法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 5 MARCH 2012

FCCC ACTIVITIES

Sino-Belgian Business Survey: Results & panel Discussion, 15 March 2012, 20h00, Living Tomorrow, Vilvoorde

The Chinese economy outperformed most economies with its 9% growth last year. But how well did our Belgian companies perform in China? What are the greatest opportunities and threats that lie ahead of us? Through the results of 15 simple yet crucial questions we took the temperature of the Sino-Belgian business conditions.

The results of the survey will be shared with you through a panel discussion with a number of Sino-Belgian industry leaders. These panel members already confirmed their presence:
Herman Van de Velde, CEO Van de Velde
Dirk Vyncke, Chairman Vyncke Clean Energy Technology
Ivan Van de Cloot, Chief Economist Itinera Institute
Geert Defieuw, Director Intellectual Property & Education Umicore

This event is organized by Moore Stephens Verschelden, the Flanders-China Chamber of Commerce and Flanders Investment & Trade.

Programme:
19:30 - 20:00 Welcome and registration
20:00 - 20:45 Presentation results of the survey and panel discussion
20:45 - 21:00 Q & A
21:00 - 22:00 Networking reception

This meeting will take place at Living Tomorrow, Indringingweg 1, 1800 Vilvoorde. Register by sending an e-mail to info@flanders-china.be before 12 March 2012. After subscribing you will receive a confirmation by e-mail. Participation fee for FCCC members: €30, non-members: €45.

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.

PAST EVENTS

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

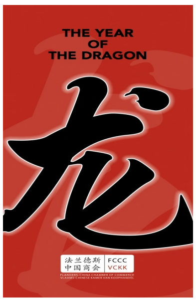
The Flanders-China Chamber of Commerce organized, in cooperation with Deloitte and the Port of Antwerp, an information session on the aspects of immigration and social legislation. The focus was on the posting of Chinese nationals to Belgium and vice versa.

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.

FCCC Chinese New Year reception, 16 February 2012, KBC Bank, Brussels



The Flanders-China Chamber of Commerce organized a successful New Year's reception on 16 February 2012 at KBC Bank in Brussels, attended by 300 participants.

Speeches were made by:

Mr Bert de Graeve, Chairman of the Flanders-China Chamber of Commerce (FCCC)

His Excellency Mr Liao Liqiang, Ambassador of the People's Republic of China in Belgium

Mr Didier Reynders, Vice Prime Minister and Minister of Foreign Affairs, Foreign Trade and European Affairs
Pictures of the reception can be viewed at the FCCC website (Activities - Pictures).

Meeting with Chinese delegation: “Leadership in Low-carbon Growth”, 16 February 2012, Antwerp

The Flanders-China Chamber of Commerce and the Flanders Cleantech Association organized a meeting with a delegation led by a group of Chinese mayors of second and third-tier cities in China. The Chinese mayors were from the following cities: Lanzhou (Gansu province), Guiyang (Guizhou province), Zhuhai (Guangdong province), Inner Mongolia Autonomous Region.

The visit was organized in the framework of an exchange programme of The Climate Group, which is an organization based in the UK with offices worldwide, including Beijing and focusing on climate change and low carbon area. The aim of their visit was to facilitate the dialogue, trade and investment between Chinese cities and Europe on cleantech and environmental technologies.

The participants were welcomed Mrs Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce. This welcome was followed by an introduction by Mr Dirk Fransaer, Managing Director of VITO. Mrs An Vandeputte, Project Manager of OVAM/Public Waste Agency of Flanders gave an interesting presentation on the policy instruments and results in waste management in Flanders. Mr Daniel Dirickx, Director of the Hooge Maey explained the meaning of sustainable landfilling. Mr Bert Lemmens, Project Manager Renewable Chemicals of VITO showed how to obtain renewable chemicals from algae. To end the presentations, Mr Karl Vrancken, Research Coordinator of VITO gave his view on Enhanced Landfill Mining as a new concept for sustainable materials management.

After the presentations the delegation visited the site of the Hooge Maey. After the site visit the delegation and the Belgian companies had a lunch with a presentation by Mr Luc Bas, European Programme Director of The Climate Group. During the lunch, the Belgian companies were able to present themselves and their activities to the delegation.
This meeting was organized with the support of Flanders Investment & Trade. Pictures of this meeting can be viewed at the FCCC website (Activities-Pictures).

FCCC Annual meeting with the Belgian Ambassador to China and the Belgian Consuls-General in Shanghai, Guangzhou and Hong Kong, 2 February 2012, Brussels

The Flanders-China Chamber of Commerce (FCCC) organized its annual meeting with the Belgian Ambassador to China and the Consuls-General of Belgium in Shanghai, Guangzhou and Hong Kong.

Mr Stefaan Vanhooren, Vice Chairman of the Flanders-China Chamber of Commerce, welcomed the participants. His Excellency Mr Patrick Nijs, Ambassador of Belgium in the People’s Republic of China, delivered a speech on the prospects of the Chinese economy. Mr Bruno Georges, Consul General of Belgium in Shanghai gave us his insight of the current economic situation in Shanghai. Mr Johan D’Halleweyn, Consul General of Belgium in Guangzhou, pointed out the opportunities in Guangzhou. This speech was followed by an outlook on today’s economy in Hong Kong by Mr Evert Maréchal, Consul General of Belgium in Hong Kong.

During a networking reception, the participants were able to meet the Ambassador and the Consuls-General and to inform them about their company’s activities in China. This event was organized with the support of Flanders Investment and Trade. Pictures can be viewed at the FCCC website (Activities-Pictures).

