法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 2 APRIL 2012

FCCC ACTIVITIES

Unlocking the Middle Kingdom: The keys to success in China's developing tax landscape, 15h00, 3 April 2012, Gent

The opportunities for growth through investment in China are an increasingly important focus for businesses in today's global economic environment. China's tax legislation is, however, developing apace and big strides are being taken to modernize the tax system. How can your organization make sure that it adapts quickly to the challenges and opportunities offered in this changing tax environment?

Simon Tan, Tax Partner Deloitte and **Coen Ysebaert**, Tax Partner Deloitte & Chinese Services Group Leader will present a practical insight into:

- Managing China tax risks
- Availability of tax incentives
- Challenges for cash repatriation and treaty benefit applications
- Permanent establishment risk management
- Typical investment and financing structures
- Latest updates on indirect share transfers
- Opportunities for managing ETR
- China VAT reform and the Shanghai Pilot Programme

This meeting will take place on Tuesday, 3 April 2012 at 15h00 at the House of the Province of East Flanders, Seminariestraat 2, 9000 Ghent.

Participation fee for FCCC members: €55, non-members: €85.

Via Hong Kong to China: A KBC and Deloitte testimonial, 23 April 2012, 14h00, Het Pand, Gent

Many Belgian companies pursuing business opportunities in China use Hong Kong as their gateway to the Mainland. Financing and tax considerations are probably the two most important drivers that are considered when opting for this setup. This seminar will provide testimonials of professionals on the ground from KBC Bank and Deloitte discussing the current practices being applied, risks commonly encountered as well as misconceptions frequently noticed.

This seminar will take place on Monday 23 April 2012 at 14h00 at Het Pand, Onderbergen 1, 9000 Gent.

Programme

13h30 Registration

14h00 Welcome by **Mrs Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce

14h05 Introduction by **Deloitte & KBC**
"Deloitte in Asia" by **Mr Coen Ysebaert**, Partner, Deloitte Belgium Chinese Services Group Leader
"KBC in Asia" by **Mr Jason Lee**, CEO, KBC China

14h30 **Mainland China**
"Critical Success Factors & Banking Perspective" by **Mr Koenraad Van de Borne**, Head of European Network Desk, KBC China
"Financial and Business Risks in China – What is happening on the ground?" by **Mr Gerd De Vuyst**, Director Audit and Enterprise Risk Services, Deloitte China

15h30 Coffee Break

15h40 **Hong Kong**
"Hong Kong as your gateway to China" & "A technical primer on the internationalization of the RMB" by **Mr Jo Vander Stuyft**, First Vice President European Desk – Corporate Banking, KBC Hong Kong
"Relevance of Hong Kong for Asia bound investments from a tax perspective" by **Mr Wouter Claes**, Managing Director Belgium Tax Services, Deloitte Hong Kong

17h00 Networking reception

To attend this interesting meeting, please register online before 17 April 2012.
Participation fee for FCCC Members: €65, non-members: €95.

Hannover Messe 23-27 April: Partner Country China, exciting opportunities for FCCC members

The Flanders-China Chamber of Commerce, through its membership of the EU China Business Association, is offering an exclusive opportunity to participate in Hannover Messe from 23-27 April.

Hannover Messe is a leading global trade fair embracing the whole spectrum of technological and engineering expertise from around the world. China is the Partner Country this year – hence our involvement.

FCCC members can benefit from a range of first-class opportunities as a co-exhibitor on the joint DCW-EUCBA stand 'Doing Business with China' to high-profile sponsorship and speaking opportunities in a number of China-related events, including "Invest in China" and "EU-China Business & Technology Forum". An opportunity is available to sponsor the overall programme and gain even higher profile. Please contact DCW (see flyer) to explore this.

Click HERE for the flyer and complete information, including registration and contact details. Please note all enquiries should be sent directly to DCW.

Annual Flanders-China Job Fair, 26 April 2012, Leuven

The Flanders-China Chamber of Commerce (FCCC) and Group T-International University College Leuven are organizing the Annual Flanders-China Job Fair at Vesalius Campus (Andreas Vesaliusstraat 13, 3000 Leuven) on Thursday, April 26, 2012 from 13:00 to 18:00.

This job fair is a unique opportunity to present your company to Group T's Chinese and other international students, to its alumni, and to young Chinese professionals.

During the job fair you will be able to meet students from the following programs:

- Bachelors of Science in Engineering: Electromechanical Engineering, Electronics Engineering, Chemical Engineering
- Masters of Science in Engineering: Electromechanical Engineering, Electronics Engineering, Chemical Engineering, Biochemical Engineering

- Postgraduates: International Postgraduate Program in Enterprising, International Postgraduate Program in Logistics Management

The Flanders-China Job Fair also gives you the opportunity to offer these students and alumni internships, company projects, and longer-term learning tracks in your company.

Program

13:00	Registration Setting up of stalls
14:00	Official opening of the fair by: H.E. Liao Liqiang, Ambassador of the People's Republic of China to Belgium Prof. Dr. Johan De Graeve, President and Chief Executive of Group T Ms. Gwenn Sonck, Executive Director of FCCC.
14:15	Job fair, one-on-one meetings with students and alumni
17:00	Networking drink
18:00	End

Companies are welcome to publish their profile, job openings, and projects online and will also receive online access to the students' CVs.

The registration fee is €300 for members, €475 for non-members. Read more and register online (till April 19, 2012) at www.flanders-china.be.

During the month of April, the Flanders-China Chamber of Commerce organizes similar job fairs in collaboration with Ghent University.

FCCC Industrial fact-finding trip to Shandong province (21-24 May 2012)

Many Flemish companies in China are continuing to focus on a small number of large, well-known cities, like Beijing, Guangzhou, Shanghai and Shenzhen. However, numerous member companies are encountering mature, increasingly saturated markets with limited growth opportunities in these locations and finding themselves facing mounting competition, both from foreign rivals and from increasingly sophisticated Chinese companies.

The FCCC's 's strategy is to give our members a better insight into business opportunities in second- and third-tier cities.

The FCCC has a strong network in China thanks to partnerships and investments by our founding members in several cities.

We would like to organize an industrial fact-finding trip to Shandong province with a limited group of companies, to become better acquainted with the area and meet potential partners and senior officials. The mission will start from Beijing and take in the cities of Jinan, Qingdao and Weihai.

Shandong is China's third most populous province and also has the third-highest GDP. It offers attractive opportunities for business in the following sectors: food and agriculture, infrastructure, energy, minerals and chemicals, renewables and the environment, advanced engineering, professional services, retail and consumer goods. In short, all major industries are represented in Shandong, and its broad range of industrial and commercial activity offers great potential prospects for Flemish businesses in many sectors.

During the visit, participants will gain a clearer picture of the trade- and investment-related advantages of Shandong's various cities and development zones. Furthermore they will be given access to senior Chinese officials and meet European entrepreneurs who have already invested in these areas and potential Chinese business associates.
The dates for the visit to Shandong province are **21 to 24 May 2012**.

