with several parties and their investments will be in the billions of yuan, one source said, declining to be more specific or identify who the company is in discussions with. PetroChina needs more private capital in the company’s domestic oil and gas businesses to relieve its financing burden, Chairman Zhou Jiping said on May 23 in Beijing. It had CNY505 billion in interesting-bearing debt at the end of 2012, up from CNY350 billion in 2011, according to its annual report published in April. “PetroChina can use the cash to buy more assets or expand its overseas projects that over time will provide higher returns than what domestic projects can currently provide,” said Simon Powell, Oil and Gas Analyst at CLSA Hong Kong. Of course, what the market will be looking at is what price PetroChina can get for the assets, he said. The company’s profit fell to CNY115 billion in 2012 from CNY133 billion in 2011 and CNY140 billion in 2010. Capital spending is forecast to rise to CNY355 billion this year from CNY352 billion in 2012 and CNY284 billion in 2011. PetroChina’s debt-to-equity ratio was about 10% in 2007, the same level as oil explorer CNOOC, though much lower than around 60% at China Petroleum and Chemical Corp (Sinopec), according to a research note by Neil Beveridge, Hong Kong-based Analyst for oil and gas in the Asia-Pacific region at Sanford C. Bernstein & Co. “PetroChina will increasingly have to make the choice between growth, dividend or raising additional capital to fund growth,” Beveridge added, as reported by the Shanghai Daily. “In the past, all of our major investment projects were 100% owned by us. By allowing other investors to participate, we can reduce our capital expenditure outlays and improve our cash-flow position,” said PetroChina Spokesman Mao Zefeng. The first stakes to be offered for sale will be in difficult-to-develop oil reserves, along with oil and gas fields in decline. PetroChina would retain operatorship and the partners would provide funding, Mao said.

- Two former senior officials of China North East Petroleum have been charged with misappropriation of part of the proceeds of the firm's share sales. The money was allegedly used by their relatives to buy a house, a car and jewelry. Wang Hongjun, former President and Chief Executive of the Jilin province-based oil producer, and its former Corporate Secretary Chao Jiang, were indicted last week, according to the U.S. Department of Justice. Both live in the U.S.
- Sino Oil and Gas, a partner of PetroChina in a project to extract natural gas trapped

inside coal seams in Shanxi province, plans to spend USD30 million this year on well drilling, pipeline construction and the expansion of a gas processing plant. Chairman Dai Xiaobing, speaking after Sino Oil's annual meeting, said he expects Beijing to give final approval to the project by the end of the year. Sino Oil, which is based in Hong Kong, plans to drill 10 wells this year, after drilling 70 last year.

## REAL ESTATE

### Chinese developer to build London's 3rd financial district

A Chinese developer has signed a deal to convert a derelict plot of land next to London's City Airport into the British capital's third financial district. It is aimed at Chinese firms and will be worth an expected USD1.5 billion when completed. The 35-acre industrial site at the Royal Albert Dock will be redeveloped by Advanced Business Park (ABP) and British developer Stanhope into a 3.2 million sq ft complex of offices, homes and shops that will house mainly Chinese firms. "Creating a third financial district in the capital, this development will act as a beacon for eastern investors looking west, bringing with it tens of thousands of jobs and billions of pounds of investment for the UK economy," London Mayor Boris Johnson said. The scheme is the first project outside China for ABP, which has built a 15 million sq ft business park in southwest Beijing and is building two others in Qingdao and Shenyang. It is targeting Chinese and Asian businesses looking to set up in Europe, believing this will provide a strong source of demand. The company will develop the site in five phases at a cost that was not disclosed. It will build a minimum of 600,000 sq ft in the first phase and will receive the freehold once the complex is completed by 2021-22. ABP has yet to sign up tenants for the scheme but has seen strong interest from Chinese firms looking to take space, ABP Chairman Xu Weiping said. It hoped to sell 70% of the space to Asian firms, as Chinese firms prefer to own rather than rent their offices, he said. The Royal Albert Dock, which opened in 1880, was once Britain's largest. The city hopes to emulate the success of the 97-acre Canary Wharf financial district that was built on the city's docks in the 1990s. The Royal Albert Dock is connected to the rest of London by a light railway and its transport links would further improve when the Crossrail scheme opens in 2018, Mayor Johnson said, adding the development would likely provide about 20,000 jobs, the South China Morning Post reports.