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

MEMBERS' NEWS

Hainan Airlines increases Brussels-Beijing to daily service

To satisfy the market demands and offer more comfortable and convenient service, Hainan Airlines will increase its Brussels-Beijing flights to daily operation on 01 July 2012 in the summer season. Following is the schedule of Hainan Airlines' direct flights to Beijing:

25 March 2012 - 30 June 2012: Day 2, 4, 5, 6, 7
01 July 2012- 27 October 2012: Day 1, 2, 3, 4, 5, 6, 7
28 October 2012 - 30 March 2013: Day 2, 4, 5, 6, 7

When passengers arrive in Beijing, they can be connected to Hong Kong with Hong Kong Airlines (two code: UO), Shanghai, Guangzhou and another 50 cities interlined with Hainan Airlines domestic flights.

Brussels-Beijing is operated with Airbus A330-200 wide-body aircraft. Business Class seats can be regarded as the world's most spacious. The 180-degree fully-flat business class seat allows passengers to enjoy more comfort. Each Economy Class seat has a full-touch LCD TV, equipped with the Hainan Airlines-invented “Your Travel” entertainment system. Hainan Airlines is a world-wide 5 star airline and its safety record ranks in the top 5 world-wide.

NPC & CPPCC SESSIONS

Premier Wen delivers government work report at NPC

Chinese Premier Wen Jiabao delivered the report on the work of the government at the opening session of the National People's Congress (NPC) in the Great Hall of the People in Beijing on March 5. The GDP growth target for this year is set at 7.5%, lower than the 8% target of last year and the real growth rate of 9.2% in 2011. Wen said the lower target was to make “economic development more sustainable and efficient, so as to achieve higher-level, higher-quality development over a longer period of time.” He also said that “China's economy is encountering new problems. There is downward pressure on economic growth.” China's GDP reached CNY47.2 trillion in 2011, while government revenue rose 24.8% to CNY10.37 trillion. For the second year in a row, the per capita disposable income of rural residents rose faster than that of urban residents, by 11.4% compared to 8.4%. The per capita net income of rural residents registered the fastest growth since 1985. China also significantly increased the minimum wage across the country. “China's urbanization level exceeded 50%, marking a historic change in the country's social structure,” the government report said.

China's exports and imports grew by 20.3% and 24.9% in 2011, respectively, and the trade surplus further decreased. This year foreign trade is expected to rise by 10%. Measures would be taken to increase imports. Total utilized foreign direct investment (FDI) last year was USD116 billion, while China's non-financial outward direct investment (ODI) reached USD60.1 billion. Wen said the Chinese government would “encourage more foreign investment in advanced manufacturing, new and high technologies, energy conservation, environmental protection, new service industries, and the central and western regions.”

Ensuring general price stability was the Chinese government's top priority in the past year, Premier Wen said. The inflation target set in March last year was 4%, but the actual increase was 5.2%. The inflation rate did however decline monthly since August. This year's inflation target was also set at 4% with the growth of the M2 money supply at 14%. Regulation of the real estate market was tightened, significantly curbing speculative or investment-driven housing demand. Wen Jiabao also said that government debt in China was now at a controllable and secure level. Measures will be taken to prevent the further increase of local government's debts, although the Premier emphasized that “these debts have played a positive role in promoting economic and social development and produced a large amount of quality assets.” He acknowledged they “also contained risks and hidden dangers”. The yuan would be kept basically stable and the government would “work steadily to make the RMB convertible under the capital account and expand the use of RMB in cross-border trade and investment.” The fiscal deficit was targeted at 1.5% of GDP, up from the 1.1% of GDP last year.

Expanding consumer demand will be an important task for the government this year. “We will vigorously adjust income distribution, increase the incomes of low- and middle-income groups, and enhance people's ability to consume,” said Wen. China's grain output increased for the 8th consecutive year, “which has rarely been seen in history,” Wen added. Grain output in each of the past five years exceeded 500 million tons. Premier Wen Jiabao also acknowledged there still were problems in economic development. Regulation of the real estate market is in a crucial stage, he said. Total energy consumption is growing excessively fast. “Targets for conserving energy, reducing emissions, and controlling prices are not being met. Problems concerning land expropriation, housing demolition, workplace safety, food and drug safety, and income distribution are still very serious and the people are still very concerned about them.” “We will show the world with our actions that China will never seek economic growth at the expense of its ecological environment and public health,” Wen said.

Premier Wen Jiabao and President Hu Jintao will step down at the next NPC session in March 2013. Next year's NPC will have roughly one deputy representing every 670,000 citizens, marking the first time that urban and rural residents will have equal representation, NPC Spokesman Li Zhaoxing said. Prior to 1995, there was an NPC deputy for every 800,000 rural residents and one for every 100,000 urban residents. This ratio was reduced to four-to-one in 1995, and finally removed in a revision of the Electoral Law in March 2010.

Economic plans and budget reports submitted to NPC

Written reports on the plan for national economic and social development by the National Development and Reform Commission (NDRC) and on the central and local budgets by the Ministry of Finance were distributed to the NPC delegates for deliberation. They add more economic and financial details to Premier Wen's government report. The NDRC said China's total fixed-asset investment rose 23.6% in 2011, 5.6 percentage points higher than the target. Retail sales of consumer goods rose 17.1%, 1.1% higher than the target. Chinese banks granted CNY7.47 trillion of yuan loans last year, CNY390.1 billion less than in 2010. M2 rose 13.6% last year, 2.4 percentage points less than the target. Total government expenditures on agriculture, rural areas and farmers rose 21.2% last year and the total acreage of farmland increased by 313,300 hectares.

The NDRC said it eliminated “backward production facilities at cement plants with a total capacity of 150 million tons, iron foundries of 31.22 million tons, coking works of 19.25 million tons and coal mines of 24.63 million tons, and closed down small-capacity thermal power generating units with a total capacity of more than 7 million kilowatts, thereby exceeding all the planned targets.” China last year added 2,167 kilometers of newly built railways and 71,400 km of highways were opened to traffic. Five new civilian airports were put into service.

Energy consumption per unit of GDP dropped 2.01% last year, short of the planned target. An additional 12.21 million urban jobs were created in China in 2011, 3.21 million more than the target and the employment rate for new college and university graduates was 77.8%, up 1.2 percentage points from the previous year. The urban per capita disposable income and rural per capita net income reached CNY21,810 and CNY6,977 respectively, while the average monthly wage of rural migrant workers reached CNY2,049, an increase of 21,2% over 2010.