Please send us any comments you may have and **let us know by 15 March 2012** whether or not your company would be interested in taking part in this focused industrial fact-finding mission, by sending an e-mail to gwenn.sonck@flanders-china.be. We will send you the programme and a subscription form as soon as we have evaluated the interest in such a visit. Please do not hesitate to contact us if you require more information.

FCCC NOTICE

Flanders-China Chamber of Commerce change of address

As from March 1, 2012, the Flanders-China Chamber of Commerce temporarily moved its offices to Voldersstraat 5, 9000 Gent. Our new telephone numbers are:
T : +32 9 264 84 86/82
F : +32 9 264 69 93

This change takes place In the framework of the China-platform, which is a cooperation between Ghent University, the Province of East Flanders and the Flanders-China Chamber of Commerce. Both are also structural partners of the FCCC.

OTHER ACTIVITIES

Who will run China? China's political transition and what it means for Europe, 24 April 2012, Brussels

China is entering into a very important period of political transition and this is a good opportunity to assess what this means for Europe. The Flanders-China Chamber of Commerce (FCCC) and the Brussels Institute of Contemporary China Studies organize a seminar on this subject on Tuesday 24 April 2012 with three prominent experts: **He Baogang**, a leading Chinese political scientist affiliated with the University of Deakin, **Thomas Heberer**, Professor at the University of Duisburg-Essen, and **Jonas Parello-Plesner**, a Senior Fellow at the European Center on Foreign Relations.

This panel will discuss the ongoing political reforms in China. How should we interpret democracy with Chinese characteristics? How is the growing heterogeneity of China's society affecting politics? The speakers will also discuss the organization of the 18th National Party Congress, which will appoint the new leadership and mull over future reforms. The programme is:

16h00: Opening: Jonathan Holslag
16h05: Presentations by He Baogang, Thomas Heberer, Jonas Parello-Plesner
17h00: Discussion
18h00: End of meeting

Registration by sending an email to biccsevt@vub.ac.be, mentioning your name, function, and organization. The meeting will be held at the premises of the Brussels Institute of Contemporary China Studies. The exact venue will be confirmed upon registration.

This meeting is organized in cooperation with the following partners: The Brussels Institute of Contemporary China Studies. Flemish China Chamber of Commerce (FCCC), Kent University, the Université Libre de Bruxelles, and the Institute for European Studies.

Registration for Flax Road now open

A group of Flemish entrepreneurs is planning a trip to China, an unusual initiative called "the Flax Road". One of the organizers, Dirk Vyncke of Vyncke Energietechniek, who is also a member of the FCCC: "To China along the Silk Road … in a SUV, a boy's dream come true, a once in a lifetime experience."

As Vyncke Energietechniek is solemnly celebrating "for another 100 years" in 2012, it is the right time to travel from Harelbeke to Suzhou together with friends-colleagues-entrepreneurs who have time to participate in one or two parts of the expedition: September-October 2012: Harelbeke-Bishkek and April-May 2013: Bishkek- Suzhou

The participants are following the Silk Road in reverse direction, therefore called the Flax Road, meeting colleague-entrepreneurs on the theme of "ex change": listening and learning how they view the world of the future.

We will share lessons learned with stay-behinds in Flanders through VKW, VOKA, FCCC, and the media: "We should all become world citizens". That is the higher aim we want to achieve, besides discovering beautiful, not well know places in Central Asia and primarily Western China.

Registration is now open, but the number of participants is of course limited. This initiative, supported by the Flanders-China Chamber of Commerce (FCCC), could promote trade relations with China. Organizers will help Flax Road participants with interesting contacts in China. Contact: Lutgart Dusar, lutgart.dusar@lscoop.com

PAST EVENTS

Sino-Belgian Business Survey: Results & panel discussion, 15 March 2012, Living Tomorrow, Vilvoorde

Moore Stephens Verschelden, the Flanders-China Chamber of Commerce (FCCC) and Flanders Investment & Trade organized an interesting meeting about the Sino-Belgian Business Survey. Through the results of 15 simple yet crucial questions we took the temperature of the Belgian business conditions. During this meeting we found out how our Belgian companies perform in China and what the greatest opportunities and threats are that lie ahead of us.

The presentation was followed by a panel discussion with Sino-Belgian business leaders such as Mr Stephan Csoma, Senior Vice President Government Affairs of Umicore and Member of the Board of Directors of the Flanders-China Chamber of Commerce, Mr Herman Van de Velde, CEO of Van de Velde, Mr Dirk Vyncke, Chairman of Vyncke Clean Energy Technology, and Mr Ivan Van de Cloot, Chief Economist Itinera Institute.

The complete results of the Sino-Belgian Business Survey can be downloaded via this link.

This meeting was organized with the support of Flanders Investment & Trade.

China Information Session: Assignments from China to Belgium and vice versa: Update on immigration and social security aspects, 21 February 2012, Antwerp

The Flanders-China Chamber of Commerce organized, in cooperation with Deloitte and the Port of Antwerp, an information session on the aspects of immigration and social legislation. The focus was on the posting of Chinese nationals to Belgium and vice versa.

Mr Erwin Vandervelde, and Mr Matthias Lommers, who are Partner and Senior Manager at Deloitte, gave us an update on the important international mobility issues for Chinese and European nationals.

The meeting was concluded with a question and answer session and a networking reception in the Museum aan de Stroom (MAS). More than 50 participants attended this interesting event.

Pictures of the event are online at the FCCC website.

PUBLICATIONS

“Voices on China” (more information on the FCCC website)

For more information on the book “Voices on China”, please go to the FCCC website at www.flanders-china.be

FINANCE

Chinese banks launch new fund raising efforts

China Minsheng Bank (CMB) expected to raise up to HKD11.3 billion in funds to cover potential bad loans and satisfy the China Banking Regulatory Commission's tightened capital requirements. The bank plans to float 1.65 billion H shares, less than two weeks after its bigger rival Bank of Communications (BoCom) announced it would place 12.4 billion shares on the Hong Kong and Shanghai stock exchanges, targeting combined proceeds of CNY56.6 billion. “It is a new round of massive fund-raising by Chinese banks as they are pressured to meet upcoming higher capital requirements by the regulator,” said Zhongde Securities Analyst She Minhua. “The banks' fund-raising is also a sign that the regulator is becoming increasingly tough on overseeing banks' assets quality.” The China Banking Regulatory Commission

(CBRC) is expected to set a minimum core capital ratio for major banks at 9.5% in the second half of this year from the current 4%. China Minsheng's core capital ratio stood at 7.87% at the end of last year, the lowest among nine Hong Kong-listed Chinese banks. The lender added CNY200 million of non-performing loans last year. Chinese banks have raised more than USD272 billion through bond and equity issues globally since 2005, according to data provider Dealogic.

