法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 14 MAY 2012

FCCC ACTIVITIES

FCCC Industrial fact-finding trip to Shandong province (20-24 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 will 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. H.E. Mr Patrick Nijs, Ambassador of Belgium in China, will accompany this very interesting visit to Shandong province. The mission will start from Beijing, where Ambassador Nijs will firstly welcome the delegation with a dinner at the Ambassador's residence. A lunch meeting with local FCCC members will be also organized on Sunday 20 May together with Bencham.

The mission will then visit 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 from 20 to 24 May 2012. This visit is organized with the financial support of Flanders Investment & Trade.

A detailed report will be given in this newsletter after this visit.

Business lunch Intellectual Property Rights in China, 22 May 2012, Brugge

The Governor and Vice Governors of the Province of West Flanders are organizing a business lunch "Intellectual Property Rights in China", on Tuesday, 22 May 2012, from 11.30 h. till 14.30 h. at Provinciaal Hof, Markt 3 in Brugge.

The Province of West Flanders has a cooperation of more than a decennium with the Chinese province of Zhejiang, aiming to strengthen the position of West Flanders in the global economy by actions in the fields of economy, education, and agriculture. Together with the POM West Flanders, VOKA and the Flanders-China Chamber of Commerce, the province is organizing the business lunch “Intellectual Property Rights in China”. The aim is to bring together the economic and academic circles in West Flanders to determine the opportunities for research and internships in China.

Programme:

11.00 h.	Registration of the participants.
11.30 h.	Welcome by Mr. Carl Decaluwé, Governor of the Province of Wets Flanders General introduction to intellectual property rights in China by Mr. Raphaël Bailly, De Wolf & Partners Intellectual Property Rights in China: a foucsed case study by Mr. Peter Waumans, European Law Matrix IPR Helpdesk EU: Introduction to services by Mr. Philippe Healey, IPR Helpdesk EU
14.30 h.	Educational institutions call on enterprises for sustainable cooperation on research and internships in China Concluding remarks by Mr.Gunter Pertry, Vice Governor for Education

Participation fee: €50 euro
Registration before 15 May 2012 via the registration form. Confirmation and an invoice will be sent. After receipt of payment, registration is final. More information:
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Visit to Great Wall Motor Co, 5 June 2012, Baoding, Hebei Province

The Province of East Flanders and the Province of Hebei have a longstanding cooperation and are sister provinces. The Province of East Flanders is also an important structural partner of the Flanders-China Chamber of Commerce (FCCC). On June 5, 2012, a delegation led by Vice Governor De Buck will visit Great Wall Motor Company, located in Baoding, Hebei Province.

Great Wall Motor Company Limited is a large multinational company, the first private whole vehicle automaker listed on the Hong Kong Stock Exchange. With more than 30 subsidiaries and 28,000 employees, it is capable of producing 500,000 whole vehicles per year that fall into three categories of HAVAL SUVs, Voleex sedans and Wingle Pickups & MPVs.

The Province of East Flanders is inviting company representatives to take part in this visit in order to give the opportunity to introduce your company to Great Wall Motor Company at the highest level. If you are interested to join this visit, please inform us by sending an e-mail to: gwenn.sonck@flanders-china.be. This visit is organized with the support of the Flanders-China Chamber of Commerce (FCCC).

Conference “Fragile China? – Appraising Recent Developments and Future Operating Conditions for MNCs”, 6 June 2012, 15h30, Le Méridien, Brussels

The Flanders-China Chamber of Commerce (FCCC) and The Conference Board are organizing the conference “Fragile China? – Appraising Recent Developments and Future Operating Conditions for MNCs”. The conference will start at 15h30 and will take place at Le Méridien, Carrefour de l'Europe 3, Brussels.

In this briefing, David Hoffman, Vice President and Managing Director of The Conference Board China Center for Economics and Business, will dimension China’s near-term economic outlook and medium term economic challenges, and outline the issues, implications and opportunities – yes opportunities – for MNCs in China that are inherent to the economic transition now underway in China.