The NDRC said most of the targets in the 12th Five Year Plan for 2011 were met, but three notable exceptions were energy consumption per unit of GDP, the proportion of value-added of the service sector in GDP, and spending on R&D as a percentage of GDP. The Commission noted that “since September 2011, there has been a continued slowdown in our country's export growth, and there will be greater difficulties this year.” Upward pressures on prices would remain relatively high. NPC Spokesman Li Zhaoxing said China is to boost military spending by 11.2% this year to CNY670.3 billion. China’s military spending amounted to 1.28% of its gross domestic product (GDP) in 2011, down from from 1.33% in 2008.

CPPCC to focus on social issues this year

Jia Qinglin, Chairman of the Chinese People's Political Consultative Conference (CPPCC) delivered a report on the work of the advisory body at the opening meeting of its annual full session in the Great Hall of the People on March 3. He said CPPCC members at the national and local levels made many comments and suggestions which were incorporated into the 12th Five Year Plan and other government plans and policy documents. The CPPCC National Committee submitted to the central leadership 252 reports on social conditions and popular sentiment, and reported 1,896 comments and suggestions. This year it will carry out investigations, studies, deliberation and democratic oversight on major issues in social development. In the past year the CPPCC took many initiatives to promote economic and cultural exchanges with Taiwan. The Standing Committee of CPPCC National Committee sent 39 delegations to 56 countries for visits or to attend international conferences and also hosted

11 visiting delegations from 10 countries and one regional organization. The CPPCC National Committee successfully held the ninth and tenth sessions of the Sino-EU Round Table in collaboration with the European Economic and Social Committee. On the economy, Chairman Jia Qinglin vowed to stimulate “steady and robust” development. He highlighted the need to increase domestic consumption and ensure price stability. He also called for more support to develop small and medium-sized companies (SMEs) and to guarantee food supplies.

- The 70 wealthiest delegates to the National People's Congress (NPC) have personal fortunes together worth an “astonishing” CNY566 billion, the South China Morning Post reports.

FINANCE

Green light for foreign hedge funds to raise yuan capital

Chinese financial regulators have decided in principle to allow global hedge funds to raise capital in China, with two conditions: they must register the hedge fund in Shanghai, and only invest in markets outside mainland China. The Shanghai Municipal Office of Finance Service has received guidelines from central securities and foreign-exchange regulators that will allow foreign asset management firms to apply to set up yuan-denominated hedge funds. Such funds often place short-term bets and are therefore speculative by nature. Raising capital in China is attractive because it will give the hedge funds another avenue for cash, even if it comes with potential foreign-exchange risks from converting yuan to other currencies such as U.S. dollars, and then back into yuan to repay the Chinese investors. Beijing already allows foreign investors to operate yuan-denominated private equity funds in China. Those funds, which usually take a long-term view, must be invested onshore. Western private equity players such as Blackstone and TPG have set up such funds because they want to buy into Chinese firms. In the case of the hedge funds, Beijing does not want them investing in the local markets, stoking volatility. They are free, however, to invest in any asset classes off-shore. The Shanghai Finance Office will have the power to approve the setting up of a yuan-denominated hedge funds, which will also have to seek currency quota from the State Administration of Foreign Exchange (SAFE), the South China Morning Post reports.

- The Chief Executive of Hang Seng Bank, Margaret Leung, announced her forthcoming retirement at the bank's annual general meeting in May. Leung turns 60 in June. But she declined to comment on speculation that her departure from the bank may be a precursor to joining the Hong Kong government as a senior financial official with the new team due to take office from July. She will be replaced at the Hang Seng Bank by Rose Lee, a China adviser at the bank's parent, HSBC.
- Yuan deposits in Hong Kong continued to fall in January for the second straight month, from CNY588.5 billion at the end of December to CNY576 billion, the Hong Kong Monetary Authority (HKMA) said. Yuan deposits in December itself had recorded one of the largest monthly decreases, 6.2%. Bankers attribute the falls to lower expectations of yuan appreciation and a decline in yuan trade settlement.
- Guan Guoliang, 51, former Chairman of New China Life Insurance, was jailed for six years by the Beijing No 2 Intermediate People's Court for embezzling CNY200 million in company funds in 2004 to support a private investment company run by his brother Guan Guoxing.
- The Postal Savings Bank of China said that it has finished a joint-stock restructuring and paved the way for a sale of shares to the public. The bank – China’s sixth largest lender measured by asset value – is a subsidiary of the state-owned China Post Group Corp. Another of its subsidiaries, China Postal Express & Logistics Co, recently filed for a listing with the China Securities Regulatory Commission (CSRC) and passed the first round of examinations.
- The number of JPMorgan Chase's Chinese clients seeking financing overseas has doubled from a year ago to a record, led by developers seeking funds. JPMorgan began offering investment banking services in China in the middle of last year after tying with First Capital Securities as a joint-venture partner in March 2010. That puts it behind rivals such as Goldman Sachs, which in 2004 became the first Wall Street firm to win an underwriting license in China; and Zurich-based UBS, which began operations in China in 2006.

- Jeffrey Zeng, son of former Vice Premier Zeng Peiyan, is helping CITIC Capital raise a USD150 million venture capital fund that focuses on domestic small and medium-sized enterprises (SMEs). CITIC Capital is an investment unit of China's sovereign wealth fund. Zeng Snr, 74, currently heads the high-level government think tank China Center for International Economic Exchanges. CCVP will focus on investments in Chinese SMEs in three sectors – consumer, clean technology, and information technology, which are seen as having high growth potential in China.
- The amount of non-performing loans (NPL) among Chinese lenders will continue to rise in 2012 after picking up in the fourth quarter, said analysts. By the end of 2011, the NPL ratio stood at 0.96%, up by 0.01 percentage point from the third quarter, according to data from the China Banking Regulatory Commission (CBRC). In the fourth quarter, the amount of outstanding NPLs increased by CNY20.1 billion, or 4.9% from three months earlier. It is the first time since 2005 that both figures have registered an increase. Rural credit cooperatives saw the fastest pace of NPL expansion, up 14.8% in the fourth quarter.