CCB sets sights on emerging markets

China Construction Bank (CCB) said it would speed up overseas expansion this year, despite seeing a deterioration in asset quality at home. Chairman Wang Hongzhang also said the bank would venture into retail banking in a shift from servicing Chinese corporate clients overseas. The bank's faster rise in bad loans compared with other Chinese banks was mainly because it was more prudent and forthright in realizing asset deterioration, said Wang. “Our outstanding non-performing loans and non-performing loan (NPL) ratios might be higher than other banks' but in reality we are no worse, and perhaps even better,” he said. CCB's net profit rose about 25.2% to more than CNY169 billion year on year, falling short of analysts' estimates due to a drop in fee income in the last quarter of last year. The bank's NPL ratio fell 5 basis points to 1.09%, but bad debt rose 10% to CNY70.9 billion in the last quarter, resulting in a quarter-on-quarter NPL ratio increase. Chinese banks' overall bad debts rose 5% in the fourth quarter, said Michael Werner, Senior Analyst at Sanford C. Bernstein. About 85.7% of CCB's loans to local-government financing vehicles (LGFVs) were fully backed by cash flow, indicating the projects were generating enough profit to service the loans. CCB's fee income fell 14% quarter on quarter, as it canceled fee items it deemed unreasonable to customers.

Chinese banks report strong profit growth

Seven Chinese listed banks have reported a more than 30% jump in their total net profits last year, boosted by rising interest income. China Construction Bank (CCB), the Agricultural Bank of China (ABC), Huaxia Bank, China Minsheng Banking Corp (CMB), Shanghai Pudong Development Bank (SPDB), the Industrial Bank and Shenzhen Development Bank (SDB) have posted a total net income of CNY391.4 billion, according to calculations derived from the lenders’ earning reports. The major profit driver is net interest income, which rose 27.67% to CNY844.4 billion for the seven lenders in 2011 from the previous year, accounting for 80.56% of the total operating income over the same period. Another significant driver was the even stronger surge in fees and commission income compared with net interest income, surging an annual 45.71% to CNY193.5 billion last year. Liu Mingkang, former Chairman of the China Banking Regulatory Commission, expected the banks to deliver lower income this year.

China Merchants Bank (CMB) reported a 40% profit growth last year to CNY36.13 billion, compared with CNY25.77 billion a year earlier. Revenue climbed 34.7% to CNY96.2 billion. But Orient Securities Analyst Jin Lin said the bank urgently needed to boost its capital. CMB's core capital ratio stood at 8.22% at the end of 2011.

China Citic Bank beat market expectations to post a 43% increase in net profit last year to CNY30.82 billion, thanks to strong growth in net interest income and net fee and commission income. The bank's net interest income grew 35.26% to CNY65.11 billion, while its non-interest income, including net fee and commission income, jumped 55.2% to CNY11.84 billion. But executive director Chen Xiaoxian warned that the growth in loans and deposits would definitely slow.

The Industrial and Commercial Bank of China (ICBC) said 2011 net earnings jumped 25.55% to CNY208.45 billion as loan growth outpaced rising defaults. The lender added CNY998 billion of new loans in 2011 while its outstanding loans stood at CNY7.79 trillion by the year’s end. Its net interest income grew an annual 19.4% to CNY362.76 billion. ICBC’s non-interest income surged 40% to CNY107.84 billion.

Bank of China (BOC) saw last year’s net profit expand by 18.93% from the year earlier to CNY124.2 billion. Its annual net interest income rose 17.58% to CNY228 billion in 2011. The bank lent CNY682 billion in new loans last year, taking the outstanding balance to 6.3 trillion. Its non-interest income jumped 21.41% to CNY100.2 billion in 2011.

China raises debt quota for foreign banks

China raised its annual long-term debt quota for foreign banks to USD24 billion. The National Development and Reform Commission (NDRC) selected six pilot foreign lenders — HSBC Holdings, Deutsche Bank, Citigroup, Sumitomo Mitsui Banking Corp, JP Morgan and Bank of East Asia — to share the loan pool. China borrowed USD44.4 billion in long-term debt from foreign banks last year, compared with USD42.2 billion in 2010, according to the State Administration of Foreign Exchange (SAFE). The growth in foreign loans showed the government’s desire to off set slowing inbound foreign direct investment (FDI) in the first two months of this year, analysts said. Controlling the long-term foreign debt quota is an important measure for the Chinese government to manage foreign capital inflows and maintain a stable financial system. Foreign lenders that issue yuan-denominated loans with a maturity of more than one year should report their general plans for the debt, including the amount, maturity and overseas creditors, to the NDRC. Outstanding foreign debt held by foreign banks in China stood at USD54 billion at the end of 2011, including both long-term and short-term debt, accounting for 12.13% of China’s total foreign debt.

China to become second-largest retail banking market

China will become the world's second-largest market for retail banking by 2015, just behind the United States, according to a report by McKinsey & Co. By 2020, the retail banking industry is expected to have USD280 billion a year in revenue, up from USD127 billion now. The value of the banking industry’s retail deposits increased 4.5 times and its loans 17 times from 2000 to 2010. But with the exception of the ‘Big Four’ banks, Chinese retail banks have low profits and, for the most part, cost-to-income ratios that are greater than 75%, McKinsey said. Structural returns on customer assets are expected to fall from the current 2.2% to 1.6% by 2020 as a result of the deregulation of interest rates and increasing risk costs. Retail banking returns are also expected to slip, going from 3.3% at present to 3.2% by 2020. Jan Bellens, Partner at McKinsey, said banks should prepare for the approaching changes and that both domestic banks and lenders with foreign backgrounds should think twice about being overdependent on deposits. Foreign banks still have a long way to go before they will be large enough in China to compete with domestic lenders. Building a network in China usually takes 20 years, Bellens said.

Private lending to be allowed in Wenzhou

China is to launch a pilot financial reform program in Wenzhou, Zhejiang province, to formalize private lending and allow easier overseas investment. The move is a bid to crack down on irregularities in the gray but flourishing underground money market. “In recent years, some of the small and medium-sized companies ran out of capital and some business owners fled,” the State Council said in a statement after a meeting presided over by Premier Wen Jiabao. “This has to some extent hurt economic and social stability. To regulate private financing and to increase the financial sector’s contribution to the real economy is important to both Wenzhou ... and the whole country,” the Chinese government said. Wenzhou’s financial authorities will set up a system to monitor private informal money lenders outside the state-dominated banking system. Private lenders will be encouraged to buy shares in rural banks and credit companies, eligible micro-finance companies could be transformed into rural banks, and private funds will be guided toward the establishment of venture capital and private equity activities. Individuals will also be allowed to make direct overseas investment in a convenient and regulated way.

- China Life Insurance Co's net profit for 2011 tumbled 45.5% to CNY18.33 billion on declining investment revenue and higher asset write-downs stemming from weak stock markets. The company held one-third of the domestic life insurance market last year, with premiums of CNY318.3 billion, nearly flat from a year earlier. The investment return ratio was 3.51% last year.
- Most traders still believe the yuan will appreciate this year, despite a decline of 0.2% so far since January 1, as exports are expected to rebound somewhat, but the full-year rise is likely to be much less than last year's 4.7%. The yuan's volatility this month is unprecedented in the 18-year history of the domestic currency market. This raises the possibility for some traders of buying dollars for speculation.
- Yi Gang, Director of the State Administration of Foreign Exchange (SAFE), said a plan

to expand the Qualified Foreign Institutional Investor (QFII) scheme to attract more international capital into Chinese bonds and shares was under review. About 80% of the QFII quota had been issued. “I think it's part of the effort to accelerate the capital account liberalization and open the domestic capital market to more foreign investors,” said Joy Yang, Chief Economist for Greater China at Mirae Asset Securities in Hong Kong.

