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

NEWSLETTER | 14 OCTOBER 2013

FCCC ACTIVITIES

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

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

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

Programme:

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

During this conference participants will receive the publication "FCCC Members' Portraits in China'. The booklet includes 17 portraits of member companies active in China. The China-based managers of those companies talk about how their firms became active in the country and the difficulties and pitfalls they faced on their way to success in the largest and most challenging market on earth.

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

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

Lunch session: "New trends in China sourcing: Evolution and Practical Tips" – Monday, October 21, 2013 – VOKA, Kortrijk

The Flanders-China Chamber of Commerce (FCCC) and VOKA West-Flanders are organizing a lunch session “New trends in China sourcing: Evolution and Practical Tips” on Monday, October 21 from 11h15 till 14h00 at Voka – Kamer Van Koophandel West-Vlaanderen, President Kennedylaan 9a, Kortrijk.

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

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

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

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

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

Agoria, in cooperation with the Flanders-China Chamber of Commerce (FCCC), is organizing the next IPR Conference to be held at 14:00h on Tuesday the 29 October 2013 at the Diamant Building in Brussels. The conference is held in cooperation with FIT, BIE, AWEX, BCECC, FCCC, Belgian Chambers, CCIBW, CCIBV and EU China IPR SME Helpdesk. This event will include an interactive seminar and an optional individual free advice session after the seminar by the China and Asean IPR experts of the EU China IPR Helpdesk to each of the 12 first registered and individual advices requesting participating company.

The conference will provide updated information on general IPR protection in China plus a focus on trademark registration, protection and litigation in China, as well as information on how to protect IPR in China and in Asean countries, manage intellectual assets and use the Chinese and Asean IP systems to enforce IPR rights effectively. The testimonial speakers will share their experiences of IP protection and enforcement in China, and give practical tips on achieving the results required to do business effectively in China.

Last but not least, at this conference a guide folder will be provided containing the following information:
· Guide to Trade Mark Protection in China
· How to Conduct a Trade Mark Search
· Protection of Online IPR in China - Domain Names
· Guide to Protecting Your Trade Secrets in China

Registration at http://flanders-china.be/eventdetail.asp?id=312&cat=up by 22 October 2013 at the latest.

Programme:

13:30 – 14:00	Registration
14:00 – 14:10	Welcome word on behalf of all organizers by Francis Walschot, Director Regulations & Standardization, Agoria
14:10 – 15:40	Presentation with updated information on IPR protection in China and in Asean countries with a focus on trademark registration, protection and litigation in China by Simon Cheetham and Joao Miranda de Sousa, European Commission IPR China SME Helpdesk experts
15:40 – 16:00	Coffee & Tea Break
16:00 – 16:20	Testimonial by Fred Liu, Lawyer, Barco China
16:20 – 16:40	Testimonial by Marc Messely, Group Industrial Property Manager, Bekaert
16:40 – 16:50	Closing Word by René Branders, President of Agoria International IPR Work Group
16:50 – 18:00	Networking drinks
In parallel	
16:50 – 19:00	Free individual ‘Clinical’ advice session with the two IPR China and Asean experts - 20 minutes for each of the pre-registered companies with one

specialist. Attention – Policy for the free individual 'Clinical' advice: First In, First Served – this individual 'Clinical' advice is available only to the first 12 earliest registered companies who request for free 'Clinical' advice session. Pre-questions for the clinical sessions are requested together with registration for this conference participation.

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

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

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

Programme:

15h30	Registration
16h00	Welcome by Flanders-China Chamber of Commerce / VOKA East Flanders
16h10	"Practical aspects of intellectual property protection and Technology Transfer in China" (40 minutes) by Mrs Sari Depreeuw, Senior Associate, Dewolf & Partners, Brussels Office and Mrs Ava Tu, Associate, De Wolf & Partners, Shanghai
16h50	"Selling in China: a practical approach" by Kristina Koehler, China Director, Klako Group
17h10	"Experiences of Nuscience in China" by Patrick Keereman, CEO, Managing Director
17h30	Question and answer session
18h00	Networking reception

Participants to the conference will receive the publication "FCCC Members' Portraits in China". The booklet includes 17 portraits of member companies active in China. The China-based managers of those companies talk about how their firms became active in the country and the difficulties and pitfalls they faced on their way to success in the largest and most challenging market on earth.

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

Registration online before 31 October at:
http://flanders-china.be/eventdetail.asp?id=313&id_cat=1&cat=up&lang1=

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

OTHER ACTIVITIES

FIT business trip "Creative industry – Hong Kong Business of Design Week" – 1~8 December 2013 – Hong Kong

In 2013 Belgium is partner country at the "Hong Kong Business of Design Week" (BoDW), the most important design event in Asia. In the first week of December, Belgian and Flemish architecture, design and fashion are highlighted at the Business of Design Week in Hong Kong under the banner "Belgian Spirit". Adjacent in Shenzhen, the Shenzhen Biennial also offers opportunities to architects.

Flanders Investment and Trade (FIT) is organizing a group business trip on the occasion of this event. A tailor-made meeting program can help companies take advantage of the interest in our country in Hong Kong. The trade mission is headed by Minister-President Kris Peeters and his Walloon colleague Minister of Economy Jean-Claude Marcourt.

Belgium is the focus of this year's Business of Design Week and several Belgian top designers will give presentations. Several activities are being held to highlight our country and region as a country of design: the Belgian pavilion "House of the Belgian Spirit" in Inspiration Hall, the exhibition "Dress Code" in the HKDI, as well as workshops and expositions on design, architecture and fashion.

In Shenzhen Belgium is participating in the Biennial with the expo XX-models. Also at this event workshops and networking opportunities will be organized.

Through this group business trip, FIT wants to present design companies of Flanders on the Asian market. Discover the design hub Hong Kong, enjoy the advantages of the group business trip and discover opportunities on this design market.

FIT Hong Kong will prepare an individual B2B meeting program for each participant company, which can also join conferences, workshops and networking opportunities in the framework of Business of Design Week and the Belgian Spirit program.

Registration on October 15, 2013 at the latest. More information is available at the website of Flanders Investment and Trade. Contact: Michèle Surinx, michele.surinx@fitagency.be tel.: 02-5048791 fax: 02-5048895.

PAST EVENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A brief Q&A session concluded the seminar. In Chongqing, Minister-President Kris Peeters also had a meeting with Mayor Huang Qifan.