FOREIGN INVESTMENT

U.S. companies in South China to raise investment by 20%

American companies in southern China are operating profitably and plan an aggregate 20% increase in investments over the next three years to expand their operations in the region despite a sluggish world economy, according to the American Chamber of Commerce in South China. In a special report on the state of business in southern China, the Guangzhou-based Chamber said about 90% of U.S. companies in the region that participated in the study reported they were either profitable, or would be within two years. The most important reason the companies gave for their high rate of profitability was having a presence in the region and that the market was growing, said Harley Seyedin, the Chamber's President. More than 70% of the 461 companies surveyed reported that their primary business focus was serving customers in China, with a nearly even split between companies providing tangible goods and those providing services. The Chamber estimated that total investments by U.S. businesses in southern China would amount to CNY11.7 billion between 2012 and 2014, a net increase of 20% on last year's estimates. Despite the planned increase in investment and their high degree of profitability, a growing number of U.S. companies in southern China downgraded their opinion of the business environment from “good” to “needs improvement”. Almost a quarter of participants felt that the businesses environment had deteriorated or not improved since a year earlier. For the seventh consecutive year, regulatory issues were identified by the companies as the single largest business challenge. Asked to rank a set of macro-level concerns in order of likely negative effects on their business operations, most participants identified inflation as their chief worry. Seyedin said an increasing number of younger owners of small- to medium-sized businesses might have contributed to the more negative outlook observed this year, with their experiences of navigating the regulatory environment to obtain licenses and opening their business coloring responses, the South China Morning Post reports.

- Shanghai intends to attract at least USD10 billion in foreign direct investment (FDI) annually by 2015, the Shanghai Commission of Commerce said. Last year, Shanghai attracted a record USD12.6 billion in FDI, up 13.3% from a year earlier. The contracted FDI also rose 31.1% annually to USD20 billion. Shanghai hopes another 150 multinational companies will set up their regional headquarters in the city by 2015 to add to the 353 already there.

FOREIGN TRADE

Sinosure launches export credit risk index

The China Export & Credit Insurance Corp (Sinosure) launched a short-term export trade credit risk index, an indicator tracking the risks of China’s major trading partners. The index is meant to help Chinese companies hedge the risks of doing business overseas. Countries to watch out for include Italy, Germany and Spain, which have been primarily affected by the debt crisis, while South Korea and Mexico pose a risk because they rely heavily on exports. Chinese exporters should be more careful about trading in electronic products and metal products, mainly steel, Sinosure said. Xie Zhibin, Assistant President of Sinosure, said the credit risks of export-driven developing economies should not be overlooked. “As the economies of those countries, such as Vietnam and those in East Europe, rely heavily on exports, (they) will be vulnerable to the slowdown in the global economy, but the trade credit risks for domestic-driven economies, such as Indonesia, will be comparatively lower,” Xie added. “Meanwhile, as 2012 is also an election year for major developed countries, such as the U.S., Russia, France, Germany and Japan, trade policies in those countries may also face a change due to political concerns, thus posing trade credit risks for Chinese exporters,” Xie said.

Yuan settlement expanded to all firms

China widened trade-settlement rules to allow all Chinese firms to invoice or pay for cross-border deals in renminbi. The central bank's announcement underscores the success of a 2-1/2-year trial by Beijing to globalize the yuan, which it hopes will one day rival the U.S. dollar and the euro as a major trade-settlement currency. “Companies that can settle their trades in yuan are no longer restricted to those selected for the pilot program,” the People's Bank of China (PBOC) said. “All registered exporters and importers can now settle their trades in yuan.” To promote the use of the yuan internationally, Beijing allowed 365 firms to settle their trade using the currency under a July 2009 pilot program. The plan was expanded in 2010 to cover 20 provinces and 60,000 companies. The success of the trial led Beijing to take the scheme nationwide in August last year, although exporters and importers were still required to get approval. Trade settled in yuan rose four-fold to CNY2.08 trillion at the end of last year from 2010 – about 9% of total imports and exports. The PBOC said firms that flouted customs, trade and financial rules in the past two years will be blacklisted. It is mostly importers who settle their trades in the yuan due to expectations that the currency is set to rise.

IPR PROTECTION

Linsanity trademark battle looming

Another trademark battle is looming over the name of New York Knicks NBA star Jeremy Lin as Wuxi Risheng Sports Utility had registered the trademark for USD700 before Lin's rise in July 2010. The company makes about one million basketballs, volleyballs and soccer balls a year. Nike started selling Lin-themed shoes on its website and launched its “Linsanity” line of clothes at Foot Locker stores last month. Lin is applying for a trademark in the U.S. to the term “Linsanity”. Risheng will start selling basketballs under the “Lin Shuhao Jeremy SHL” trademark in China this month.

MACRO-ECONOMY

World Bank says further reform is needed

China has reached a turning point after three decades in which gross domestic product (GDP) growth averaged 10% a year, and now needs to complete the transition to being a market economy in order to establish itself as a high-income society, according to a report jointly issued by the central government and the World Bank. The report, “China 2030: building a modern, harmonious and creative high-income society”, said Beijing should carry out enterprise, land, labor and financial reforms as part of its attempts to create a new structure for economic growth. “The country's current growth model is unsustainable,” said World Bank Group President Robert Zoellick, who was on a three-day visit to China. “China's leaders have recognized that the country's growth model, which has been so successful for the past 30 years, will need to be changed to accommodate new challenges.” The report was backed by Vice President Xi Jinping and Vice Premier Li Keqiang. The report, by a team from the World Bank and the Development Research Center of the State Council, forecasts China will become the world's largest economy before 2030, though it needs to strengthen its private sector, open its markets to foster competition and innovation, and ensure equality of opportunity. It said China faced challenges posed by an ageing and shrinking workforce, rising inequality, environmental stress and external pressures. Economist Mao Yushi said he agreed with the report, adding that these problems needed to be addressed at once: “We can't wait for 20 years.” Mao said the major resistance to change was from vested interests. “They will not give up the privilege they secured from monopolies,” the South China Morning Post reports.