- Non-life insurer PICC Property and Casualty's net profit surged 52% to CNY8.03 billion, and turnover rose 12.7% year on year to CNY174 billion. Underwriting profit increased 188% to CNY8.02 billion. PICC lost CNY2.6 billion in equity investments. New China Life, China's third-biggest life insurer, reported a gross premium income of CNY94.8 billion for last year, up 3.4% compared with a year earlier. Its market share increased to 9.9% from 8.9% in the previous year.

FOREIGN INVESTMENT

U.S. companies to raise China investments at slower pace

Most U.S. companies in China will invest more in the world’s second-largest economy this year but the pace of increase will slow, according to a survey of 390 members of the American Chamber of Commerce (AmCham) in China. 78% of respondents still listed China as one of the world’s top three investment spots. The survey found that 82% of respondents said they plan to expand investment in their China operations this year, about the same as last year’s level. “China remains an important profit center for multinational companies, relative to other regions of the world,” AmCham said. The survey also found that foreign firms continue to face irregular licensing practices, poorly-enforced intellectual property rights and a limited talent pool. Ted Dean, Chairman of AmCham China, said some members have complained that regulations failed to keep pace in some key areas.

Coca-Cola opens its largest Chinese bottling plant

The Coca-Cola Co opened its largest bottling plant in China in Liaoning province, greatly improving its distribution capabilities. The Yingkou operation is Coca-Cola’s 42nd bottling plant in China. It has an area of more than 170,000 square meters and involves an investment of USD160 million. The new bottling plant is expected to reach an annual production capacity of more than 5 billion servings of sparkling and still beverages, including Coca-Cola, Sprite, Minute Maid and Ice Dew, the company said. “This new investment in Yingkou is also aligned with the government’s call to develop the Bohai Bay Economic Zone areas and to strengthen our distribution system, especially among second- and third-tier cities,” said Martin Jansen, CEO of Coca-Cola Bottling Investments Group China and regional director of Coca-Cola Bottling Investments Group China-Singapore-Malaysia. Since re-entering the Chinese mainland in 1979, the company has invested more than USD5 billion in the local market. China is Coca-Cola’s third largest market in the world after the United States and Mexico. Its sales volume expanded by 13% in 2011, maintaining double-digit growth for nine years in the past decade. The consumption of Coca-Cola products in China now makes up about 8% of the company’s global volume. Coca-Cola competitor PepsiCo in November agreed to sell its interest in 24 soft drink bottlers in China to Hong Kong-listed Tingyi Holdings Corp, and last week received approval from the Ministry of Commerce (MOFCOM) to go ahead with the transaction, the China Daily reports.

FOREIGN TRADE

China to cut import duties on some products

In a bid to boost imports, China is cutting duties on some products, expanding financing channels for importers and streamlining the regulatory process, the Chinese government announced. Import duties will be cut for “some energy products, raw materials, consumer goods closely related to people’s daily lives, and key items that China does not produce,” the announcement said. “We should make good use of imports to accelerate technological innovation, improve people’s livelihoods and reduce trade conflicts,” it added. Commercial banks will be encouraged to lend to importers of machinery, key parts, energy and raw materials, and insurance companies are to introduce more services for importers. Customs and exit-entry quality inspection bureaus at all levels will be told to reduce red tape and move their procedures online to make the process more convenient for importers. “The efforts are unprecedented,” said Xue Jun, Analyst at CITIC Securities Co. China is adopting a “buy more but not sell less" tactic, which helped narrow its trade surplus by 14.5% in 2011 to USD155 billion. Vice Premier Li Keqiang said earlier this month that China would import USD10 trillion worth of goods and services in the five years ending in 2015.

China increasingly important for U.S. exports

The United States exported more than USD100 billion in goods and services to China in 2011 and 30 states now count the country as one of their top three export markets, according to a report by the Washington-based U.S.-China Business Council. The annual report said China is the third most common destination for U.S. exports, just behind Canada and Mexico, which border the U.S. and have a free-trade agreement with it. "Exports to China are vital to America's economic health and create good jobs for American workers," said Erin Ennis, Vice President of the U.S.-China Business Council, which represents about 240 American companies doing business in China. Between 2000 and 2011, U.S. exports to China rose by 542% from USD16.2 billion in 2000 to a record USD103.9 billion in 2011 — while its exports to the rest of the world only increased by 80%. China is the only market to which U.S. exports have increased by more than 15% a year since 2000, the report said. "To get more U.S. exports coming into China, both countries should cultivate two promising export categories in the future: services, including technology trade and the transfers of patents, and high-tech products, including high-end manufacturing exports," Erin Ennis said. But Shen Danyang, Spokesman for the Ministry of Commerce (MOFCOM), said that China has not yet seen any real steps taken by the U.S. to loosen export restraints on high-tech products. Last year, China bought more U.S. agricultural products than any other market in the world, valued at about USD20 billion, according to the U.S. Department of Agriculture.

MACRO-ECONOMY

Datang predicts national power shortage this year

China could see a national power shortage of up to 40 gigawatt (GW) – roughly Singapore's annual consumption – Liu Yan, Finance Director of Datang International Power Generation said. Power demand would grow 9.5% this year, compared with 12% last year, he said. Datang's operating revenue rose 19% to CNY72.4 billion last year, while its net profit fell 23% to just under CNY2 billion due to high coal prices. At the end of last year, coal power accounted for 84% of Datang's energy capacity, hydropower 12.5%, wind 3.3% and solar less than 0.1%. By 2015, Datang's proportion of coal power capacity would decrease to 80%, while wind power would rise to 4% and nuclear energy to 6.7%, Datang Vice Chairman Cao Jingshan said. Datang's installed energy capacity will rise from 38.5 GW at the end of 2011 to 60 GW in 2015, including 4 GW of nuclear, Cao predicted. Datang's first nuclear power plant would open in Ningde, Fujian province, this year, Liu said. Datang's Duolun coal chemical project, which will produce polypropylene chemical products, and its Keqi coal-based natural gas facility, would also start this year.

Chinese companies report profit decline in first two months

Profits of Chinese industrial companies declined in the first two months by 5.2% from a year earlier to CNY606 billion — the first drop since 2009. The drop contrasted sharply with last year's overall gain of 25.4%. "Higher labor costs, a stronger yuan, plus shrinking external demand and a moderating domestic economy led to falling profits among Chinese manufacturers," said Li Maoyu, Analyst at Changjiang Securities Co. Nomura Economist Zhang Zhiwei said pressure is building in China to loosen policy further to support domestic demand, and at least one interest rate cut should be included. Private business still reported a profit growth of 24.4% in the first two months, while earnings of overseas-invested companies slumped 18.9% and state-owned enterprises said their profit dived 19.7%. Nevertheless, Zhu Min, Deputy Managing Director of the International Monetary Fund (IMF), said China is still heading toward a soft landing. Data from the National Bureau of Statistics (NB) also showed China's industrial output, fixed-asset investment and retail sales all weakened in the first two months, and property prices continued to fall in most of the biggest cities. In the first two months, China's industrial production grew 11.4% year on year, 1.4 percentage points slower than that in December.