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

PUBLICATIONS

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

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

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

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

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

FCCC members can receive one copy free of charge.

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

FINANCE

Vice Minister calls on U.S. to resolve debt ceiling issue

Vice Minister of Finance Zhu Guangyao has voiced concern over the looming October 17 deadline for raising the U.S. debt ceiling, saying the "clock is ticking" to avoid a default that could seriously damage China's economic interests. "As the world's largest economy and the issuer of the major reserve currency in the world, it is important for the U.S. to maintain the creditworthiness of its Treasury bonds," he said. "It is important for the U.S. economy as well as the global economy." The U.S. government risks not having enough cash to pay its bills if an agreement to raise its debt ceiling is not reached by October 17. Zhu called on the U.S. to take quick and decisive action. "We hope that before October 17, the U.S. will take credible steps to address its disputes over the debt ceiling in a timely fashion, avoid a default, ensure the safety of Chinese investments in the U.S., and ensure the process of global economic recovery will not be seriously affected by this." Zhu said the two sides have been in close contact on the issue and the U.S. was aware of China's concerns about the gridlock. The last big confrontation over the debt ceiling, in August 2011, ended with an 11th-hour agreement. So far, neither Republicans nor Democrats have offered any signs of impending agreement on either the shutdown or the debt ceiling, as both blamed the other side for the impasse.

Foreign banks shun Shanghai free trade zone

Beijing's move to eliminate bureaucratic approval processes to encourage foreign banks to open branches in the Shanghai free trade zone (FTZ) has met with a lukewarm response. The hope was that a wide range of banking services, a freer foreign exchange regime and market-oriented interest rate reforms would take root in the zone, which was launched on September 29. So far, some 10 banks have applied for and received permission to open branches in the zone. Originally, the government was expecting more foreign banks to join the first batch of free-trade zone banks, which would have been good for the city's image as a global financial center, one government official said. The Shanghai branch of the China Banking Regulatory Commission (CBRC) held several meetings with about a dozen foreign banks in August and September to encourage them to set up in the zone, according to government sources and bankers present at the meetings. The CBRC even sent questionnaires to foreign banks to ask them why they were hesitant to open offices in the zone, according to two bankers who saw the questionnaires. "One concern that many foreign banks have is whether we really need to make the free-trade zone branch completely separate from our existing branches in China," said one banker, referring to the CBRC's requirement that foreign banks in the zone have completely distinct systems of internal compliance, risk management and human resources from their operations in the rest of China. For some banks, it may not be easy to persuade headquarters that the additional expense is necessary. HSBC, Standard Chartered and United Overseas Bank (UOB) are interested to set up a branch in the zone, but are waiting for more detailed rules to be released.

Yuan slips in ranking as a world currency

Inbound and outbound yuan payments by entities outside of Hong Kong and the mainland fell to a four-month low in August, as fewer people chose to settle deals using the currency, especially in London and Singapore, according to financial clearing firm SWIFT. The yuan lost ground to the Thai baht to rank as the 12th-biggest world currency in August, accounting for 0.84% of global payments in terms of value. A month earlier, payments using the yuan hit a record high, pushing it up to the 11th place in the ranking table. "The decrease was mainly from London and Singapore," SWIFT said, adding that holidays could be an explanation. The U.S. dollar and the euro held onto the top two spots, accounting for 37.93% and 36.48% of the global payments market respectively. Despite its weaker performance in global payments, the yuan inched up in the global ranking as the 8th most traded currency. London, the world's biggest center for foreign-exchange trading, now accounts for 62% of yuan trading conducted outside of the mainland and Hong Kong, up from a 54% share in January. Its increased market share was mainly at the expense of Singapore. Meanwhile, Switzerland, France and the United States all saw slight declines in their market share. But yuan forwards signal that traders are the most bullish on the currency in a year. The outlook for gains helped drive the average yield on dim sum bonds lower for six consecutive weeks, the longest run of declines since March, a Bank of China (BOC) index shows. The yuan has gained 1.8% so far this year. It is poised to end the year 0.3% stronger at 6.10 against the dollar, according to the median estimate in a survey of analysts.

Foreign financial firms hope to buy stakes in AMCs

Foreign financial companies are eager to buy stakes in China's four asset management companies (AMCs), set up during the banking crisis of the late 1990s to oversee CNY1.4 trillion of non-performing loans (NPLs). They are now profitable and have evolved into licensed financial firms doing everything from investment banking to trusts and real estate. UBS and Standard Chartered already have bought stakes in China Cinda Asset Management, which is preparing for a USD3 billion initial public offering (IPO) as early as the end of the year. Buying shares in China's bad-loan managers could help the global firms profit from a new round of non-performing loans following a USD6.5 trillion lending spree since the end of 2008. "At some point, China will embark on sales of NPLs resulting from the 2009-2012 credit binge," said Ted Osborn, Hong Kong-based Partner at PricewaterhouseCoopers (PwC) and a specialist in bad debt. "International investors are keen to invest in the AMCs." Beijing set up Huarong, Cinda, China Orient Asset Management and Great Wall Asset Management in 1999 to clean up the financial system plagued by lending to unprofitable enterprises that led to bad-loan ratios as high as 40%. The authorities gave each company CNY10 billion of capital and a 10-year period to dispose of assets. The four AMCs reported combined assets of CNY560 billion and profits of CNY16 billion in 2011, according to a bond prospectus Cinda issued last October. At Cinda, the second largest of the firms, profit rose 6% to CNY7.2 billion last year. Huarong, the largest by assets, posted a 68% jump in profit last year to CNY5.9 billion, the South China Morning Post reports.