Debts burden highway construction

Many provincial governments have requested that the central government waive interest payments for their second-grade highways after tolls were removed on many of the roads. The gearing ratio of the nation's expressways had reached 70%, above the 58% gearing ratio of the country's heavily indebted Ministry of Railways (MOR). Guangdong province, for example, had invested a total of CNY300 billion in highways, but CNY200 billion of that had not been repaid, said Zheng Tianxiang, Transport Professor at Sun Yat-sen University in Guangzhou. Because of the debt burden, the National Development Reform Commission (NDRC) announced it would delay construction of new roads. Many highways are struggling to pay interest on their debt since highway tolls were reduced. At present, 19 provinces have scrapped tolls on second-grade highways, which account for more than 90% of toll stations on China's 10,000-kilometer road network. Main roads should have abolished toll collection long ago because, in theory, they would have repaid their debt. Yet, many are still collecting tolls and are heavily indebted, said Zheng. “Tolls are a good way to finance roads, but the government has been negligent in supervising it, so it has become chaotic. The government must audit both the debt and toll collection,” he added.

Competitiveness most improved in Chongqing

Chongqing led in competitiveness gains between 2006 and 2010, the Chinese Academy of Social Sciences (CASS) said. Anhui province was the second most improved while top coal producer Shanxi witnessed the biggest regression. Jiangsu had the most competitive economy in China in 2010, after trailing Shanghai, Guangdong and Beijing in 2006. The four regions topped the competitiveness rankings for all five years, based on the “Report on Overall Competitiveness of China's Provincial Economy During the 11th Five Year Period”. Professor Peng Zhenhuai, head of the Local Government Research Institute at Peking University, said Chongqing's recent economic success could partly be attributed to Party Secretary Bo Xilai. “Under the current Chinese political system, Bo's position as a member of the central Politburo has created an advantage for Chongqing's growth,” he said. None of Bo's four predecessors, since Chongqing was made a directly controlled municipality in 1997, were Politburo members at the time. Chongqing tied with Tianjin for first place in terms of economic growth last year. The CASS report shows that while western regions still lag far behind their eastern counterparts, the gap has been narrowing. Professor Li Minrong, a main drafter of the report, said that the impact of the global economic downturn gradually lessened as one travelled from east to west. While eastern areas had suffered significant declines in major economic indicators, and central regions, largely reliant on mining, were seriously influenced, the west and northeast had kept growing, he said. Twenty-three of the 31 provinces, directly controlled municipalities and autonomous regions had achieved an annual gross domestic product (GDP) of more than CNY1 trillion by last year, the report said. Guangdong, Jiangsu and Shandong ranked first, second and third in terms of GDP last year. If Taiwan, Hong Kong and Macao are taken into account, Taiwan would have replaced Jiangsu as the most competitive region in 2010, with Hong Kong ranked third and Macao ninth, the South China Morning Post reports.

Official PMI shows slow improvement

China's official Purchasing Managers’ Index (PMI) edged up half a point from a month earlier to 51 in February, the China Federation of Logistics and Purchasing said. The HSBC China Manufacturing Purchasing Managers’ Index, slanted toward private and export-oriented companies, registered 49.6 last month, up from January’s 48.8. Component indices in the official PMI showed new orders 0.6 up to 51, while production gained 0.2 to 53.8. Trade recovered a little from January, with new export orders rising 4.2 to 51.1 and imports adding 3.9 to 50.8. “The detailed breakdown is in line with our expectations of a broad-based seasonal pickup after the Chinese New Year and the economy remaining on track for a soft landing,” said Barclays Capital Economist Chang Jian. “In particular, the import index rose above 50 for the first time since October, which indicates some resilience in underlying demand.” In the HSBC survey, however, new export business decreased at its fastest pace since June 2011, remaining below 50 and indicating still harsh conditions for private firms. Qu Hongbin, Chief Economist for China at HSBC, expected the central bank to step up policy easing as inflation pressures recede. A grim trade outlook may prompt policy makers to reduce interest rates twice in the second and third quarter, the State Information Center, a research unit under the National Development and Reform Commission (NDRC), said. The Center also predicted China’s inflation may weaken to around 3.3% this year, allowing the country to carry out more policy easing to support growth.

- The minimum monthly wage in Shanghai will increase by 13.3%, from CNY1,280 to

CNY1,450, in April. This marks the 19th time the city government has raised the minimum wage since 1993, and the increase will keep Shanghai's minimum wage among the highest in China. Food prices in the city soared 10.8% last year, compared with a year earlier. Shandong will raise its minimum monthly wage by up to 19% this month, from CNY950 to CNY1,240, to attract workers and help people cope with rising living costs, which over the past two years led to severe labor shortages.

- China aims to curb its energy consumption for each unit of industrial output by 21% during the period of the 12th Five Year Plan (2011-15), the Ministry of Industry and Information Technology (MIIT) said. Energy consumption in the industrial sector accounts for about 70% of the nation’s total use. China aims to save the equivalent of 670 million tons of standard coal during the five-year period. The plan also calls for the closure of inefficient companies in more than 10 industries.
- Industrial companies in Shanghai may invest an average of 1.5% of their revenue in research and development (R&D) by 2015, a jump from 0.9% in 2010, which is already one of the highest ratios in China. In 2015 about 55% of the fixed-asset investment in the city’s industrial sector will be to upgrade technology. Shanghai aims to have three local industrial firms in the Fortune 500 list by 2015.