David Hoffman leads the Conference Board China Center for Economics and Business in Beijing, and for some 20 years previously was a strategy partner and practice director in the advisory practice of PricewaterhouseCoopers China. An ever-aspiring Sinologist and management practitioner, David has lived and worked in China for 26 years. He is considered an expert on China strategy, regulatory risk management and business and organizational development.

Programme:

15h00	Registration
15h30	Introduction by Mr Bert De Graeve, CEO Bekaert NV, Chairman Flanders-China Chamber of Commerce
15h40	Speech by Mr David Hoffman, Vice President & Managing Director, The Conference Board's China Center
16h40	Question and answer session
17h00	Networking reception

If you would like to attend this conference please subscribe online before 30 May 2012 through this link.

The Conference Board has a robust and unique China program that began with project research in the early 90s. The China Center for Economics and Business in Beijing provides essential information and insights on China to help members continually deepen their understanding and improve their business planning and performance in China. The China Council Europe Council U.S. leverage China Center knowledge and resources to keep senior-most HQ executives who have corporate responsibility for China well informed on and in front of high priority China developments that are critical to their business. Learn more: https://www.conference-board.org/chinacenter/, or contact the China Program Specialist Ethan.CramerFlood@conference-board.org

Participation fee for FCCC members: €85, non-members: €115.

PAST EVENTS

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

The Flanders-China Chamber of Commerce (FCCC) and Group T-International University College Leuven organized the Annual Flanders-China Job Fair at Vesalius Campus in Leuven.

Several Belgian companies were able to introduce themselves to more than 100 Chinese students and had successful discussions on the possibilities in future company projects, internships, longer-term learning tracks and/or future job opportunities.

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

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

Many Belgian companies pursue business opportunities in China using 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. Therefore the Flanders-China Chamber organized a seminar with testimonials of professionals on the ground from KBC Bank and Deloitte.

Mr Coen Ysebaert, Partner of Deloitte Belgium and Chinese Services Group Leader, gave us an introduction about Deloitte in Asia and Mr Jason Lee, CEO of KBC China, introduced to KBC in Asia.

During the first part, Mr Koenraad Van de Borne, Head of the European Network Desk of KBC China, gave a clear view on the critical success factors and the banking perspective in Mainland China. Mr Gerd De Vuyst, Director Audit and Enterprise Risk Services of Deloitte China, showed what the current financial and business risks are in China.

After a short break Mr Jo Vander Stuyft, First Vice President European Desk – Corporate Banking of KBC Hong Kong, explained how we can use Hong Kong as our gateway to China. He also gave us an insight on the internationalization of the RMB. Mr Wouter Claes, Managing Director Belgium Tax Services of Deloitte Hong Kong, concluded this interesting seminar with a presentation on the relevance of Hong Kong for Asia bound investments from a tax perspective. This seminar was organized with the support of Flanders Investment & Trade.

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

ICBC: First U.S. approval for Chinese bank purchase

The Industrial and Commercial Bank of China (ICBC) has gained U.S. approval to purchase an American bank, marking a watershed moment for Chinese lenders looking to gain a foothold in the U.S. ICBC's purchase of the U.S. subsidiary of Hong Kong's Bank of East Asia (BEA) comes after months of scrutiny by U.S. authorities. It marks the first time the Federal Reserve (Fed) has allowed a Chinese institution to buy an American bank and industry lawyers said it would spur dealmaking by Chinese institutions, among the biggest banks in the world by market capitalization. It is also the first time the U.S. central bank has recognized Chinese regulation of banks as meeting a standard of "comprehensive, consolidated supervision", the Financial Times reports. The Fed said that the decision was "specific to ICBC" but industry lawyers said it was a clear sign that the Fed was likely to approve acquisitions by other Chinese banks and future acquisitions by ICBC. In its finding, the Fed said that China's largest banks use the world's biggest accounting firms and that "there is no evidence that Chinese accounting methods or practices at the large Chinese banks, such as ICBC, are unreliable". The U.S. central bank previously blocked the attempted acquisition by China Minsheng of UCB, a San Francisco-based lender that was ultimately closed by the Federal Deposit Insurance Corp. The Federal Reserve also granted bank holding company status for ICBC's government shareholder, Central Huijin Investment, and that company's parent, sovereign fund China Investment Corporation (CIC). The USD140 million acquisition of the 80% stake in Bank of East Asia's U.S. arm gives ICBC 10 branches in California and three in New York, a toehold for U.S. growth.The regulator also approved applications by Bank of China (BOC) and Agricultural Bank of China (ABC) to open U.S. branches, its website said.