Currency swap agreement reached between China and ECB

China reached an agreement to swap euros and yuan with the European Central Bank (ECB). The bilateral currency swap agreement between the ECB and the People's Bank of China (PBOC) is valid for three years, will allow the ECB to access at most CNY350 billion while the People's Bank of China (PBOC) will be able to get as much as €45 billion from the ECB when needed. The deal is the latest in a string of currency swaps that China has reached with other countries to promote the yuan's use in global commercial and financial transactions. The swap agreement with the ECB is China's second-biggest with a foreign central bank, after South Korea's CNY360 billion swap line. The yuan is now the world's eighth most-traded currency, financial services provider SWIFT said, with a market share of 1.5% and overtaking the Swedish krona, the South Korean won and the Russian rouble. China's swap deal with the ECB comes after French President François Hollande said in June that France is working on setting up a currency swap line. Bank of France Governor Christian Noyer welcomed the agreement with the ECB. "Banks in the eurozone and France will henceforth have the security they need to develop their activities in yuan over the long term," Noyer said. The ECB said in a statement that the swap arrangement is intended to serve as a backstop liquidity facility and to reassure euro-area banks of the continuous provision of the yuan. It will be available to all euro zone counterparts via national central banks. Bilateral trade between China and the euro zone reached €333 billion last year. The euro zone was the mainland's second-largest export destination, if Hong Kong is excluded, and the second-largest source of imports, behind Japan last year, according to ANZ Bank. China represents 6.4% and 11.9% of euro zone exports and imports respectively.

Micro-financing company to boost lending capacity

China Commercial Credit, China's first U.S.-listed microcredit firm, plans to boost its lending capacity almost ten-fold in three years through acquisitions and more capital raising. The lender aims to have a loan book of CNY5 billion, up from about CNY550 million as of June 30, mainly by buying rivals in China, Chief Executive Qin Huichun said. The company is considering sales of asset-backed securities domestically and bonds abroad to raise capital, he added. Micro-financing has flourished in China since its inception in 2005, as the nation's 42 million smaller businesses missed out on credits mainly given to government-backed enterprises and projects. Fewer than 10% of small private enterprises have access to bank loans, estimated Citic Securities, despite accounting for 60% of economic output and 80% of jobs. "Although banks have increased their lending to small firms in the last few years, the amount is insignificant and the impact is quite limited," Qin said. "Micro-lenders like us will become the key force to fill the void and there'll be huge potential in serving these borrowers." Less than a third of the USD7 trillion in outstanding corporate loans made in China were to smaller companies, according to the People's Bank of China (PBOC). China had 7,086 microcredit firms specialized in offering loans to farmers and small businesses at the end of June, more than triple the number three years ago. Their outstanding credit surged more than 560% during the period to CNY704.3 billion as of June 30. China Commercial Credit listed on the Nasdaq stock market in August. Based in Wujiang city in Jiangsu province, the five-year-old company raised USD8.9 million from its initial public offering (IPO) and is now valued at USD97 million. China Commercial Credit provides lending and loan guarantees to more than 360 small and medium-sized enterprises as well as farmers in Jiangsu, which has 529 micro-lenders, more than any other province in the country, the South China Morning Post reports.

- The China Banking Regulatory Commission (CBRC) issued draft rules to step up supervision of small and medium-sized rural banks. Criteria for foreign investors in rural banks will also be adjusted. It also lists conditions for setting up rural banks, stating that individual shareholders should not buy more than 2% of the shares of the rural bank.
- Australia-based ANZ Group plans to set up branches in the pilot free trade zone in Shanghai, Chief Executive Mike Smith said in Shanghai. “The FTZ in Shanghai is a very interesting concept that will be used as a pilot to test the deregulation of the whole financial sector in China. ANZ will be very pleased to be part of the development of this trend”, he said. Smith said the FTZ in Shanghai could be a direct competitor to Hong Kong, depending on how loose the rules would be.
- Bitumen futures on the Shanghai Futures Exchange opened up more than 3% on their trading debut, reflecting strong investor interest as the bourse lays the ground for the launch of a crude futures contract. The bitumen contract would be restricted to Chinese entities and China-registered wholly foreign-owned enterprises. The contract has a minimum transaction size of 10 tons per lot with a minimum trade margin of 6% of the contract value. The daily price limit has been set at 4%.
- The China Banking Regulatory Commission (CBRC) is expected to raise the minimum capital requirement for new wholly-owned foreign banks and joint-venture banks to CNY1 billion from CNY300 million. The CBRC also intends to expand the scope of permitted activities for foreign banks to include yuan-denominated loans, wealth management through overseas investment products and credit card business, according to draft regulations.
- China has room to deal with rising debt levels, which has become a “serious concern”, International Monetary Fund Deputy Managing Director Zhu Min said. While debt accumulation by companies and local governments was “way too high”, Beijing had a lot of “policy buffer”, including USD3.5 trillion in foreign reserves, to resolve the problems, Zhu said during a panel discussion at an IMF meeting in Washington. Fitch Ratings estimates China's total credit, including off-balance-sheet loans, swelled to 198% of gross domestic product (GDP) last year from 125% four years earlier, exceeding the growth seen before the banking crises in Japan in the 1990s.
- Jiangsu province sold CNY15.3 billion of bonds at low yields, suggesting investors see little risk of default by one of the country's richest provinces but also its most heavily indebted. The yields of 3.88% and 4.00%, respectively, for five- and seven-year bonds auctioned were both within three basis points of yields on central government bonds of the same maturity. Only Jiangsu province is allowed to issue debt directly under a small pilot project. Other provinces borrow through local-government financing vehicles (LGFVs), which is considered to be corporate debt.
- Zhejiang Alibaba E-commerce is acquiring a 51% stake in Tianhong Asset Management for CNY1.18 billion, Tianhong's second-largest shareholder Inner Mongolia Junzheng Energy & Chemical Industry said in a stock exchange filing. The deal is subject to approval by the fund manager's shareholders and the securities regulator. If approved, it would turn Tianhong from a small fund manager into the largest in China with CNY514.3 million of registered capital and the first fund manager whose largest shareholder is a private non-financial institution.
- China will launch a pilot program this week to counter the assumption among Chinese investors that wealth management products, even high-yield ones, provide guaranteed returns when offered by state-owned banks. Policymakers have warned that if a product failed to pay out as promised, banks would face enormous pressure to compensate investors, even if they were not legally required to do so. Wealth management products have soared in popularity in recent years as an alternative to investment in real estate, volatile stock markets and bank deposits with fixed state-set rates.
- The China Insurance Regulatory Commission (CIRC) plans to loosen caps on

insurers' investments in equities to 30% of total assets from the current 25%, according to draft rules recently sent to insurance companies. The limit on investments in real estate and infrastructure will also be raised to 30% of insurers' total assets from 20%. The annualized investment yield of China's insurers rebounded to 5.21% in the first five months of this year from 3.39% last year.