MERGERS & ACQUISITIONS

AB InBev and two Chinese firms eyeing Kingway Brewery

Anheuser-Busch InBev, the world's biggest brewer, and two Chinese brewers – China Resources Enterprise, which owns the Snow beer brand, and Beijing Yanjing Brewery – are on the shortlist to buy most of the operations being sold by Hong Kong-based Kingway Brewery Holdings. The value of the deal could be as high as USD700 million and the shortlisted bidders are expected to conduct due-diligence over the next two months. The eventual winner could benefit from strong growth in China's beer consumption. China's beer demand hit 45 billion liters in 2010, nearly twice that of the United States, and is expected to grow 5% per year in coming years, double the 2.5% growth forecast for the global market for 2011. Kingway has a market value of about USD655 million. AB-InBev was the third-biggest brewer in China with a market share of 11.4% in volume terms as of 2010, according to data compiler Euromonitor. China's largest brewer, China Resources Snow Breweries, is a joint venture between China Resources and SABMiller. Any deal in China would be through the CR Snow joint venture, in which SABMiller owns 49% with the rest owned by China Resources Enterprise.

Brokerages want right to acquire other firms

Chinese brokerages have lobbied the China Securities Regulatory Commission (CSRC) to scrap rules that prevent them from acquiring control of other companies, hoping to shore up their profits through lucrative buyout deals amid the weak stock market. Brokerages were keen to set up buyout funds but the existing rules were a stumbling block to the plans. The CSRC said in a circular distributed to brokerages that it would undertake feasibility studies to support the brokerages in line with Chairman Guo Shuqing's market reforms. Chinese brokerages have yet to set up buyout funds that aim to obtain majority control of a company. The regulator allowed brokerages to set up private equity (PE) subsidiaries in 2008, but they are subject to investment caps. Brokerages have been among the main victims of a downward spiral in the stock market amid weak liquidity in the past two years, because they have been collecting fewer brokerage fees while posting losses in their proprietary trading. Stock trading fees normally account for more than 60% of Chinese brokerages' total revenues. But Howhow Zhang, Research Director with Z-Ben Advisers, warned: “Mainland brokerages don't seem to have sufficient skills for managing buyouts.” The brokerages also suggested the regulator increase the percentage of IPO shares slated for institutional investors in the so-called off-line subscription from 20% to 50%, according to a CSRC document.

- A consortium led by Sinopec and piped-gas group ENN Energy will now have to lobby for the support of China Gas's substantial shareholders as the firm's proportion of free-float shares is below 45% and a successful bidder must obtain more than 50% of voting rights. The approval from both ENN shareholders and the Ministry of Commerce (MOFCOM) under the anti-monopoly law are among several hurdles the consortium must meet before the proposed offer can proceed. The consortium, which via Sinopec has a 4.8% stake in China Gas, needs to buy at least another 45.2%

interest before gaining control of the firm.

PETROCHEMICALS

BASF eyes China investment opportunities

BASF is considering opening an investment office in Beijing or Shanghai as the company begins to explore cooperation with China's own technology start-ups. Dirk Nachtigal, Director of the company's venture-capital arm, visits China twice a year and has identified universities as a likely source of early-stage, high-potential opportunities. The unit recently invested in its first fund there, he said. “We are seeing more and more technology development in China that is interesting to us,” he said. “The government has put lots of money into universities in the last 10 to 15 years. Now you can see the results. We are looking for the top, game-changing technology wherever it is,” he added. Chief Executive Kurt Bock aims to have a quarter of sales coming from products based on new technology by 2020 as the firm moves away from cyclical commodities. Innovation younger than a decade should contribute €30 billion in sales by 2020 and take the company closer to end consumers, he said. BASF has so far channelled its venture-capital activities through Hong Kong. A move to Beijing or Shanghai would reflect the growing opportunities springing up in major Chinese cities. Venture capital investment in China almost doubled to a record USD5.67 billion in 2010, according to consulting firm ChinaVenture. BASF has so far pumped €150 million into the unit.

- 13 people have been killed and 43 injured in an explosion at the Hebei Keeperchemical Industries Co in Zhaoxian county, 45 kilometers from Shijiazhuang, capital of Hebei province. The blast flattened a workshop and shattered window glass within a radius of 2,000 meters. The chemicals that triggered the blast included guanidine nitrate. The plant produces chemical substances for pesticides and for medical use.
- Gasoline sold in China contains toxic sulfur dioxide 35 to 50 times higher than the standard level. Complaints were received that 93-octane petrol had different colors and caused engine failure. Industry consulting firm C1 Energy said some crude oil providers mixed lower quality oil to decrease the cost, which caused the yellower and substandard petroleum products of Sinopec. The company has eliminated some supplies from external sources and PetroChina is said to have ordered its sales companies to suspend external procurement of petrol on February 15.
- China National Offshore Oil Corp (CNOOC) is building the nation’s first floating liquefied natural gas (LNG) receiving terminal to help handle increasing imports. The CNY5.7 billion project in Tianjin will be capable of receiving 2.2 million tons of LNG a year when operations starts next year. A second phase will be land-based, with an annual capacity of no less than 6 million tons, and is scheduled to be operational by 2015.

REAL ESTATE

Some developers reduce down-payments

Falling home prices are forcing some developers to allow first-time home buyers to delay down payments – or subsidize the payments to boost sales. Developers in some cities, including Shenzhen, Guangzhou, Nanjing and Wuhan, have reportedly sold projects requiring just 10% down payment. Even though banks require 30%, developers make up the remaining 20% of the down payment and the buyers do not have to repay the advance for up to three years. “In some cases, buyers don't have to pay it back. Developers will just raise selling prices to offset the 20%,” said Andy Lee of the Shenzhen branch of Centaline Property Agency. A residential development in Shenzhen's Luohu district was launched using the 10% down payment tactic, and more than 80% of the 400-plus units offered were sold within a few days. The slow property market has forced developers to start another round of large-scale price cuts. China Merchants Property cut prices 20% or more on 22 developments in 14 cities. A lawyer at Dacheng Law Offices said the marketing strategy of 10% down payments was not illegal because banks received 30%. But some developers said the move carried some risks as buyers might forfeit their 10% down payments when home prices fell, creating bad loans for banks.