FINANCE

International consortium set to invest in Tianjin TEDA

An international financial consortium – including D.E. Shaw, one of the world's biggest hedge-fund managers; an investment arm of China Everbright Group; and New China Life Insurance – is in the final stage of talks to buy a 20% stake in Tianjin TEDA International Holdings Group for about USD1 billion. The group controls Tianjin's major financial assets, including China Bohai Bank, in which Standard Chartered holds a stake of nearly 20%. To enact the proposed investment, the consortium has set up a yuan-denominated private-equity fund in Tianjin as a so-called special-purpose-vehicle (SPV) to channel funds into TEDA. The central government has encouraged some major cities to establish state-owned financial holding firms to bring all important local financial assets under one umbrella to make them easier to manage. TEDA, located in Tianjin's Binhai New Area, was established as a local economic hub in the early 1980s and has become key to attracting foreign capital to Tianjin. In the late 1990s, TEDA won support from the Commerce Ministry to become a national-level special development zone, encouraging foreign firms like South Korea's Samsung to set up local plants.

Credit Suisse to beef up Chinese joint venture

Credit Suisse plans to boost capital at its Chinese joint venture and apply for a stock trading permit in China, as the central government loosens restrictions on foreign investment banks. Credit Suisse started a joint venture in December 2008 with Founder Securities. Beijing agreed earlier this month to let foreign investment banks raise their stakes in domestic joint ventures to 49% from 33%, and to shorten the qualification period for a trading license to two years from five. Restrictions on overseas firms have prevented Credit Suisse and rivals such as Citigroup from fully taking advantage of a threefold increase in the size of the China stock markets since the end of 2006. Credit Suisse plans to transfer more people to the joint venture. It has about 100 employees at its venture in Beijing. Goldman Sachs and UBS are the only foreign firms to have management control of their China ventures. They got their underwriting licenses before the government put a moratorium on new joint ventures in September 2006. Credit Suisse was the first foreign bank to establish a joint venture after the ban was lifted at the end of 2007. JPMorgan, Morgan Stanley, Deutsche Bank and Citigroup followed, while Barclays is considering more than 12 potential partners for an investment banking venture, the South China Morning Post reports.

40% of all purchases made by credit card last year

In 2011, CNY7.56 trillion worth of purchases were made with credit cards in China, meaning they were used to buy more than 40% of the CNY18.12 trillion worth of consumer goods that were sold in the year, according to the 2012 Bluebook of the Credit Card Industry in China. The value of transactions made using credit cards increased by 48% from CNY5.11 trillion in the previous year, according to the bluebook, which was compiled by the China Banking Association. The value of consumer goods bought by credit card was up by nine percentage points from the previous year, and has increased from just 7% of the value of all retail sales in 2000, according to Yang Ke, Deputy Director of the Association's Bank Card Committee. Even though 2.85 billion transactions were made in China with the use of credit cards in 2011, the number of annual transactions has been increasing at a slower pace in the past few years. Meanwhile, although 55 million new credit cards were put into circulation in 2011, that number was up by only 24% from the previous year. In 2009, it had increased by 30% year-on-year. "Slowing growth will be a long-term trend in the credit card industry," said Fan Shuangwen, Deputy Director of the Payment and Settlement Department at the People's Bank of China (PBOC). The slowdown suggests commercial banks have changed their business strategy for credit cards. "Competition with lower prices is over, and the goal now is to provide customers with higher quality service," he said. The more frequent use of credit cards, meanwhile, entails greater risks, the bluebook suggested. By the end of 2011, 285 million credit cards had been issued in China, of which 152 million had been used in transactions. The cards also have CNY813 billion worth of unpaid debt on them, an amount up 81% from the previous year. Of that, CNY11 billion has been overdue for more than 180 days, an increase of 43.5% year-on-year. "And the number increased further in the first quarter this year," Fan said. The bluebook also reported that credit card fraud resulted in the loss of CNY148 million in 2011, the China Daily reports.