- Global insurer Zurich Insurance has denied violating Chinese laws following recent accusations that it bought a 10% share of a Chinese insurance company owned by Orient Group, years before foreign companies were allowed to do so, with the help of Li Xiaolin, the daughter of former Premier Li Peng. Zurich Insurance also said its acquisition of shares in New China Life commencing in 2000 were "entirely unrelated to the transaction with the Orient Group". Li Xiaolin also publicly denied the allegations.
- As the Hong Kong dollar has been pegged to the U.S. dollar for 30 years this week, many bankers and analysts now advocate a peg to the yuan, as it is on the way to becoming an international currency. Hang Seng Bank Executive Director Andrew Fung said the peg could only be switched to the yuan when the mainland currency was freely convertible because the Exchange Fund would need to invest in yuan-denominated bonds and shares, and the Hong Kong Monetary Authority (HKMA) would need to trade freely in the yuan to maintain the peg.
- HSBC and Bank of East Asia have won approval to set up a sub-branch in the Shanghai free-trade zone, following similar approval granted to DBS and Citigroup last month. HSBC, BEA and Standard Chartered were the first foreign banks to set up incorporated subsidiaries in China after 2007, allowing them to conduct banking transactions in yuan for mainland residents.

FOREIGN INVESTMENT

More investment flows with China needed, says De Gucht

Investment flows between the European Union and China are far below what they should be and must be improved, EU Trade Commissioner Karel De Gucht told the European Parliament. While investment is increasing, it remains very low, with China accounting for just 2.1% of all EU overseas investment. "Promoting bilateral investment should be our joint economic objective for the years ahead," De Gucht said, citing the need for an EU-China investment agreement. De Gucht said such an accord would not only create "a level playing field on investment protection but above all generate further investment liberalization." He said talks in June with his Chinese counterpart produced assurances that talks would "cover all issues", helping promote the overall EU-China relationship. Bilateral trade last year was worth nearly USD550 billion, with China enjoying a significant surplus, but the two sides have also been embroiled in a series of disputes over subsidies and dumping. However, the EU managed to settle in July a fractious stand-off with China over its exports of solar panels, which De Gucht hailed as an "amicable solution" that would help resolve other differences.

"China-Europe economic cooperation is increasingly diversified as Europe, which is already China's largest trade partner, is becoming an important destination for Chinese enterprises seeking overseas expansion," Zhai Jun, Vice Minister of Foreign Affairs, told a forum on China-Europe win-win partnership in Shanghai. Chinese enterprises invested USD10 billion in European countries in 2011, up from under USD1 billion annually before 2008. Their footprint has also expanded from traditional sectors to more high-end sectors such as communication equipment and renewable energy sources. Qi Mei, Counselor at the Department of European Affairs of the Ministry of Foreign Affairs, forecasts that Chinese investments in Europe will reach USD250 billion to USD500 billion by 2020. European investments in China are also rising, with nearly half of the European businesses in China making profits and 86% of the companies planning to boost their investments in China to deepen their footprint, Qi said, citing data from the European Union Chamber of Commerce in China.

- Rising production costs on the mainland may pose a challenge for Hong Kong entrepreneurs, but a PwC study cautions against chasing lower production costs in South-east Asia instead of innovating. "Cost saving is not the way to take a business to the next level. Entrepreneurs need to implement innovation into their traditional operating models in order to enhance their vitality and growth momentum," PwC Hong Kong and China South Entrepreneurial Group head Richard Sun said.

- The Beijing Construction Engineering Group (BCEG) has signed a deal with British firms to develop a business district – Airport City – around Manchester Airport. Described as one of the largest construction projects in the country since the 2012 London Olympics, it will cost GBP800 million. Manchester Airport's operator MAG, GMPF, a pension fund based in the city, and British construction group Carillion would work alongside BCEG on the project. The development would eventually create 16,000 jobs for the region. Manchester Airport is used by more than 20 million passengers annually.

FOREIGN TRADE

Exports fall for first time in three months

China's exports fell for the first time in three months in September, data from the General Administration of Customs showed. Exports lost 0.3% from a year earlier, falling to USD185.6 billion last month. This compares with a jump of 7.2% in August and is far below market expectations. Imports remained resilient, however, expanding 7.4% year-on-year to USD170.4 billion – up from a gain of 7% a month earlier. China recorded a trade surplus of USD15.2 billion in September – narrowing from USD28.5 billion in August and 44.7% less than the same month last year. Analysts had expected a trade surplus of USD27.7 billion. September's trade grew 3.3% annually, softening from the rise of 7.1% in August. Some analysts attributed the September slowdown to the date of the Mid-Autumn Festival this year. In 2012, the three-day holiday included only the last day of September, but this year it fell in the middle of the month. Liu Ligang, Economist at Australia & New Zealand Banking Group, said the strong yuan eroded the country's export competitiveness. Liu said the sharp decline in the trade surplus may lead to downside risks to the yuan exchange rate in the short term. By destination, China's exports to the U.S. rose 4.2% on an annual basis last month, slowing from 6% growth in August. Exports to the European Union grew at 1.1%, down from August's 2.1% increase, the Shanghai Daily reports. Chinese exports to South-east Asia, China's fastest-growing export market in the past year, dived to a 17-month low in September. "Looking ahead, export data may be quite weak in the coming months," Louis Kuijs, Economist at RBS in Hong Kong said. Shipments to Taiwan struck a 17-month low while those to Australia posted their worst growth in three months. Japan was the lone bright spot, registering growth for Chinese exporters for the first time in eight months.

- Shanghai's new free trade zone (FTZ) does not pose an immediate threat to Hong Kong, the city's Secretary for Financial Services and the Treasury Chan Ka-keung said, but he nevertheless urged local firms to prepare for competition. "There will be competition in future and we need to prepare ourselves as the game is changing", he said. The Shanghai zone, launched at the end of last month, is a groundbreaking experiment in economic and financial reform. It offers tariff-free port areas and measures designed to encourage investment by overseas companies.
- China's Foreign Ministry dismissed concerns about Turkey's decision to co-produce a missile defense system with a Chinese firm, saying that the United States and others were needlessly politicizing a purely commercial deal. Both the United States and NATO have expressed worry about the USD3.4 billion deal, saying the system would not be compatible with those of Turkey's other allies. Turkey's Defense Ministry said last month it favored China Precision Machinery Import and Export Corporation's (CPMIEC) FD-2000 missile defense system over more expensive rival systems from Russian, U.S. and European firms.
- China and Australia agreed to accelerate talks over a free trade agreement during a meeting between Chinese Premier Li Keqiang and his Australian counterpart Tony Abbott on the sidelines of the China-ASEAN Meeting. Australia hopes to accelerate the FTA talks with China to expand two-way trade at an early date, Abbot said.
- The Free Trade Zone Institute at Shanghai University of Finance and Economics was launched last week to serve as a think-tank for the 28 square kilometer zone in the Pudong New Area that opened at the end of last month. The zone is an experiment of exploring new methods and innovative systems for reforming China's economy. Zhao Xiaolei, Director of the Institute, said research will cover both practical and academic issues, with a focus on policy-oriented innovation and reform.