Home prices drop for sixth month in a row

Home prices in China fell for the sixth straight month in February. Prices fell an average of 0.3% from January, the largest drop since last September, to CNY8,767 per square meter in 100 major cities, according to the China Index Academy. Prices fell in 72 cities, compared to 60 in January, with 17 seeing falls of more than 1%, compared to 15 the previous month. Gains were posted in 27 cities while one city saw prices remaining the same. The average cost of homes in the 10 largest cities fell 0.31% from a month earlier to CNY15,516 per sq m in February, with Chengdu suffering the largest drop of more than 1%, followed by Beijing where prices dropped 0.61% from January. Year on year, prices in the 10 largest cities fell by an average of 1.41% last month, compared to a drop of 0.62% in January, which registered the first annual drop since June 2010. “Sluggish sales in luxury residential properties also helped bring down average home prices,” said Huang Hetao, Research Manager at Century 21 China Real Estate. In Shanghai, 109 new homes with a price tag of more than CNY50,000 per sq m were sold this year as of February 29, a drop of more than 65% from the same period a year earlier. The average price of new homes fell below the CNY20,000 per sq m level in Shanghai in February, the first time in 19 months. Villa developments in Shanghai, including stand-alone homes and townhouses, were sold at an average of 26,154 per sq m in February, a decrease of nearly 23% from January and the lowest since September 2011, according to Soufun.com. Sales of villas, by area, rose 56.6% from January to 35,474 sq m. By unit, a total of 148 villas were sold, a month-on-month increase of 64.4%.

- A Shanghai-based developer is planning to build the tallest skyscraper in China in Wuhan. The Greenland Group began construction on a smaller structure in 2010, but now plans to expand it to 666 meters tall by 2014. It would surpass the under-construction Shanghai Tower's 632 m and become the second-tallest structure in the world, behind the 830 m Burj Khalifa in Dubai.
- Chinese architect Wang Shu has won the 2012 Pritzker Architecture Prize. Wang, 49, is the first Chinese architect to receive the honor, which is called architecture's Nobel Prize. One of Wang's notable design accomplishments includes salvaging more than two million tiles from demolished traditional houses to cover the roofs of Xingshan Campus buildings.
- “The central government will probably maintain its existing real estate policies in the short run,” said Qin Xiaomei, Chief Researcher at Jones Lang LaSalle (JLL Beijing). However, in the long term, the government will let financial factors play a bigger role in setting prices, such as by collecting property taxes instead of restricting home purchases, Qin added. Government control of the property market will be among the hottest topics among deputies at the ongoing NPC and CPPCC sessions.
- The China Index Academy reported that revenue from land sales in the 300 large cities that it monitors fell 67% year-on-year in January. Beijing’s revenue from land sales is expected to drop by 30% this year to CNY90 billion, making it the worst year on record, the local Bureau of Finance said. Shanghai likewise lowered its forecast for land sales revenue this year to CNY125 billion, which would be down 16.2% year-on-year.
- Shanghai abandoned plans to allow non-local residents to buy a second home, a week after the Shanghai municipal government sought to stimulate property sales by allowing non-locals who have lived in the city for at least three years to buy a second home. The move had been expected to boost the dormant market, as there were about 671,000 non-locals with residence permits as of March 2009, but the cancellation shows the central government's policy of cooling the property market remains in force.
- New World China's net profit surged 19.6% to HKD1.8 billion for the six months to December last year. Turnover also rose 19.6% to HKD7.09 billion from a year earlier. Revenue from property sales rose 3% to HKD5.55 billion, while rental income grew 21% to HKD315.8 million. The company said contracted sales dropped 40% to 309,910 sq m. Revenue from contracted sales dropped 32% to CNY4.21 billion, but the profit margin improved to 57% from 37% in the year-earlier period.
- Country Garden Holding said it would raise money by selling shares at a discount. The real estate company planned to generate HKD2.14 billion in net proceeds through the share sale to fund capital expenditure and for general corporate purposes. Its net profits rose 35.5% to CNY5.8 billion last year.
- China's big four state-owned banks have pledged to lend more funds to qualified property developers, in a bid to increase the availability of homes for first-time buyers.

They said they would actively provide mortgages to first-time buyers at a reasonable rate.

- Hong Kong's property sales volume may have bottomed, with sales agreements filed with the Land Registry this month expected to be at least 150% up on February. The Land Registry said it had received 5,425 sale and purchase agreements for all types of properties last month, 20.8% more than in January but a decline of 56.3% year on year. Home sale registrations rebounded from 3,507 in January to 3,884 last month, but the figure was still 63% lower than that a year ago.

RETAIL

Pizzeria fined over French Concession address

The Pizza Marzano restaurant in Shanghai — part of the United Kingdom PizzaExpress chain — that gave its location as “the French Concession” has been fined CNY47,500 for violating China’s advertising laws. Located on Yongjia Road in Xuhui District, it used the name of the former colonial concession in leaflets. The Shanghai Industrial and Commercial Administrative Bureau said the restaurant had evoked the bitter history of Shanghai under colonial control, which humiliated the public and went against mainstream values. The French Concession existed from 1849 to 1943.

- McDonald's is considering selling dim sum bonds again in Hong Kong as one option for raising funds to expand in China. McDonald's said last month it planned to increase investment in China, its third-largest market, by 50% this year after opening a record 200 restaurants last year. The chain sold CNY200 million of 3% notes in Hong Kong in 2010, becoming the first foreign non-financial company to offer yuan-denominated bonds. The restaurant chain said that half of this year’s new outlets will be drive-throughs.