- China is studying the possibility of investing a portion of its USD3.4 trillion in foreign exchange reserves in U.S. real estate. The State Administration of Foreign Exchange (SAFE) began the study after seeing signs of a recovery in the U.S. property market.
- A developer paid CNY4.6 billion for a 40,355-square-meter plot of land in Shanghai's Changning District, the highest price registered in the city so far this year for a single parcel. It was sold about 57% above its starting price. So far this year, the sales of land plots, excluding those for public use or relocated residents, hit CNY45 billion in Shanghai, nearly six-fold from a year ago. 19 of the 67 plots auctioned were sold for more than 50% above their starting prices.
- Carlyle Group has bought a minority stake in two Chinese shopping malls, Suzhou In-City Mall and Hangzhou Gudun In-City Mall, both owned and operated by SZITIC Commercial Property Co. Through the acquisition, Carlyle Asia Real Estate entered a strategic tie-up with SZITIC Commercial Property, based in Shenzhen.
- Chambers of commerce that represent hundreds of foreign firms in Hong Kong are voicing unhappiness at the recent doubling of stamp duty on commercial property purchases in Hong Kong. The government's February 22 tax increase on property sales exceeding HKD2 million was designed to rein in speculation, but foreign firms say they have been unfairly targeted by the move, which greatly raises their business costs in the city. The top bracket – on sales of more than HKD20 million – rose to 8.5% of the property's value, up from 4.25%.
- A group of Chinese investors paid about USD1 billion for a 40% stake in a landmark New York office building. The Sungate Trust, which is controlled by the family of Soho China Chief Executive Zhang Xin, joined with M Safra and Company, the investment firm of Brazil's Safra family, to buy the stake in the General Motors Building, which values the tower at USD3.4 billion. The deal makes the two million square-foot building – a 50-story tower overlooking New York's Central Park and featuring Apple's flagship Fifth Avenue store – the most expensive U.S. office building.
- New home supply in Shanghai outnumbered sales in May for the first time in eight

months, but home seekers remained cautious even though the average price fell. The supply of new homes soared 60% from April to 1.34 million square meters last month. New home purchases in the city climbed 2.2% from April to 923,000 square meters last month. The average cost of new homes fell nearly 3% from April to CNY23,219 per square meter.

## RETAIL

### Gold demand in China expected to drop

Gold demand in China, the world's largest consumer after India, may slow in the second half of this year after surging in April, said Zhang Bingnan, Secretary General of the China Gold Association. “The kind of frenzied buying in late April and early May won't be repeated,” Zhang said. Some of the jewelry demand earmarked for festivals or weddings later this year may have been brought forward to April and May after prices fell, he said. Chinese consumers rushed to buy jewelry, bars and coins as a 14% drop in prices in the two days to April 15 was seen as a buying opportunity. Uncertainty about whether gold will fall further this year may deter some investors from buying in the second half, he said. Gold slid as much as 31% from a record in September 2011 up to April 16, when it set a two-year low of USD1,321.95 an ounce. Demand reached a record 294.3 tons in the three months to March, the Gold Council estimates. China consumed 776.1 tons in 2012, little changed from the previous year. Chinese consumption reached 320.54 tons in the first quarter, with purchases of gold bars surging 49% to 120.39 tons and jewelry gaining 16% to 178.59 tons.