MACRO-ECONOMY

China's growth will remain robust, says Xi Jinping

Chinese President Xi Jinping told the Asia-Pacific Economic Cooperation (APEC) forum in Bali, Indonesia, that his country only aspires to peace and that he was confident China's growth would remain robust despite a recent slowdown. Xi said China and Asia could only prosper by working together. "Without peace, development is out of the question, like water without a source or a tree without roots." Xi said China's economy was on a smooth and controlled slowdown, emphasizing that there was no reason to fear a hard landing. "I want to emphasize that I am fully confident about the future of China," Xi said in a keynote address at the CEO conference on the sidelines of the annual APEC summit. "I am deeply convinced the Chinese economy will sustain its sound growth." The President said China's current expansion was "within the reasonable and expected range," while emphasizing that even the slower growth experienced this year was still an enviable performance. "In fact the growth rate of 7.6% makes the Chinese economy the fastest-growing among major economies," he said. Xi said economic planners were prepared to accept lower growth numbers to ensure a more sustainable model. "To fundamentally ensure long-term economic development, China has to press ahead with structural reforms even if this means some sacrifice of economic growth," he said. "We are focusing more on improving the quality and efficiency of growth", Xi said. "China must undergo structural reforms, even if it involves a sacrifice of speed," Xi said.

- The World Bank lowered its economic growth forecasts for China and most of developing East Asia for this year and next year, citing slower growth in China as well as weaker commodity prices that have hurt exports and investments in countries such as Indonesia. The World Bank now expects the Chinese economy to expand 7.5% this year, against its April forecast of 8.3% and below the International Monetary Fund's most recent forecast of 7.75%.
- The HSBC China Services Business Activity Index, a gauge of operating conditions in service firms, stood at 52.4 last month, down from 52.8 in August. The HSBC Purchasing Managers' Index, which measures the conditions at private and export-oriented private manufacturers, ended at 50.2 in September, from 50.1 in August.
- The China Wealth Index, compiled by the Bank of Communications (BoCom) to gauge sentiment among Chinese households, rose to 131 in September, up from 120 in July and 128 in May. A reading above 100 reflects optimism. Households' confidence in the economy gained 13 points to 131, and the willingness to invest jumped 16 points to 144. The index for investing in property rose just 3 points.
- China's economic growth this year is expected to be above 7.5%, maybe 7.6%, Yi Gang, Deputy Governor of the People's Bank of China (PBOC), said at a seminar on the global economy hosted by the International Monetary Fund (IMF). Yi added that the problems of shadow banking and local government financial vehicles have been under control.

MERGERS & ACQUISITIONS

More than 100 transactions in September

The number of merger & acquisition transactions in China surpassed 100 in September and one notable deal was the buyout of Smithfield Foods by Shuanghui International Holdings. However, the number of 101 M&A deals in the country last month was flat compared with August, Zero2IPO Research Center said in a report. The 92 deals for which the transaction value was announced totaled USD10.2 billion, a monthly jump of 133.4% or a 334.4% surge from a year earlier. Of the 101 deals, 94 cases were domestic M&As valued at USD2.8 billion. Six transactions were overseas acquisitions worth USD7.4 billion. The value of M&As in the food and beverage sector was worth USD7.1 billion, accounting for 69.8% of the value of the total deals due to Shuanghui International Holdings' purchase of Smithfield Foods, the biggest Chinese purchase of a U.S. firm. The energy and mineral sector saw the largest number of M&A transactions at 12.

Outbound investment through Hong Kong on the rise

In a sign of Hong Kong's importance as a hub for mainland investments overseas, outbound deals from Hong Kong soared 66.6% to USD21.48 billon in the first three quarters of this year, according to Mergermarket, an international mergers and acquisitions news provider. In contrast, outbound deals from the mainland dipped 1.9% to USD45.06 billion during the same period. “Some mainland-based companies use their Hong Kong-registered offshore companies to make overseas acquisitions, such as Shuanghui and Alibaba,” said Samuel Wang, the China head of Mergermarket. The total value of outbound deals from the mainland and Hong Kong rose 13.2% to USD66.54 billion in the three quarters, Mergermarket said. Overseas energy and mining assets, consumer brands and industrial technology continued to be attractive for Chinese players, Wang said. Within the mainland and Hong Kong as well as mainland investments overseas, deals in energy, mining and utilities jumped 97.6% to USD9.7 billion in the first three quarters, while deals in the consumer sector soared 617.3% to USD20.4 billion. Foreign acquisitions within the mainland and Hong Kong totaled USD5.4 billion in the third quarter, double the second quarter.

- China Resources Enterprise (CRE) is evaluating options for the sale of its meat distribution unit in Hong Kong, to provide funds for a potential bid for Li Ka-shing's ParknShop supermarket chain, which was put up for sale in August, with a price tag estimated at USD3 billion to USD4 billion. The meat distribution unit, former Ng Fung Hong, started in 1951 in Hong Kong, handles all imports of live cattle from the mainland, and was acquired by CRE in 2001. The Hong Kong government is considering to open the import market to competition. Ng Fung Hong is the major component of CRE's food division, which contributed up to 10% in sales and 15% in net profit to the retail conglomerate in 2012.

PETROCHEMICALS

China bigger oil importer than U.S.

China passed the United States in September as the world’s biggest net oil importer, driven by faster economic growth and strong auto sales, according to U.S. government data. Chinese oil consumption outstripped production by 6.3 million barrels per day. The U.S., with a population about one-third the size of China’s, still consumes far more oil per person than China. In September, Americans used 18.6 million barrels per day of oil and other liquid fossil fuels, while China used 10.9 million, according to the EIA’s Short-Term Energy Outlook. U.S. production was 12.5 million barrels per day, while that of China was 4.6 million. China’s economy, the world’s second-largest, is cooling but still is forecast to grow by nearly 8% this year, well above forecasts for the U.S.