STOCK MARKETS

Investors blame insider trading for losses

More than half of investors in China blamed insider trading for the losses they suffered on the stock market, a survey by the China Securities Investor Protection Fund Corp revealed. About 80% of respondents lost money on the sluggish stock market in 2011, nearly 30 percentage points higher than the survey in 2010 indicated. 62% said they suffered losses because there were too many cases of insider trading. The survey also revealed that 86% of new investors, those who started stocks investment last year, suffered losses. Although the majority of investors lost money in the stock market last year, 40% said they will still maintain the same amount of investment this year. 4,746 investors from 50 cities were surveyed from January 1 to 19.

TRAVEL

HK Airlines may cancel A380 order over emissions trading scheme

Hong Kong Airlines is considering canceling its order for 10 Airbus A380 aircraft, reflecting growing tensions between China and the European Union over the EU's controversial emissions trading scheme. The airline said it was under pressure to call off the purchase of the largest jet produced by Airbus after the Civil Aviation Administration of China (CAAC) told mainland carriers not to comply with the emissions trading scheme, saying it breached international law. “We cannot do something which is against our country's interest,” Hong Kong Airline President Yang Jianhong said. An Airbus Spokesman said HK Airlines' purchase had been included in its end-of-year order book. The EU's emission trading scheme covers all flights to and from Europe, even if the flight path is mostly over international waters or countries outside the region. As a result, 23 nations including China at a meeting in Moscow jointly said they were ready to enter a trade war that could add to the cost of airfares to Europe. They also agreed to coordinate any retaliatory action against European-based airlines that fly internationally. HK Airlines' cancellation of the order for A380s would slow its planned development of long-haul routes in the short term. The airline has announced aggressive plans to triple the size of its fleet to 60 by 2015. New routes to be launched this month include those to London, Taipei, Kaohsiung and Nanjing. Advance bookings for the all-business class service to London to be launched on March 7 show the flights would be only 30% full in the first month. Last year, HK Airlines earned more than HKD300 million in net profit from HKD4 billion in sales.

SAS launches Shanghai-Copenhagen flights

Scandinavia Airlines System (SAS) launched a new five flight-a-week service between Shanghai and Copenhagen, Denmark, becoming the only airline to fly directly between the two cities. The airline expects to carry around 120,000 passengers a year on the new route, of whom 75% will come from Scandinavia and north Europe, said Rickard Gustafson, President and CEO of the SAS Group. The remaining 25% will be from Shanghai and east China. A record-high number of Chinese tourists and businesspeople visited Denmark in 2011. Denmark recorded 83,000 Chinese bed/nights in 2011, or an 18% increase from 2010, according to the Danish Central Statistics Bureau. A tourism industry forecast indicates that the number of Chinese tourists to Denmark from 2012 to 2020 will see an annual rise of 10% to 15%.

- The Commercial Aircraft Corp of China (COMAC) began building its new headquarters at the former World Expo 2010 site in Shanghai’s Pudong New Area. A total of 13 state-owned enterprises, including Baosteel and State Grid, are due to build or move their headquarters to the Expo’s former Zone B. COMAC is developing China’s first large passenger jet, the C919, and a regional passenger jet, the ARJ21.
- More than 90% of air ticket agencies in China are illegal and defrauding the public, Chai Haibo, Deputy Secretary General of the China Air Transport Association (CATA) said. China has more than 100,000 agencies to sell flight tickets, but only 9,000 have certificates from both the industry and commerce authority and the Association, which represents China’s airlines. Many ask customers to deposit money in a bank account, but don't deliver the tickets. Airline representatives warned never to remit money to any bank account.
- Europe's largest hotel operator Accor aims to quadruple its portfolio in China over the next four years amid rising demand in the domestic travel market. The company now operates 121 hotels across seven brands in 47 cities, according to Sam Shih, Chairman and Chief Operating Officer (COO) of Accor China. Accor also inaugurated its newly-positioned Grand Mercure brand in Shanghai, which has aspects of Chinese culture and authentic European elements. Domestic clients currently account for about 80% of the company's total hotel guests in China, up from 30% 10 years ago.
- Harbin has become the first mainland city to completely ban smoking in indoor public places. The law is expected to take effect in May.
- Macao casino operator Sands China reported profit for the year ended December 31 of USD1.13 billion, a 70% increase on the previous year, driven by increasing numbers of mainland visitors. The Hong Kong-listed subsidiary of the Las Vegas-based Sands said the first phase of its new project, Sands Cotai Central, was scheduled to open next month. Bookings are already being taken for rooms in the Holiday Inn Macao and Conrad Macao in May. The Conrad of Cotai Central will be the world's largest Conrad hotel, with 636 rooms and suites. The Holiday Inn has more than 1,200 rooms.

ONE-LINE NEWS

- Taiwan Vice-President-elect Wu Den-yih will attend the 2012 Boao Forum for Asia in Hainan in his capacity as the top adviser of the Taipei-based Cross-Strait Common Market Foundation. He is expected to meet Vice Premier Li Keqiang, who is tipped to become China's Premier in March 2013.
- Companies in Hong Kong expect to pay an average 5.1% salary increase this year, a survey by human resources consultancy Hay Group found. The survey covered 130 multinational and local companies in Hong Kong, with staff of up to 10,000.
- Five Chinese drugmakers including United Laboratories have issued profit warnings in recent weeks, citing price pressures and government policies. Chief among the government's reforms is the expansion of the essential drugs list (EDL) to more than 800 products from 307, implementing further price cuts on more expensive drugs

available from hospitals. Prices of drugs on the list are state-controlled and kept low to reduce health care costs for end users.

QUOTES OF THE WEEK

"Whether you are entering the Chinese market or have been there for a long time, there can be no let-up in the attention you pay to the government. Government relations will always be significant, must be cultivated continuously and can never be taken for granted. A good starting point is to remember how ubiquitous the government is in China's markets. The party-state is crucial to just about everything that a business needs to obtain or know about: land, energy, accounting standards, tax regimes, implementation of regulations or bank loans."

Jonathan Story, Emeritus Professor at INSEAD Business School, in an article in the South China Morning Post, March 3, 2012.

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