- Toys “R” Us, the world’s leading toy retailer, opened five new stores in China, bringing its total in the country to 34 stores. Two of the new outlets are in Beijing, in the Golden Resource Shopping Mall and Dreamport in Haidian, doubling the number of its stores in the capital. Toys “R” Us, headquartered in New Jersey, made its foray into the Chinese market in 2006 by opening a flagship store in the Super Brand Mall in the Shanghai Pudong New Area.
- The leather industry has recorded slower sales and profit growth in the first quarter of this year, according to a report from the China Leather Association. Sales of leather goods, including shoes, and fur were up 12.9%, but that was 4.3% lower than the same period last year. Profits rose 9.3% to CNY13.9 billion.
- Shares of sportswear retailer Li Ning surged to a four-month high after the company said it would complete its restructuring plan earlier than expected. The retailer said there would be no large-scale shop closures. Yet an analyst said there had been no substantial improvement in the company's business and the recovery of the sportswear industry would be slow.

## SCIENCE & TECHNOLOGY

### Zhejiang University to set up a campus in London

Zhejiang University, one of the top five Chinese universities, will establish a campus in London. The university and Imperial College London signed a memorandum of understanding (MOU) to boost academic collaboration. “This is an exciting opportunity,” said Song Yonghua, Vice President of Zhejiang University. The university in Hangzhou, capital of Zhejiang province, has about 44,000 students, half of whom are postgraduates. As of January, China had about 1,780 joint institutions and programs, including Shanghai New York University, Wenzhou Kean University and Kunshan Duke University, according to the Ministry of Education. However, only about 70 Chinese universities have joint programs overseas, including campuses. Xiamen University announced this year that it will open its first overseas campus in Malaysia in September 2015. Last year, Tongji University in Shanghai announced it will open its first overseas campus in Florence, Italy, to provide courses mainly in such subjects as art, design, architecture and fashion. According to a report by the Social Sciences Academy Press, about 340,000 Chinese students went abroad for further study in 2011, including a growing number who skipped China’s national college entrance exam.

## STOCK MARKETS

### Qianhai Equity Exchange offering financing channel to SMEs

The Qianhai Equity Exchange, a regional over-the-counter (OTC) market, has begun operation in Shenzhen, offering firms not listed on the major bourses a new source of financing. With a registered capital of CNY555 million, the new equity exchange provides financial services, such as shares custody, capital raising, clearance, trading and settlement, for small and medium-sized enterprises (SMEs) not listed on the Shenzhen and Shanghai stock exchanges. A total of 1,200 enterprises listed on the equity exchange. Song Liping, General Manager of the Shenzhen Stock Exchange, said the launch of the Qianhai exchange provides access to capital markets for SMEs that have long struggled to raise funds from commercial banks or do not meet requirements to list on the two stock exchanges. Hu Jizhi, Chairman of the Qianhai exchange, estimated that financing costs on the exchange are equivalent to only about one-tenth of the costs on the floor of the two main exchanges due to free registration and simplified administrative procedures. Companies applying to list on the Qianhai exchange will be subject to a set of requirements including a net profit of not below CNY3 million in the past 12 months, the Shanghai Daily reports.

- Trading of the shares of construction equipment maker Zoomlion Heavy Industry Science and Technology Co has been suspended after a media report said its sales data were false. Several customers in Hunan, Hubei and Jiangxi provinces placed big orders with Zoomlion in 2012 and cancelled them months later. The orders were counted by Zoomlion as sales. This was the second time this year that Zoomlion was forced to halt stock trading by news reports questioning its sales figures.
- The State Commission Office for Public Sector Reform, led by Premier Li Keqiang, is considering allowing the China Securities Regulatory Commission (CSRC) to regulate the PE and VC sector. The sector is now regulated by the CSRC and the National Development and Reform Commission (NDRC). The move would make the regulatory framework more unified and stable at a time when the PE sector in China is going through a severe correction, with 40% fewer transactions and a 40% decrease in funds raised for China-focused funds. “Initial public offerings are a main exit way for companies with investments from PE and VC companies, and the CSRC is appropriate for regulating them,” one insider said.
- Shuibei Jewelry, a Chinese retailer of mass-market jewelry and accessories, is preparing to raise as much as CNY500 million in what could be Hong Kong's first initial public offering (IPO) to raise both yuan and Hong Kong dollars in one tranche of shares. The yuan IPO can be conducted as either a "dual tranche single counter" or "dual tranche dual counter" model, according to Hong Kong Exchanges and Clearing (HKEx). The former structure allows companies to issue shares in yuan only, while the latter allows shares to be issued in both Hong Kong dollars and yuan.