REAL ESTATE

Developers concerned about high capital expenditures

Rising capital expenditure is a concern for most real estate developers. According to Centaline Property Agency, the country's 10 major developers including Evergrande, China Vanke and Poly Real Estate spent about CNY135 billion on land acquisitions in the first seven months of this year, compared with CNY155.8 billion for the whole of last year. Evergrande’s net-debt-to-equity ratio was 134% at the end of June this year, including outstanding land premiums of CNY43.65 billion, and more than 80% of its total debt needs repaying in two years. Any further land acquisitions could lead to higher-than-expected gearing for the developer, which already had 262 projects under way across 140 cities, according to BNP. In the first seven months of the year, Evergrande was estimated to have spent more than CNY20 billion on acquiring development sites. Last month, the firm outbid eight rivals to acquire a site in Beijing for CNY4.04 billion. According to Macquarie Securities, the median net gearing level of the 20 Chinese developers it monitored could be 64% at the end of June this year. Evergrande's net gearing then stood at 63%, it calculated, and this was expected to increase to 89% by the end of this year. Guangzhou R&F saw its net gearing jump as high as 101% at the end of June, but Macquarie expected the ratio to drop to 82% by the end of this year. Overall, the average net gearing at developers would decline to 44% by the end of this year from 64% due to strong property sales, said David Ng, head of China and Hong Kong property research at Macquarie Capital Securities, but their gearing ratios could go up again if they continue to buy land sites aggressively in the coming months.

- The monthly volume of new home transactions rose to a six-month high in September in Shanghai. The purchases of new homes jumped 56.7% from August to 1.42 million square meters last month, Shanghai Uwin Real Estate Information Services Co said. "Extremely robust sales registered during the last few days of September helped push up the monthly volume to the highest since April," said Huang Zhijian, Chief Analyst at Uwin. "The sales were also the highest volume for September since 2010." On the last three days of September, average daily transactions of new homes exceeded 90,000 square meters. New home supply surged nearly 50% from August to more than 1.28 million square meters. New homes were sold for an average of CNY24,611 per square meter in September in Shanghai.
- Total sales of land parcels exceeded CNY40 billion in Shanghai in September, the sixth month that buying momentum has remained robust, with residential plots taking up the lion's share of supply. Plots covering an area of 1.08 million square meters were sold across the city last month for CNY40.3 billion, the highest monthly record for both volume and value so far this year, Century 21 China Real Estate said. Eight of the 14 land parcels earmarked for housing purposes were sold at more than double their starting price, a sign of increasing optimism among real estate developers.
- Purchases of pre-owned homes in Shanghai last month surged 25% from August, with outlying districts seeing robust sales, Shanghai Deovolente Realty Co said. The city saw 26,806 units bought last month. The average price of the pre-owned homes gained 0.2% from August to a record CNY18,988 per square meter. It was the fifth consecutive month that the average price rose, providing further evidence that buying sentiment continued to be positive. Sales in Fengxian, Jinshan, Qingpu districts and Pudong New Area rose above 40% monthly.
- A small riverfront plot of land in the Pudong New Area became Shanghai's most costly parcel by average price in more than three years. Beating off four other developers, a subsidiary of Hong Kong-based K. Wah Group paid CNY568 million for the 5,665 square meter residential plot, or an average gross floor area price of CNY40,106 per sq m. The final price was 63% above its starting price. At least 20% of the apartments to be built on the plot should be no larger than 90 sq m.
- Dubai has become one of the latest hotspots for Chinese real estate buyers. Dubai state-owned Nakheel, the developer of the man-made island Palm Jumeirah, has hired Chinese-speaking staff to cope with the new rush of clients from China. According to the Consulate General of China in Dubai, over 270,000 Chinese nationals live in the United Arab Emirates (UAE). "Apartment prices rose 15% in the last 12 months but they are still 19% below their peak in 2008, the year before the global financial crisis hit the Dubai real estate market," said Craig Plumb at Jones Lang LaSalle.
- State-controlled developer Greenland is investing in a New York property project valued at more than USD5 billion, becoming the latest Chinese real estate company to venture overseas. It signed a memorandum of understanding on October 2 with Forest City Ratner to develop the Atlantic Yards Apartment Project in Brooklyn. It will take a 70% stake in the development, anchored by the Barclays Center, home of the National Basketball Association's Brooklyn Nets.

RETAIL

Shanghai reports robust sales during seven-day holiday

Sales in Shanghai's department stores, supermarkets and specialty shops jumped 11.8% to CNY6.86 billion during the seven-day National Day holiday period compared to last year, the Shanghai Commission of Commerce said. The city attracted 7.61 million tourists between October 1 and 7, 10% more than in the same period of last year, and tourism revenue rose 21.4% to CNY7.4 billion. Since China launched the seven-day holiday 13 years ago, retail sales in the city had increased more than six-fold. Sales of food rose 34.2%, followed by clothes and household appliances, with increases of 30.1% and 24.7%, respectively. Hotel revenue rose 19.7%, while restaurants saw their income increase by 2.8%. Online shops reported even stronger growth with a 51.1% rise. The Global Harbor, Shanghai's biggest complex integrating shopping and entertainment, received more than 627,000 visitors as it became a new place for people to spend time and money.

Lane Crawford opens flagship China store

Lane Crawford has opened a flagship store on Shanghai's busiest shopping street, seven years after closing its store at Shanghai Times Square. Lane Crawford President Andrew Keith said its customers would buy luxury goods for personal use rather than as gifts, and would not be greatly affected by the austerity drive. Keith said the company would not focus on the short-term performance of the new store and would, instead, take a long-term view. The new store, covering 150,000 square feet, cost CNY400 million. “Global retail leadership is now coming from China, and the China customer is at the forefront of fashion,” Keith said. The new store will sell 500 international brands over its four floors, with more than 20,000 square feet dedicated to personalized services in beauty, fashion and lifestyle. Lane Crawford also has a store in Beijing. Global consultancy Bain & Co says Chinese shoppers account for 25% of the worldwide luxury market. However, Beijing's calls to curb the waste of public money have stoked fears of weaker sales of luxury goods as government agencies and state-owned enterprises refrain from buying expensive gifts.