- Shenzhen reported that the profits of its major industrial enterprises fell 3% year on year in the first two months of this year, while their sales fell by 5.4%. The city saw exports plunge by 6% and imports grow by just 0.3%. Economist Ding Li said the whole Pearl River Delta region had seen a similar slowdown in recent months and he expected the Yangtze River Delta region and other manufacturing centers would soon see similar problems because the country still relied on exports and government investment to drive growth.

- Bank of China (BOC) forecast that second-quarter GDP growth could rebound to 8.4% from an estimated 8.2% in the first three months. Continued declines in the consumer price index, which may fall to 3% in the second quarter, are expected to provide more scope for monetary easing. In the next three months, exports may expand 7.5%, compared with an estimated 6.5% in the first quarter, according to the bank.
- The official Purchasing Managers' Index, which is weighted toward state-owned enterprises, reached 53.1 in March, a one-year high and up 2.1 points from a month earlier, the China Federation of Logistics and Purchasing said. In contrast, the HSBC China Manufacturing Purchasing Managers' Index, which is slanted toward private and export-oriented companies, was 48.3 last month, down from February's 49.6 and falling at the second fastest pace in three years.

MERGERS & ACQUISITIONS

Sinopec-ENN not to raise bid price for China Gas

China Petroleum & Chemical (Sinopec) has played down the chances of raising the offer price of its joint bid with ENN Energy to take over China Gas Holdings. "Our joint bid price has already reflected the fair market value of China Gas," said Sinopec Chairman Fu Chengyu. "We don't make acquisitions for the sake of acquisitions, and we can't offer more than the market price." ENN Chairman Wang Yusuo said earlier this month it would be "impossible" for the bid price to be raised.

PETROCHEMICALS

CNOOC reports record high profit

CNOOC's net profit surged 29% last year to CNY70.3 billion as the company benefited from higher oil and gas prices and despite a flat output last year due to the suspension of its Penglai 19-3 field in Bohai Bay following an oil spill. CNOOC makes money from its upstream exploration and production, and it doesn't operate a refining business which has weighed on Sinopec and PetroChina's results. CNOOC's average realized oil price jumped 40.1% to USD109.75 per barrel last year. Net production was 331.8 million barrels of oil equivalent (BOE), up 0.7% from 2010, after the closure of the Penglai field cost CNOOC 5.9 million BOE last year. In January, the company reiterated its target of lifting output at a compound annual rate of 6% to 10% in the five years through 2015 as a result of deepwater development. It has set a conservative output target of 330 million to 340 million barrels this year.

PetroChina now the world's No 1 publicly traded oil major

PetroChina has overtaken Exxon Mobil as the world's biggest publicly traded producer of oil. The company announced it pumped 2.4 million barrels a day last year, surpassing Exxon by 100,000 barrels. PetroChina's production increased 3.3% in 2011 while Exxon's fell 5%. Exxon's oil output also fell behind Rosneft, the Russian energy company. However, PetroChina posted a disappointing 26% drop in fourth-quarter net earnings as rising refining losses offset gains in the lucrative upstream business. China's largest oil producer earned CNY29.55 billion in the final quarter of last year, down from CNY39.9 billion a year earlier. For the full year, net profit fell 5% to CNY133 billion. PetroChina's refining business posted an operating loss of CNY60.1 billion last year. Government control on fuel prices means refiners cannot freely pass on increasing crude rates to customers.

- Sinopec's 2011 profit rose just 2% despite a double-digit surge in sales as refining losses offset upstream gains. Net income grew to CNY73.2 billion.
- China-controlled oil fields in South Sudan were bombed by Sudanese airplanes. The UN Security Council urged both sides to halt military operations, warning the fighting could escalate into a new war. Sudan and South Sudan blamed each other for the

fighting. Oilfields in the Heglig area are operated by the Greater Nile Petroleum Operating Co, a consortium led by China's CNPC.

- Xu Ming, Chairman of privately owned chemical firm Dalian Shide Group, has been detained over alleged involvement in economic crimes. He was named the eighth richest person in China in 2005 by Forbes. Banks, including the China Construction Bank, have suspended lending to the group and started to investigate previous loans. Xu founded Shide Group in 1992 and started tapping the petroleum market in 1998. The group now owns the world's largest factory for PVC materials.
- The National Audit Office (NAO) found evidence of improper activity in one of the country's major natural gas pipeline projects. Fraud was detected in the sourcing of the pipeline's components. Unqualified construction workers and supervisors were also employed.
- ConocoPhillips and CNOOC have agreed to jointly pay CNY305 million in compensation to fishermen in Qinhuangdao and restore the maritime environment in the Bohai Bay area after a major oil spill last year.

REAL ESTATE

Evergrande maintains steady growth policy

Evergrande Real Estate aims to maintain 20% to 30% growth in contracted sales and profit in the next three to five years, building on its achievements since it listed in Hong Kong two years ago. Chairman Hui Kayan said the developer had recorded an average growth of 60% to 70% since it listed in November 2009. Evergrande also hoped to maintain gross profit margin at 30% to 40%, said Chief Financial Officer Tse Wai-wah. Gross profit margin climbed to 33.3% last year from 29.2% in 2010, while the developer's net profit margin rose two percentage points to 14%. Evergrande announced underlying profit, excluding property revaluation gains, jumped 56.3% to CNY8.61 billion from CNY5.51 billion in 2010. Turnover increased 35.2% to CNY61.92 billion, thanks to strong growth in property sales. Net profit soared 50% to CNY11.38 billion. The company completed a gross floor area of 11.34 million square meters last year, up 26% from 8.99 million sq m previously. Contracted sales grew 59.4% to CNY80.39 billion, while average prices rose 3.1% to CNY6,590 per sq m. The company expanded into 103 cities while its land bank grew 42.5% last year to 136.8 million sq m, the South China Morning Post reports.

- Shun Tak Holdings plans to build "an ultra-luxury hotel" on Macao's Cotai strip to be managed by the Jumeirah Group. The real estate developer also reported a 9.9% drop in net profit to HKD781 million last year as a result of lower property sales due to moves by the Hong Kong government to cool the market. Turnover dipped 4.2% to HKD2.96 billion. During the year, operating profit from property fell 27.34% to HKD186 million, while the shipping division incurred a loss of HKD10 million due to soaring fuel costs.
- Sales of new apartments fell for the third straight quarter in Shanghai despite a gradual recovery in buying momentum over the past few weeks, according to latest market data. Between January 1 and March 28, a total of 1.18 million square meters of new apartments were sold, down 11% from the previous three months, Century 21 China Real Estate said in a report. During the same period in 2011 and 2010, 1.4 million and 1.42 million sq m of new apartment units were sold in the city respectively. As of March 28, 832,700 sq m of newly-built apartments were released to the local market, the lowest quarterly supply since 2010.