New regulations on accountancy joint ventures published

The Ministry of Finance released new regulations for Sino-foreign accountancy joint ventures. The only such joint ventures on the mainland are those of Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers (PwC). The new rules were welcomed by several of the firms and the Hong Kong Institute of Certified Public Accountants (HKICPA). They will dilute the control that Hong Kong and foreign accountants exert over the firms' mainland operations. One of the new rules is that within three years the top management in the mainland joint ventures must be Chinese nationals with Chinese accountancy qualifications and they must have at least eight years of accounting experience on the mainland. If the top management fails to meet the criteria, they must be replaced with Chinese nationals. Under the new rules, the proportion of partners from Hong Kong, Macao, Taiwan, and other countries in the Big Four accounting firms' mainland joint ventures without Chinese qualifications will be limited to 40% this year, declining to 35% at the end of 2014, 25% at the end of 2016, and 20% at the end of 2017. From the viewpoint of Hong Kong accountants working for the Big Four firms on the mainland, the new rules were better than expected, said Winnie Cheung, Chief Executive of the HKICPA. "Initially there was concern whether all partners in the Big Four joint ventures in China would have to be fully local and locally qualified. Cheung said she hoped the new quota for foreign partners would be extended to all accounting firms on the mainland, the South China Morning Post reports. "The normal situation in the world is that accounting firms must be owned by locally qualified accountants. That is the case in most countries in the world. China is actually being more open to non-qualified foreigners participating in their practices," said Paul Gillis, Professor of Accounting at Peking University. Nevertheless, the restructuring will pose a challenge for foreign firms. Given how young the auditing industry is in China, they have few local employees who are ready to be senior partners.

- The yuan weakened against the U.S. dollar on May 7 as its central parity rate fell the most in three weeks due to the weaker outlook for China's exports. The People's Bank of China (PBOC) set the reference rate 0.22% weaker at 6.2858 against the dollar from the previous trading day — the biggest drop since March 12. Yi Gang, Director of the State Administration of Foreign Exchange (SAFE), said that China should avoid any excessive adjustment of the yuan's reference rate in order to protect the economy.

- British bank Barclays is seeking a Chinese partner to set up an investment banking venture. The bank was considering more than a dozen Chinese securities firms with a view to a possible partnership, including Chongqing-based Southwest Securities. Beijing is opening up the financial services industry to foreign investors, allowing them to take up to a 49% stake in securities ventures. In comparison with its major competitors, Barclays is considered a latecomer to the investment banking business in China. A total of 13 foreign financial institutions have set up securities ventures in China in the past decade.
- China's central bank plans to give USD10 billion from its foreign exchange reserves to a new entity to help state firms invest abroad. The People's Bank of China (PBOC) is in talks with China Reform Holdings, controlled by the State-owned Asset Supervision and Administration Commission (SASAC), to set up a joint venture, probably abroad.
- The Chinese government plans to treat local money raised and managed by global private equity firms as foreign funds, restricting their access to sectors such as media and mining. Foreign private equity firms such as Blackstone Group and TPG Capital Management have been setting up yuan-denominated funds, hoping they could be treated as local funds and thus avoid curbs on the sectors in which overseas funds can invest. The Ministry of Commerce (MOFCOM) was formulating rules to be implemented by the end of the year that would classify all foreign-run yuan funds as non-Chinese. China-focused private equity funds raised USD32 billion in 2011, with yuan funds making up 68%, according to consultancy Bain & Co.
- China Construction Bank (CCB) says its credit quality improved in the first quarter, but the bank is still taking precautionary measures to guard against risks. CCB President Zhang Jianguo said these measures had helped the bank to minimize the damage from business owners fleeing to avoid loan repayments since last year. Of the 47 business owners reported to have fled in the past year, 17 were CCB clients. The bank's non-performing-loan ratio and total bad debt fell in the first quarter compared with the previous quarter.
- The China Insurance Regulatory Commission (CIRC) approved a plan by Insurance Australia Group to buy a 20% strategic stake in the Tianjin-based general insurer Bohai Property Insurance Co for CNY687.5 million, making the Australian insurer the largest single shareholder in the company.
- The People's Bank of China (PBOC) cut the amount of cash that banks must set aside as reserves for the third time in six months to support lending as economic growth is slowing. Reserve ratios will fall 50 basis points, effective May 18. The measure will release up to CNY400 billion for additional lending. It is the third time in six months Beijing has announced a cut in the reserve requirement ratio (RRR), and another is expected in the coming months.