- KFC parent Yum Brands warned that it would take longer than expected for its restaurant sales in China to rebound, delaying a recovery in the market that accounts for more than half of the company's overall operating profit. Yum's sales at established restaurants in China have taken a beating since December last year, when a food-safety scare over chemical residues in chicken from some of its suppliers affected sales, followed by a bird flu outbreak that destroyed many diners' appetite for poultry. Yum's same-restaurant sales in China fell 11% in the third quarter, and dropped a steeper-than-expected 11% last month, the first month of the China division's fourth quarter.

SCIENCE & TECHNOLOGY

NASA criticized for exclusion of Chinese scientists

China has criticized U.S. space agency NASA for what it termed “discriminative action” over a decision to exclude Chinese nationals from a science conference in the United States. NASA announced that Chinese nationals will not be permitted to enter the Second Kepler Science Conference on exoplanets at California’s Ames Research Center next month. Not only China, but also prominent U.S. astronomers criticized the decision. The restriction is based on a law passed in 2011 and signed by President Barack Obama that prevents NASA funds from being used to collaborate with China or to host Chinese visitors at U.S. space agency facilities. The law bans NASA funds from being used to work “bilaterally in any way with China or any Chinese-owned company” or being “used to effectuate the hosting of official Chinese visitors at facilities belonging to or utilized by NASA.” Alan Boss of the Carnegie Institution for Science in Washington, co-chair of the conference, issued a statement to attendees saying: “We find the consequences of this law deplorable and strongly object to banning our Chinese colleagues, or colleagues from any nation. We are pursuing other options that will allow participation by all interested scientists either in person or remotely”, the Shanghai Daily reports. The applications of six Chinese scientists were denied, but NASA Administrator Bolden said their applications would be reviewed again and they might be able to re-apply after the U.S. government shutdown ends.

Chinese vaccine pre-qualified by WHO

For the first time, China has a vaccine pre-qualified for worldwide use by the World Health Organization (WHO). Vaccine SA 14-14-2 will be used to prevent Japanese encephalitis infections. Pre-qualification allows UN procurement agencies to buy the vaccine and is an official endorsement of quality. The vaccine has fewer side effects than other Japanese encephalitis vaccines, making it safe for children, who are particularly vulnerable to the disease. “China's emergence as a supplier of high-quality, low-cost vaccines for developing countries is a victory for millions of children in Asia who will no longer be vulnerable to a deadly and disabling disease,” Microsoft Founder Bill Gates, who supported the project through the Bill and Melinda Gates Foundation, said. Japanese encephalitis is carried by mosquitoes and is endemic in many regions in South-east Asia and the Western Pacific. Between 10,000 and 15,000 deaths are reported each year and many children who survive are left with severe brain damage. The vaccine has been in use in China since 1988 and about 600 million doses have been administered. Since 2008, fewer than 5,000 infections have been reported each year. The success of the vaccine was little appreciated outside of China due to a widespread lack of confidence in the quality of Chinese-made health products. “The WHO pre-qualification is not only a milestone for our company, but the entire vaccine industry of China. Other Chinese manufacturers will be hugely encouraged and apply for pre-qualification for their vaccines”, Yang Lingjiang, International Cooperation Manager of the Chengdu Institute of Biological Products, a major manufacturer of the vaccine, said.

- Chinese scientists are dissatisfied about discrimination against China in the International Thermonuclear Experimental Reactor (ITER) project. Only 4% of the scientists and other staff are Chinese, although the country has pledged 9% of the funding. The experimental nuclear fusion reactor in Cadarache, France, could potentially deliver clean, safe and inexhaustible nuclear energy in the future. As of January, only 18 Chinese nationals were part of the 452-strong staff, most working in non-core sectors or in administration.

STOCK MARKETS

Hong Kong to remain IPO center, as mainland resumes listings

Hong Kong is likely to remain one of the global centers for initial public offerings (IPOs) this year, while the IPO market on the Chinese mainland is set to resume next month after being suspended for nearly a year, Deloitte Touche Tohmatsu said in a report. A total of 43 companies had launched IPOs on the Hong Kong stock exchange by the end of September, raising HKD58.7 billion. The proceeds raised rose 31.3% year-on-year, with nearly one-third of the funds received from 21 IPOs that were completed in the third quarter, the report said. Deloitte expects 65 to 75 new offerings on the Hong Kong market by the end of 2013, raising HKD100 billion to HKD130 billion. New York leads the global IPO race by proceeds raised so far this year. Deloitte believes the IPO market on the Chinese mainland, which has been suspended for 11 months, could resume around the Third Plenary Session of the 18th Central Committee of the Communist Party of China in November. Anthony Wu, China A-Share Capital Market Leader at Deloitte China, forecasts CNY25 billion to CNY40 billion to be raised from around 20 to 30 IPOs on the yuan-denominated A-share market by the end of this year.

- Chinese authorities will soon endorse the expansion of the Nasdaq-style Securities Trading Automated Quotations network at Beijing's Z-Park, also known as China's Silicon Valley, into a national-level exchange to facilitate listings of start-ups, according to unnamed sources. The China Securities Regulatory Commission (CSRC) is also expected to further support brokerages to develop asset management, direct investment and asset securitization businesses. The pilot scheme for SMEs to sell privately-placed bonds would be expanded to more provinces and rules would be announced governing mergers and acquisitions (M&As) of non-listed companies.
- Shanghai-based China-Biotics has asked the U.S. Securities and Exchange Commission (SEC) to reinstate its securities registration, which was revoked last year because the company failed to file some of its required financial reports. China-Biotics is one of hundreds of companies that entered the U.S. capital markets through a reverse merger. As of June, the SEC had filed more than 65 fraud cases and deregistered the securities of more than 50 companies, including China-Biotics.
- Alibaba Group has decided not to list its shares in Hong Kong, but has yet to commit to any other exchange, including the New York Stock Exchange, Chief Executive Jonathan Lu said. Alibaba failed to convince Hong Kong regulators to waive rules over the group's unique partnership structure – specifically that 28 partners, mainly founders and senior executives, would keep control over a majority of the board, even though they own only around 13% of the company. Alibaba’s platforms handle more goods in a year than eBay and Amazon.com combined, and the company hopes in a few years to surpass Wal-Mart Stores to become the No 1 retail network in the world.
- Huishang Bank, a city commercial lender based in Hefei, Anhui province, will present its case for a share sale to the listing committee of the Hong Kong stock exchange this week as it seeks to raise USD1.5 billion before the end of the year. Huishang, which had waited for years to list on the mainland stock market, opted for a Hong Kong float because the door for Shanghai listings has remained closed since November last year. Huishang was founded in December 2005 and has more than 5,500 employees.