RETAIL

Rich Chinese spend 3% of their wealth a year

Rich Chinese spend about 3% of their personal wealth a year, with travel, daily luxuries, children's education and gifts as the top consumption items. With fortunes of CNY49 million on average, the rich spent CNY1.45 million a year, including 19% on travel, 15% on daily luxuries, 12% on children's education, and 10% on gifts, according to the Chinese Luxury Consumer White Paper 2011, published by the Hurun Research Institute and the Industrial Bank. The findings came from a survey conducted between October and January among 878 Chinese citizens, 39 years old on average, with more than CNY6 million worth of personal assets.

There are 2.7 million such rich individuals living on China's mainland, including over 60,000 ultra-rich people, whose fortune exceeded CNY100 million. On average, the rich took 3.6 leisure trips in China and 2.4 such trips abroad last year. Hong Kong is now the indisputable destination for lavish spending by the rich, as 73% of them said it was their preferred location for purchasing luxury goods. Purchases are concentrated in watches andvjewels, while the ultra-rich group is showing increasing interest in super-luxury goods like yachts and private jets. Up to 85% of the high net-worth individuals said they have plans for their children's overseas education. Shanghai and Beijing are growing rapidly in importance in the view of high-net-worth individuals and will take fourth and third places in a list of the world's top cities in 10 years, according to a report by Knight Frank and Citi Private Bank. They are currently in eighth and ninth positions on this year's list. London and New York are seen as the most important world cities for the super rich and will remain so for the next 10 years, concluded the report, which defines those with more than USD25 million in investable assets as high-net-worth individuals.

Gome's sales rise but profit falls

Gome Electrical Appliances, the second-largest home appliance retailer in China, plans to maintain its pace of expansion by opening about 260 shops this year after reporting a 6.2% decline in net profit for last year to CNY1.84 billion. Revenue grew 17.5% to CNY59.82 billion. At the end of last year, the firm had 1,079 stores across the country, an increase of 253 from the previous year. The company said a more than 70% jump in capital expenditure had dragged down net profit last year as it invested more in new shops, remodeling existing stores and buying IT equipment. This year, "the group will adopt an operational strategy which emphasizes both store network expansion and same-store growth", said Chairman Zhang Dazhong. He added that the company would start to "position e-commerce as the key area of development". Gome operates two online shopping platforms: gome.com and coo8.com. Rival Suning Appliance, which operates more than 1,700 home appliance shops, has said its revenue for last year was CNY93.8 billion, about 1.6 times that of Gome. Its net profit, which stood at CNY4.8 billion, was nearly triple that of Gome.

- De Beers Diamond Jewellers, a joint venture between De Beers and LVMH, plans to add at least six stores in China this year to cash in on demand for diamonds. "We are looking at expanding our shops in continental China big time," Chief Executive Philippe Mellier said.
- Li Ning, China's largest maker and retailer of sportswear, reported a 65% drop in profits in 2011 to CNY386 million from CNY1.1 billion a year earlier.

SCIENCE & TECHNOLOGY

World-class test bench for trains put into operation

A test bench that provides simulated braking of high-speed trains was put into operation last month. It set a world record by allowing a maximum test speed of up to 530 kph. Previous test systems in China could only simulate conditions of 300 kph. Domestic train manufacturers had to travel to other countries to test braking on their 380-kph trains. The test bench is now seeking authentication from the International Union of Railways (UIC) to allow the results to be recognized worldwide. China's largest train maker, CSR Corp, was reported in December to have launched a test train that can reach speeds of up to 500 km an hour. Though there's no immediate demand for faster trains, engineers are working on new high-speed models, including one that can withstand temperatures of -40 ºC which is expected to be put into service this year. Researchers are also looking at how to utilize high-speed trains for cargo. China's high-speed railway network is expected to pass 10,000 km by the end of this year, the Ministry of Railways (MOR) said in February.

New York University Shanghai to open for enrollment

New York University Shanghai, the first Sino-U.S. joint higher education institute, will start to admit undergraduate students next year, though construction on its campus in Pudong's Lujiazui area won't be completed until June 2014. The first 300 undergraduates will study at East China Normal University, the Chinese partner of the joint institute. The university will launch seven majors including finance, natural science, and information and communication technology. The Shanghai Education Commission also plans to improve its service to foreign students and boost education exchanges by 2015. “We want to make Shanghai a global education hub,” said Yin Jie, Deputy Director of the Education Commission. The city will build 10 internship bases for overseas students by 2015 and will subsidize more students abroad. By 2015, 2% of university students and 2% of vocational school students will get subsidies to study abroad or have overseas internships each year.

- Shanghai's top prize for science and innovation was this year awarded to Zhou Liangfu, 70, a neurosurgeon at Huashan Hospital who performed over 10,000 surgeries; and He Lin, 58, a geneticist at Jiao Tong University, who detected many genes related to diseases. Each will receive CNY500,000. The two foreign experts who received this year’s international scientific and technological cooperation award are Michael Phillips, a Canadian mental health expert, and Issei Komuro, a Japanese cardiovascular expert.

STOCK MARKETS

Vice Premier Wang Qishan says OTC market to be considered

Vice Premier Wang Qishan said Beijing would explore the formation of an over-the-counter (OTC) market and increase the weight of direct financing in capital-raising, pushing the Shanghai Composite Index to its steepest fall in nearly four months. “The over-the-counter market is an important part of a multi-level capital market,” Wang said. “[We] need to step up the reform... and explore the establishment of an over-the-counter market, increase the proportion of direct financing, improve the financial system in order to meet the demand of financing through different channels,” he said. Wang's words left investors fearing money will drain from the stock markets, triggering panic selling. The Shanghai Composite Index recorded the sharpest drop since November 30, falling 2.65%, or 62.3 points, to below 2,300 points. The Shanghai Shenzhen CSI 300 Index fell 2.8% to 2,474.9. VC Brokerage's Louis Tse said the market was also dampened by Citic Heavy Industries' upcoming domestic initial public offering, slated to be the largest IPO so far this year in China. The IPO will suck more than CNY4 billion from the market, leading to fears about its impact on other stocks.

Sino-Forest up for sale

Timber and tree plantation company Sino-Forest, which is being investigated for fraud, is filing for bankruptcy protection, putting itself up for sale and filing a lawsuit against the research firm that accused the company of exaggerating its timber holdings in China. Sino-Forest said it would implement a restructuring plan if the company does not receive a suitable takeover offer. The request to the Ontario Superior Court is the equivalent of a US Chapter 11 filing. Sino-Forest's Chief Executive Judson Martin said in a statement: “We believe the full value of our assets will only be achieved if we are able to continue operating the business, and repair and preserve relationships with our customers and suppliers.” Sino-Forest was once Canada's most valuable publicly traded forestry business, but its shares plunged last year after short-seller Muddy Waters Research alleged that the company exaggerated its assets. Securities regulators in Canada suspended trading in the shares on the Toronto Stock Exchange. The company is under investigation in Canada. Sino-Forest said it was pursuing a lawsuit against Muddy Waters Research and its research director, Carson Block, as well as others who have accused the company of fraud. The company is seeking USD4 billion and the recovery of profits made by the short seller and others. Sino-Forest manages tree plantations in China and sells logs, standing timber and manufactured engineered-wood products. Its management offices are primarily in Hong Kong, on the mainland and in Canada. Richard Chandler, a New Zealand billionaire investor, was the largest holder of Sino Forest shares, with just under 20%. Greenheart Group, a Hong Kong-listed firm 63.6% owned by Sino-Forest, said its Toronto-listed parent has reached a deal under which Sino-Forest would be sold to a third party or Sino-Forest's creditors would acquire all its assets.