FOREIGN INVESTMENT

Landseed Group to open hospital in Shanghai

Taipei-based Landseed International Medical Group will formally open its Shanghai Landseed International Hospital on June 26. It will be China's first wholly externally funded hospital, according to its President, Dr Victor Chang. The hospital plans to provide comprehensive services. “We feel the demand from high-end customers for one-stop health service in first-tier cities, such as Beijing, Shanghai and Guangzhou, is prominent,” Chang said. In late 2010, investors from Hong Kong and Macao were allowed to set up wholly owned hospitals in Shanghai, Fujian, Guangdong, Hainan and Chongqing, while Taiwanese investors were welcomed in Shanghai, Jiangsu, Fujian, Guangdong and Hainan. The Landseed group has operated on the mainland since 2000, running a joint-venture hospital in Shanghai for 10 years and cooperating with about 200 hospitals across the country by providing hospital-management advice and medical staff training.

- General Electric would buy a 15% stake in China XD Electric and would partner with XD to provide technology to build and upgrade electrical systems, it said. The companies would deliver electricity transmission and distribution and grid automation solutions globally. GE will appoint a representative to the XD board.
- Hong Kong companies signed USD4.2 billion worth of investment deals with the government of Wuxi, Jiangsu province, for projects ranging from property to financial

industries. Wharf Holdings, Hang Lung Properties and Evergrande Real Estate were among the 26 companies that signed the contracts. Hong Kong firms have invested in more than 3,300 projects in Wuxi valued at USD34.9 billion, equivalent to half the overseas investment in the city.

- For the first time China has become German companies' top foreign investment destination, totaling USD1.36 billion by the end of last year, according to a survey by the Association of German Chambers of Industry and Commerce. The amount was more than the combined German investment in France, Spain and Italy.
- Creek Project Investments, a British company which had been funding a large foie gras factory farm in China, has suspended the project after pressure from animal welfare campaigners. Production of foie gras, which is made by force-feeding geese or ducks until their livers become enlarged, is banned in the UK and most other European countries, although it remains a prized product in France.

FOREIGN TRADE

Three Guangdong development zones strengthen communication

The three experimental development zones in Guangdong – Nansha in Guangzhou, Qianhai in Shenzhen and Hengqin in Zhuhai – have agreed to set up joint conferences to solve problems ranging from competition among them to overlapping of industrial strategies. The zones, which are testing grounds for new free-trade-zone plans, signed the agreement in Nansha on May 7. They plan on strengthening communication on industrial strategies, planning, economic policies and social management. Officials from the three zones will also meet three times a year in joint conferences to discuss important issues. But Professor Zuo Liancun, who teaches at the Guangdong University of Foreign Studies and specializes in Guangdong's economic cooperation with Hong Kong and Macao, said the agreement won't solve core problems including vague and all-too-similar industrial blueprints, and he urged authorities to think realistically about potential economic achievements. “It's meaningless for the three experimental zones to talk about cooperation without [the involvement of] decision-makers from either Beijing or the provincial government,” he said, “because all three regard Hong Kong and Macao as strategic partners, and they all want to boost their financial industries.”