## TRAVEL

### Fosun and AXA in Club Med take-over bid

Chinese conglomerate Fosun International and Paris-based AXA Private Equity are planning to take over French holiday resort company Club Méditerranée for about USD700 million. The two main shareholders of the French company released a press statement in France saying they were proposing a price of €17 per share. “The price would reflect a premium of 28.4% over the volume-weighted average price over one month,” the statement said. The offer is valued at €541.3 million. Club Med shares shot up 25%, their biggest jump in more than two decades in Paris, following the news. Fosun – which first invested in the company in 2010 – has a stake of about 10% in Club Med, while AXA owns about 9.37%. The tender offer “is made while Club Méditerranée has to enter a new phase of its development which requires a stabilized shareholding in order to be free from short-term constraints”, the joint statement said. AXA Private Equity and Fosun said they would involve the managers of Club Méditerranée. Club Med's Chief Executive Henri Giscard d'Estaing has sought to bolster operations with a push for more Chinese business, and has announced plans to more than double the number of customers it serves in China in three years as wealth in the region increases faster than elsewhere.

## China Southern receives first Dreamliner

China's first Boeing 787 Dreamliner was delivered to China Southern Airlines in Guangzhou. It will fly between Guangzhou and Beijing from June 6 and is expected to fly routes to Shanghai by the end of the month. China's first B787 has been fitted with a modified battery to prevent fire hazards. It is the first of 10 aircraft ordered by China Southern. The aircraft has 228 seats, including four first class and 24 flat-bed business class seats. The windows are 65% larger than in most other passenger aircraft and electronically dimmable glass replaces traditional window shades. Higher humidity and a more efficient air purification system will make passengers feel more comfortable throughout the flight. Passengers will also notice a difference in noise levels with the aircraft's specially designed engines said to reduce noise by more than 60%. The plane incorporates lighter synthetic materials to help it cut fuel consumption by 20% while traveling faster than other planes of similar size. "China Southern will use the aircraft to mainly fly international routes to Paris, Vancouver and London in future," said Tan Wangeng, the airline's General Manager. The other nine B787s will be delivered by the end of 2017. Air China has ordered 15 of the planes while Hainan Airlines has ordered 10.

- Yang Jinsong, Director of the Shanghai Tourism Bureau, said the authorities will listen to expatriates before deciding to hike the entrance fees to major scenic spots in the city. The new tourism law to be implemented in October states that a public hearing must be held before any fee hikes, and expats and tourists from China will be asked for their opinions on the feasibility and necessity of the price hike, Yang said.
- InterContinental Hotels Group, owner of the Holiday Inn and Crowne Plaza brands, plans to nearly double the number of hotels it manages in China even as the country's economy slows. The Group opened its 200th hotel in China last week. The company plans to expand to 100 Chinese cities from 70 cities now in the next three to five years.
- The tipping function in some smartphone apps for taxi hires will be banned as of June. Some smartphone apps are increasing in popularity as they provide business for taxi drivers and help passengers find transportation. However, these apps allow users to offer tips to drivers and essentially bargain for rides, and are not good for the industry's development, the Beijing Municipal Commission of Transport said. Taxi drivers should follow the meter and are forbidden from bargaining with passengers, the Commission said.