- Allianz, Europe's biggest insurance company, is mulling a secondary listing on the Shanghai Stock Exchange. The insurer has been keen to list on a Chinese stock exchange for three years and would like to become the first overseas insurer to raise funds in Shanghai. However, no timetable has been announced for the launch of the new international board which would enable foreign firms to sell shares to investors.

- The Hong Kong stock exchange has unveiled a HKD3 billion project called Orion to improve its technology over the next three years, allowing it to better compete with overseas bourses. Orion's technology initiatives include establishing a new data center and upgrading exchange platforms to speed up information delivery and trading, and allowing HKEx to provide new electronic services. The Orion program aims to turn HKEx's core trading platforms into a sophisticated connectivity network called SDNet/2, linking the local bourse with other markets. HKEx will also set up a market data center in Shanghai.
- Chinese trading in Hong Kong stocks accounted for 12% of all overseas trading in local stocks in 2009 before falling to 10.55% in 2010 and to 10% last year.

TRAVEL

Pudong to build Shanghai's second business aviation center

Shanghai plans to build its second business aviation base at Pudong International Airport in about three years to cater to a growing private jet market. The base, and the current Shanghai Hawker Pacific base at Hongqiao airport, are part of a broader plan to build the city into a major business aviation hub. The Hongqiao base began operations in 2010. Shanghai’s airports handled 3,500 departures and landings of business aircraft last year, about 33% of China's total. It is expected the number will grow by about 10% to 15% this year and rise to 6,000 over the next two to three years. There were 137 private jets registered in China last year, compared to 32 in 2008. The number of business jets is expected to increase to 1,000 within 10 years, insiders said, while some estimate 2,360 by 2030. Companies, including Airbus, Boeing, Bombardier and China Eastern Airlines, last week established a Business Jet Shanghai Alliance to promote the market. They are calling for a reduction in taxes and increased access to airspace. Taxes are as high as 23% for an imported business jet compared to 12% for civil passenger planes. There are far too few airports for business jets, said Kong Linshan, President of Minsheng Financial Leasing Co, a business jet buyer. Ten business jets were sold on the first day of the inaugural Asia Business Aviation Conference and Exhibition at Shanghai’s Hongqiao International Airport. More than 150 exhibitors and about 5,000 to 6,000 visitors, were expected at the three-day exhibition. Gulfstream and private jet-leasing companies including Asian Sky Group and Vistajet also signed purchase contracts. Christophe Degoumois, Vice President of Business Aircraft Sales at Canada’s Bombardier, said that 2,360 business jets will be delivered to China by 2030.

Xia Xinghua, Deputy Director General of the Civil Aviation Administration of China (CAAC), said in Shanghai that 48 private-jet-charter start-ups were now awaiting the CAAC's approval to enter the market. Last year there were only nine such operators in China. He said the government was ready to shorten the approval process, to make it easier for charter-jet companies to acquire new aircraft. At present it takes three months on average for an operator to get approval. “The number of [available slots] at airports for business jets is not enough,” Xia said. “Also, the management of airspace, air routes and flight plans can be improved.” There are only 180 airports in China that allow private jets to land and take off, compared with 15,000 in the United States. Xia said the government would invest in infrastructure and hoped to cut the approval time for flight plans to three days or less in future. In the short term, the regulator would approve only about 30 new operators by 2015, to ensure safety standards. Xia also said the import tax for private jets was too high with a 17% value-added tax and a tariff of at least 4%.

Kerzner to build luxury resort in Sanya

Kerzner International Holdings, based in Dubai, whose flagship brand is Atlantis in the Bahamas and Dubai, plans to open its first Chinese resort in early 2014 in Tufu Bay in Sanya. The planned resort will take up an area of 16 hectares and have a half-kilometer coastline. The city now boasts a greater density of high-end hotels than any other city in China, including Beijing and Shanghai. Sanya’s local government said there are 223 tourism hotels in the city, including 13 five-star hotels, 20 four-star hotels and 26 hotels that have been built to a five-star standard, but have yet to be graded. Almost every famous hotel brand has opened a hotel in Sanya. Marriott International opened its third hotel in Sanya last June and has two more in the pipeline. Marriott’s Ritz-Carlton Sanya located on Yalong Bay is the most successful Ritz-Carlton in the world, Paul Foskey, Chief Development Officer of Asia Marriott International said. St Regis Hotels and Resorts International also invested CNY2.5 billion in its first Chinese resort in Sanya.

Air China denies having canceled Airbus orders

Air China has not cut or cancelled any Airbus orders and is sticking to the delivery plan for the aircraft, the company said, adding that it plans to expand capacity. China has suspended the purchase of 55 Airbus jets, including 45 long-haul A330s and 10 Airbus A380s worth a total of USD14 billion, as part of a trade row over European Union airline emissions charges. Air China Board Secretary Rao Xinyu said Air China would stick to its plan to take delivery of 35 new aircraft this year, including 14 A320/A310s and 6 A330s from Airbus. The company called for negotiations to resolve a row over the European Union cap-and-trade scheme which could levy charges for carbon emissions for flights into and out of Europe. The charge would increase Air China's costs by CNY200 million to CNY300 million a year, and the cost for the entire Chinese airline industry could reach USD100 million a year, Air China's Senior Vice President, Zhao Xiaohang, said in Taipei. Air China plans to expand passenger capacity by 8% on domestic routes and 12% on international routes this year. Jet fuel costs rose 44% in 2011 and accounted for more than a third of Air China's operating expenses. The carrier reported a 41% drop in 2011 net profit to CNY7.08 billion on rising costs, a continuing recession in the international air passenger market and a significant decline in air cargo operations. Air China has orders for a total of 51 Airbus planes to be delivered by 2014, including 30 A320/310s and 21 A330s, the South China Morning Post reports.

- Qingdao is planning to build a light rail transit system circling the city by 2020. The Director of the city's Development and Reform Commission said there were also plans for a new airport able to handle 30 million people a year, compared with the existing airport's capacity of 12 million.
- NetJets, the business jet operator controlled by Warren Buffett, will form a venture in China with Hony Capital and Fung Investments, according to a company statement. It did not say how many planes the Zhuhai-based venture would have or when flights would start.
- Cathay Pacific Airways and Air China have agreed to form a joint venture with Shanghai International Airport to provide airport ground handling services at Shanghai's Pudong and Hongqiao international airports. Shanghai International Airport Services is expected to start operating in the third quarter. Cathay will invest CNY90 million for a 25% stake, while Air China will get 24% for CNY86.4 million.
- Researchers from the Chinese Academy of Sciences' Institute of Geographic Sciences and Natural Resources Research criticized the construction of high-speed transport networks and called for more resources to be allocated to the development of slower transportation. Low-speed networks such as paved village roads and ordinary railway lines were not maintained or left undeveloped, the Institute said in a report. Professor Liu Weidong said that only a small proportion of the country's 1.3 billion people – the rich – had benefited significantly from high-speed transportation networks.
- New World Hospitality has announced a USD160 million plan to expand the number of hotels under its Pentahotels brand to 30 in the next five years. New World Group would own 30% of the hotels and other developers the rest. Pentahotels, a brand launched in Europe, now has two hotels in Asia – in Shanghai and Beijing. The company will open a hotel in Guiyang next year with 197 rooms, and one in Shenyang with 390 rooms in 2014.
- The high-speed train service from Shenzhen to Changsha in Hunan province and Wuhan in Hubei province opened, with 20 services a day and the first train starting from 7 a.m., Southern Net reports. The previously 11-hour journey to Wuhan will now take 4 hours 11 minutes on the fastest train.
- The world's biggest cross-canyon suspension bridge opened for traffic in western Hunan. The 1,176 km span of the four-lane Aizhai bridge, 355 m above the valley floor, shortens the traveling time between Changsha and Chongqing from 18 hours to eight hours.