Instead, Zuo said, Shenzhen's authorities should increase communication with Hong Kong to determine realistic development goals for their small, 15-square-kilometer development zone, after many of Qianhai's proposed economic reforms either stalled or were rejected by Beijing last month. “It's only 15 square kilometers of land, and you can't expect it to become the world's financial center,” Zuo said. “Hengqin and Nansha should also slow down their pace and forget about their lofty ambitions. It's impossible for Hengqin to compete with Shenzhen and Dongguan in terms of GDP after lagging behind in manufacturing for three decades.” Zhou Linsheng, Researcher with the Comprehensive Reform and Development Institute in Guangdong, said the three experimental zones could find themselves in vicious competition for resources and projects in the absence of necessary coordination, the South China Morning Post reports. Zhou said the three zones should have different development strategies. “Nansha is 800 square kilometers of land close to the manufacturing hubs of Dongguan and Zhongshan, and has huge potential to develop its manufacturing, which surely won't be included in the blueprints of Qianhai and Hengqin. Its deepwater port is also an advantage for manufacturing and shipping.”

China's trade with Latin America advancing

“China is displacing the European Union as the second-largest trade partner of countries (in the region of the Caribbean and Latin America) and it's more important for South America's growth than the United States,” said Osvaldo Rosales, Director of the International Trade and Integration Division of the United Nations' Economic Commission for Latin America and the Caribbean. In 2011, China's trade with Latin American and Caribbean countries exceeded USD245 billion. China has become the region's second-largest trade partner and third-largest investor, said Li Baorong, Deputy Director General of the Latin America and Caribbean Department at the Foreign Ministry. China will soon become South America's biggest trade partner, said Alicia Herrero, Chief Economist for Emerging Markets at Banco Bilbao Vizcaya Argentaria. But trade between China and the region is concentrated on few countries and few products. Brazil, Chile and Argentina account for 77% of the region's exports to China, with copper exports taking up 30% and soy contributing 12%, Rosales said. In each country, a handful of products account for 80% to 90% of exports to China, except for Brazil and Mexico. Financial cooperation is a promising new area, as both sides work through issues such as project lending and currency swaps. Since 2005, the China Development Bank (CDB) has agreed to lend nearly USD60 billion to institutions in 13 Latin American countries.

- The Quarantine Bureau has rejected a consignment of U.S. pork after tests found traces of ractopamine in meat shipments totaling 103.5 tons, but there was no immediate threat of broader retaliatory measures. If more cases are found, China could impose more restrictive barriers to U.S. imports, but the amounts involved so far are tiny compared with overall import volumes. China's pork imports from the U.S. climbed more than three-fold in 2011, but some U.S. meat industry executives say China could reduce imports this year as domestic production rises.
- “If the eurozone falls into a deep recession, and that in turn slows U.S. growth, China’s export growth will be impacted,” said a report by ANZ Greater China. Compared with the slowdown of exports, “we are more concerned about the deceleration of import growth, which impacts the nation’s domestic consumption,” said Li Wei, Senior Economist at Standard Chartered Shanghai.
- China has impounded Philippine fruit exports alleged to carry pests, amid a tense stand-off between the two countries over the disputed territory of Scarborough Shoal or Huangyandao in Chinese. China imported 300,000 tons of Philippine bananas worth USD60 million last year. Chinese quarantine officials informed the Philippines that all its banana exports would have to face inspection before they cleared Chinese ports after scale insects were allegedly found in one March shipment. The stricter quarantine measures were later extended to Philippine pineapples and papayas. China is the Philippines' second-largest banana market after Japan.

IPR PROTECTION

Journalists to assist in anti-counterfeit campaign in Guangdong

Guangdong Party Secretary Wang Yang has encouraged the media to secretly visit places where the production and sale of counterfeit goods occurs to get detailed and accurate information. Lai Tiansheng, Director of the province’s anti-counterfeiting action group, promised awards to reporters who send in clues and offer evidence to police about locations where fakes are produced and sold. Police across Guangdong busted 4,298 places for producing or selling counterfeits, and they seized more than CNY3.27 billion worth of products in a special campaign launched early this year. A total of 3,260 suspects have been detained in the campaign. An exhibition on the anti-counterfeit campaign is running in the Guangzhou Museum of Arts until May 26.