# VIP VISITS

## Chinese President visiting Trinidad, Costa Rica and Mexico

Chinese President Xi Jinping has embarked on a tour of Trinidad, Costa Rica and Mexico, before traveling to California for his first face-to-face talks with U.S. President Barack Obama since taking office. Xi is expected to focus on economic issues and boosting China's image in the region. It is estimated that China committed more than USD86 billion in loans to Latin American countries between 2005 and last year, exceeding amounts from the World Bank and the Inter-American Development Bank. Xu Shicheng, Latin American Affairs Expert at the Chinese Academy of Social Sciences (CASS), said Xi's itinerary in Costa Rica had geopolitical significance because it was the only country in Central America that had diplomatic ties with Beijing. Other countries in the region still maintain formal diplomatic relations with Taipei. "Beijing is sending a signal that it is willing to deepen trade relationships with other Central American nations," he said. Xi used his visit to Trinidad to meet in Port of Spain with representatives of Antigua and Barbuda, the Bahamas, Dominica, Grenada, Guyana, Suriname and Jamaica. Trinidad plans to open an embassy in Beijing later this year and Prime Minister Persad-Bissessar would make an official visit to China in November. Xi arrived in Costa Rica on June 2, the only Central American nation to have switched allegiance from Taipei to Beijing, for talks with President Laura Chinchilla and to sign economic cooperation agreements.

The upcoming summit with U.S. President Barack Obama comes at a "critical juncture" in relations between China and the U.S., President Xi Jinping said as he met U.S. National Security Adviser Tom Donilon in Beijing. The summit at the private Sunnylands estate in southern California will be informal. Donilon flew to Beijing to prepare an agenda and straighten out other technical issues. He told Xi that Obama is "firmly committed to building a relationship defined by higher levels of practical cooperation and greater levels of trust, while managing whatever differences and disagreements might arise between us.”

## ONE-LINE NEWS

- Wang Qishan, Chairman of the Communist Party’s Central Commission for Discipline Inspection (CCDI), has demanded his staff ditch their VIP cards, commonly given out by Chinese businesses to grant access to discounts or exclusive services. VIP cards offer countless opportunities for abuse by corrupt officials and businesspeople. Employees at disciplinary and supervisory departments are now required to discard “all kinds of membership cards received in various names” by June 20. “Although membership cards are small, they reflect big problems of working style,” Wang said.

## ADVERTISEMENTS

FOUNDING MEMBERS

STRUCTURAL PARTNERS

**Your banner at the FCCC website or newsletter**

Companies interested in posting a banner/an advertisement on the FCCC website, FCCC weekly newsletter or bi-weekly sectoral newsletters are kindly invited to contact the FCCC at: info@flanders-china.be

**Organisation and founding members FCCC**

**President:** Mr. Bert De Graeve, C.E.O., NV BEKAERT SA
**Vice-President:** Mr. Stefaan Vanhooren, President Agfa Graphics, Member of the Executive Committee of the Agfa Gevaert Group, NV THE AGFA-GEVAERT GROUP SA
**Secretary and Treasurer:** Wim Eraly, Senior General Manager, NV KBC Bank SA
**Executive Director:** Ms. Gwenn Sonck
**Members of the Board of Directors and Founding Members:**
Mr. Bert De Graeve, C.E.O., NV BEKAERT SA
Mr. Jozef De Mey, Chairman of the Board, NV AGEAS SA
Mrs. Elisabeth Schraepen, Public Affairs Manager, Belgium and Luxembourg, NV AB INBEV SA
Mr. Carl Peeters, CFO, NV BARCO SA
Mr. Kris Verheye, Vice President Corporate Division, NV BELGACOM SA
Mr. Johan Verstraete, Vice-President Marketing, Sales & Services Weaving Solutions, NV PICANOL SA
Mr. Luc Maton, General Manager Asia Region, NV AHLERS SA
Mr. Philip Hermans, Director General, NV DEME SA
Mr. Egbert Lox, Vice-President Government Relations, NV UMICORE SA
Mr. Wim Eraly, Senior General Manager, KBC Bank SA

**Membership rates for 2013:**

- Large enterprises: €975
- SMEs: €385

**Contact:**

Flanders-China Chamber of Commerce
Lammerstraat 18, B-9000 Gent
Tel.: +32 9 266 14 60/61 – Fax: +32 9 266 14 41
E-mail: info@flanders-china.be
Website: www.flanders-china.be

**Share your story:**
To send your input for publication in a future newsletter mail to: info@flanders-china.be

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

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. Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.