TRAVEL

Dissatisfaction with holiday arrangement on the rise

More than 80% of nearly two million internet users who responded to an online survey by the State Council's office in charge of national holidays said they were “dissatisfied with the current holiday arrangement”. Overcrowding during holidays is partly the result of Beijing's 14-year-old practice of consolidating public holidays into single blocks. The idea was to encourage domestic spending by making it easier for workers to go on long journeys with their families. An estimated 700 million people were traveling during the National Day “golden week” this year. Beijing's Forbidden City, also known as the Palace Museum, which houses more than a million items from the Ming and Qing dynasties in a sprawling complex of 980 buildings, was among the tourist attractions which received a record average 170,500 tourists each day. Museum Director Dr Shan Jixiang said it had plans to open an educational institute downtown and a conservation and repair center in Haidian district. Officials hoped the new space might also draw tourists and relieve the the Forbidden City. The Palace Museum Institute would offer classes on the study of antiquities and conservation.

- Golden week is not a good thing for either consumers or the tourism sector, according to Professor Song Haiyan of the Hong Kong Polytechnic University's School of Hotel and Tourism Management. “Every year it creates problems. This year, overcrowding was a particular issue.” In Song's view, the solution would be to implement a paid leave system. Du Yi, Expert on consumer behavior at Nankai University in Tianjin, agreed, saying that transport was concentrated over just several days, “making the quality of recreation an uncertainty”.
- Shanghai’s Metro Line 11 has now been extended to Kunshan city in neighboring Jiangsu province. Kunshan traffic authorities are also adding six bus routes to connect the new Line 11 stations to transport junctions and tourist spots in Jiangsu, including Zhouzhuang water town and Jinxi ancient town. Line 11 is the longest line in Shanghai’s subway network. Its 65 kilometers of track already in operation connects northern Jiading district to the Pudong New Area.
- Shanghai-based conglomerate Fosun International said it will invest CNY100 billion in resorts and tourism-related businesses across China. Fosun is cooperating with Kerzner International to develop the Atlantis Sanya resort in the coastal city of Sanya, in Hainan province. It will spend CNY10 billion to build the resort, which is expected to be operational in 2016. Fosun owns a stake in French holiday resort company Club Méditerranée.

VIP VISITS

Premier Li attends East Asia Summit in Brunei

Premier Li Keqiang said boosting ties in South-east Asia was at the top of Beijing's diplomatic agenda as he called on nations in the region to avoid letting territorial disputes sour relations with China. The Premier called on the 10-member Association of Southeast Asian Nations (ASEAN) to focus on economic cooperation and consider drafting a friendship treaty with Beijing. He said China and ASEAN should expand two-way trade to USD1 trillion by 2020. At a meeting on the sidelines of the East Asia Summit in Brunei, Premier Li Keqiang and U.S. Secretary of State John Kerry extolled a new chapter in Washington-Beijing ties, but friction was also evident. Japanese Prime Minister Shinzo Abe said the door for dialogue between Tokyo and Beijing is always open despite a chill in relations over the Diaoyu islands territorial dispute. But there was little sign of warmth between Abe and Li.

Premier Li Keqiang became the first foreign leader to address Thailand’s Parliament in more than a decade during his three-day visit to the country. Li told lawmakers that Thailand and China will boost their trade to USD100 billion by the end of 2015 and that China will buy more Thai agricultural products, including rice and rubber. Li also opened an exhibition on China’s high-speed rail system in Bangkok. The two governments signed memorandums of understanding regarding cooperation on railway projects, investment, energy, culture and other areas. Premier Li started an official visit to Vietnam on October 13. Li and his Vietnamese counterpart Nguyen Tan Dung agreed to further deepen the partnership between their two countries simultaneously in the three areas of maritime, onshore and financial cooperation.

- London Mayor Boris Johnson arrived in Beijing with a business delegation to attract Chinese sovereign funds, banks and developers to fund an overhaul of the British capital in the years to come. “Our Mayor’s interest is about new infrastructure,” said Gordon Innes, CEO of London and Partners, the official promotional organization for the city.
- British Chancellor George Osborne unveiled a new visa system to make it easier for Chinese business leaders and rich tourists to visit the UK. Selected Chinese travel agents will be able to apply for UK visas simply by submitting the application form used for the EU Schengen visa. The British Finance Minister told an audience in the Chinese capital that no country in the west is more keen to attract Chinese investment than Britain. Osborne, who is on a five-day trade mission to China, told students at Beijing University: “I don’t want us to try to resist your economic progress, I want Britain to share in it.

ONE-LINE NEWS

- Shanghai last week recorded the highest rainfall since 1961 in the aftermath of Typhoon Fitow. On October 8, Shanghai was hit with 152 millimeters of rain. More than 60 parks and the city zoo were closed. More than 30 domestic flights were canceled and around 100 delayed at Shanghai’s Pudong and Hongqiao airports.
- Chinese authorities have arrested and charged Lei Yi, Chairman of Yunnan Tin Co, the world’s largest producer of refined tin, for accepting CNY20 million in bribes from four people, including Li Hongtao, Chairman of Leed International Education Group in which Goldman Sachs has a stake. Yunnan Tin had an output of around 70,000 tons of refined tin last year, nearly double that of the No 2 producer, Malaysia Smelting Corp.
- Tian Xueren, 66, former Vice Governor of Jilin province, pleaded guilty to taking bribes of CNY19.19 million. Prosecutors also charged Tian, who was also Chairman of the Bank of Jilin, with abuse of power, as he used his position to help 10 people with businesses, career promotions and school admissions.
- China will install GPS systems in government cars to thwart personal use by officials. Almost 200,000 government cars have been misused for private purposes, according to the Communist Party’s Central Commission for Discipline Inspection (CCDI).
- The Intermediate People’s Court in Lianyungang, Jiangsu province, sentenced one man to life in prison and more than a dozen to up to 15 years for producing and selling cooking oil made from gutter waste. The product was sold to processors in at least four provinces or provincial-level cities, including Beijing. In 2011, the defendant’s company, Kangrun, made more than CNY60 million selling the oil.

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