MACRO-ECONOMY

China to boost high-end equipment manufacturing

China is looking to triple the sales revenue of its high-end equipment manufacturing industry to CNY6 trillion by 2015, according to the sector’s 12th Five Year Plan (2011-15) published by the Ministry of Industry and Information Technology (MIIT). Sales of high-end equipment will account for 15% of the overall revenue of the equipment manufacturing industry in three years, compared with 8% in 2010, and will also have a larger share of the global market, according to the plan. The proportion of revenue is expected to further expand to 25% by 2020, when high-end equipment manufacturing becomes a pillar industry. In 2010, the sales income of high-end equipment in China was CNY1.6 trillion. “China’s equipment manufacturing industry is big, but not yet strong,” said Ren Hongbin, Chairman of Sinomach, the country’s largest machinery maker. The high-end equipment manufacturing industry was named as one of seven “strategic emerging industries” in the country’s 12th Five Year Plan. The industry mainly includes aviation equipment, satellite and applications, railway transportation equipment, marine engineering equipment, and smart manufacturing equipment. China’s equipment manufacturing industry has been growing at more than 25% annually over the past decade and is expected to be sustained despite an economic slowdown. KHL Group’s latest ranking of the world’s largest construction equipment manufacturers placed China’s Sany Group and Zoomlion Co the sixth and seventh-largest by revenue.

April economic figures not encouraging

China’s industrial production rose 9.3% in April year-on-year, the weakest reading in three years and well below the 11.9% increase in March. Growth in fixed asset investment and retail sales also slowed to 20.2% and 14.1% from the same month a year earlier, down from 20.9% and 15.2% the previous month. The disappointing readings came after Chinese trade data showed a pronounced slump, with imports growing just 0.3% in April from a year earlier, compared with an average monthly growth rate of 25% in 2011. Exports rose 4.9% last month from a year earlier. Bank lending in April also came in a lot lower than expected, with CNY682 billon in new loans extended for the month, compared with CNY1 trillion in March. The general slowdown in the economy was underscored by a slight drop in inflation in April, with consumer prices up 3.4% from last year, compared with 3.6% in March, and a peak of 6.5% in the middle of last year. The slower price increases will give the government more room to loosen monetary policy without having to worry about triggering a new round of inflation, the Financial Times reports. Growth in electricity output, often seen as a proxy for the health of China's industrial sector, fell to 0.7% year-to-year, down from 7.2% in March.

Growth slowing in manufacturing hub of Dongguan

The economic output of Dongguan, once a major manufacturing hub in Guangdong province, grew just 1.3% in the first three months of this year, ranking it last among the province's 21 cities; growth was far below the average provincial gross domestic product (GDP) increase of 7.2%. Profits at major industrial enterprises in Dongguan were the worst in Guangdong, falling 1.3% from the first quarter of last year. The city's industrial output declined 12.5% in the first two months of this year alone. For 30 years Dongguan was one of the Pearl River Delta's most prosperous cities. For many years its GDP grew at an 18% pace; between 2003 and 2006, it grew at a rate in excess of 19.5% annually, the fastest pace in Guangdong. Now things have changed. Makers of shoes, clothing, textiles, furniture and toys are losing steam. By last month, more than 60% of the small and medium-sized enterprises (SMEs) in Dongguan's busy industrial township of Houjie were reporting a deficit – far more than during the global financial crisis in 2008 – said township Party Secretary Li Huiqin. “Moving out of Dongguan has become the current trend for private enterprises in Houjie,” he said. Taiwan-based businesses, which account for a third of Dongguan's economic output, were struggling with the same unfavorable conditions. Dongguan authorities said a major reason for the slide was poor demand for communications products since the global financial crisis set in. Others include soaring labor costs and higher rents, which have eroded the already thin profit margins of many Dongguan firms, the South China Morning Post reports.