VIP VISITS

President Hu attends summits in Seoul and New Delhi

Chinese President Hu Jintao met U.S. President Barack Obama and other leaders at the Seoul Nuclear Security Summit. Hu told Obama that problems in the U.S. economy were not caused by China's exchange rate regime and further appreciation of the yuan would not solve them. President Hu Jintao called on the international community to support the development of emerging markets as he arrived in New Delhi for a BRICS summit, at which Brazil, Russia, India, China and South Africa pledged closer economic cooperation. At a trade ministers' meeting held on the sidelines of the summit, Minister of Commerce Chen Deming said he expected China's economic growth to exceed the government's 7.5% target this year, and that China would help the U.S. and Europe tackle their financial crises. The central banks of the BRICS countries signed agreements to extend lines of credit in local currencies. Hu Jintao also visited Cambodia, where he pledged to double bilateral trade to USD5 billion and announced fresh aid.

Irish Prime Minister Enda Kenny visits China

China and Ireland signed a number of deals to promote cooperation in science, trade and investments, during the visit of Irish Prime Minister Enda Kenny to Beijing. Chinese Premier Wen Jiabao said China welcomes Ireland's new Asia strategy, in which China is its primary partner. Wen also expressed the hope that the EU could start negotiations on an investment agreement with China as soon as possible to provide a legal guarantee for investment between China and the EU. The trade volume between China and Ireland hit USD5.87 billion in 2011, an 8.6% increase over the previous year. "Bilateral trade and investment volume is comparatively small, but has been growing swiftly in recent years," Wang Zhanpeng, Director of the Irish Studies Center at the Beijing Foreign Studies University said. "The prospect of substantial Chinese investment in Ireland, possibly including the purchase of Irish state assets, has increased," the Irish Times reported. But recent Irish statistics don't look promising. GDP fell 0.2% in the October-December quarter. Irish GDP has fallen for three straight years: 3% in 2008, 7% in 2009 and 0.4% in 2010. But Prime Minister Kenny said that confidence is returning to the Irish economy.

- Italy and China vowed to boost trade ties when Italian Prime Minister Mario Monti met Premier Wen Jiabao in Beijing. Monti was the only European leader to attend the Boao Forum in Hainan. Liu Jiansheng, Research Fellow at the European Division of the China Institute of International Studies, said Monti's trip could pave the way for Italy's advanced technology and environmental protection businesses to gain a foothold in the China market.

ONE-LINE NEWS

- China Mengniu Dairy reported net profit last year jumped 28.4% to CNY1.59 billion, while revenue grew 23.5% to CNY37.4 billion. Deutsche Bank said that Mengniu's sales may have dropped up to 20% in January since the country's food safety watchdog found dangerous levels of aflatoxin M1 in one of 25 batches of UHT milk from Mengniu's Meishan plant in Sichuan. Mengniu said it was caused by mouldy feed given to cows and that all tainted products were destroyed.
- Chen Cungen, former Chairman of the Chongqing Municipal People's Congress, has been replaced by Xu Songnan, 56, who was Director of the Organization Department of the regional Communist Party in Ningxia.
- China Agri-Industries, one of the largest state-owned oil and grain companies, announced a 39% jump in net profit to HKD1.70 billion as revenue from its oilseed businesses increased sharply amid robust demand and suspension of government price caps. Its major profit driver was the oilseeds business, which accounted for 68% of revenues.
- Hong Kong billionaire Li Ka-hsing's biggest company, Hutchison Whampoa, announced a near tripling in net profit last year to HKD56.02 billion, a 178% increase from HKD20.18 billion a year earlier. Excluding profits on disposals and revaluations of investment property, net profit rose 36% to HKD22.56 billion. Revenue grew 22% to HKD287.72 billion.
- Tsingtao Brewery posted a better-than-expected 14% rise in 2011 net profit to CNY1.74 billion. Revenues increased 16.4% to CNY23.16 billion last year. Tsingtao aims to boost annual production capacity to 100 million hectoliters in 2014.

ANNOUNCEMENTS

China IPR SME Helpdesk E-bulletin

The China IPR SME Helpdesk has published its first E-bulletin dedicated to intermediaries and partners. Below are links to new publications:
New E-learning Module: "Technology Transfer to China"
New Guide: Intellectual Property Systems: China / Europe Comparison
New Guide: IP Strategies for EU 'Cleantech' SMEs in China

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Tap into the China opportunity at the Canton Fair

China's largest trade fair takes on greater role in global economic downturn

GUANGZHOU, China – As the United States and Europe grapple with economic uncertainty, the Canton Fair has become an even more essential platform for foreign businesses seeking trade opportunity and new territory for business.

The Canton Fair is the largest trade fair in China, drawing the best of Chinese manufacturers and more than 2,000 foreign companies from over 50 countries every year, including the US, Japan, Germany, Italy and the UK. In response to the global economic crisis, the fair had adapted in recent years to present new opportunities for foreign and Chinese businesses, as well as buyers.

"A restructuring global economy offers opportunities for trade, as well," Zhong Shan, China's Vice Minister of Commerce, said in a recent speech. "When preparing for the Canton Fair we have to follow the notion of scientific development and the 'Steady Growth, Adjust Trade Structure and Promote Trade Balance' policy to seize the opportunities and take on the challenges."

The 111th session of the Canton Fair comes at an ideal time for foreign businesses as the Chinese government has also decided to boost imports to achieve a more equitable trade balance as part of its 12th five-year plan.

Luigi Capretto, owner of a Italian company called Foccacia Tech which makes bespoke air-conditioning units, says his business has boomed since he first started exhibiting at the 2004 Canton Fair, a year after visiting as a buyer. "The Canton Fair put me in touch with many Chinese property development companies, architects and designers and now I even manufacture in China", he says.

Foreign buyers will find plenty of opportunities to connect with Chinese businesses at the fair, as well. Robert ZQB, president of Spectra Cina, Inc., said he first exhibited at the fair in 1994 and now conducts about $50 million worth of business each year as a buyer. "In just 15 days, we can see the best products assembled in China, which makes us feel like we've had a travel all around China," he said.

The 111th session of the Canton Fair will be held from April 15 to May 5 at the China Import and Export Fair Complex in Guangzhou, China.

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