Hurun publishes Shanghai Wealth Report

Business owners, real estate investors and professional investors are the wealthiest people in Shanghai, according to the Shanghai Wealth Report 2012, published by Hurun Report and Australia-based Gao Fu Wealth Management. There are 370,000 people with CNY6 million living in Shanghai today, or one-in-65 people in a city with a population of 23 million. A total of 140,000 people in Shanghai have personal assets of CNY10 million, an increase of 6.1% year-on-year, accounting for 13.7% of China’s high net worth individuals. Furthermore, there are 8,200 “super-rich” individuals with assets worth CNY100 million, up 5.1% from last year. Of the super-rich individuals in Shanghai, 75% are business owners. Real-estate investors account for 15%. “This year’s report shows that property is the biggest source of wealth in Shanghai, while globally, most wealth comes from professional investment,” said Rupert Hoogewerf, Chairman and Chief Researcher of the Hurun Report. Shanghai’s super-rich individuals account for 12.9% of the national total. The city ranks third in China in terms of the number of rich and super-rich individuals, following Beijing and Shenzhen. Pig-feed king Liu Yongxing, Chairman of East Hope Group, and Zhou Chengjian, President of textile company Metersbonwe Group, are the richest individuals living in Shanghai, with personal fortunes of CNY41 billion and CNY32 billion respectively. According to the report, Shanghai has 250 individuals with CNY2 billion, of which 82 are on the Hurun Rich List 2011. Shanghai has 90 dollar billionaires, of which 28 are ranked on the Hurun Rich List 2011, the China Daily reports.

- A long-awaited judicial interpretation will make it easier for consumers or corporations to file antitrust lawsuits, but legal professionals are not expecting a surge in litigation as major hurdles remain for those who try to sue monopolies. The interpretation confirmed that anyone affected by monopolistic behavior could directly sue the companies, without waiting for the government to first take administrative action. The changes also lower the evidence criteria that plaintiffs must fulfill before they can file a lawsuit.

- A 51% majority of respondents to the quarterly Bloomberg Global Poll of investors, analysts and traders who are subscribers, are confident in the policies of President Hu Jintao. The share was the same as in January, unaffected by the aftermath of former Chongqing Communist Party Secretary Bo Xilai's March ouster. China's economy will either improve or remain stable this year, according to 68% of respondents, with the share anticipating a deterioration falling to 30%, the lowest level since the question was first included in the poll in September. The latest survey of 1,253 Bloomberg customers was conducted on May 8. Only 5% of respondents saw a big risk of political instability in the coming year.
- Hong Kong registered its lowest rate of economic growth in more than two years in the first quarter, with a slowdown on the mainland having a knock-on effect. The city's gross domestic product (GDP) grew just 0.4% from a year ago, sharply down on the 3% growth recorded in the final quarter of last year. Property prices had risen 5% year on year. By March 2012, overall flat prices were about 10% higher than their 1997 peak.

MERGERS & ACQUISITIONS

China's firms lead world with their urge to merge

China's cash-rich corporations are twice as keen as their overseas counterparts to use merger-and-acquisition opportunities thrown up by the euro-zone debt crisis, according to accounting firm Ernst and Young, which polled 1,500 executives from 57 countries in February and March, 85 of them from China. Overall, 22% said they would take up M&A opportunities in the light of Europe's currency crisis, compared to the 42% of Chinese executives who said they would. Bernard Poon, Ernst and Young Managing Director, said the strong liquidity and low debt levels of mainland companies were two big reasons for the difference. According to the survey, 74% of the Chinese respondents said cash would be their main kind of transaction funding, and 70% said they would not need to borrow at all to finance an acquisition. Ernst and Young Partner Judy Tsang, who oversees M&A transactions for the firm, said many mainland firms were interested in buying European companies, especially ones involved in mining, cars and new energy. But the survey also found that most executives in China still saw M&A assets as priced too high, with more than half of them saying the valuation gap between buyers and sellers was as much as 20%.

PETROCHEMICALS

First platform in the South China Sea starts drilling

The National Energy Administration (NEA) announced that a deep-sea drilling platform, the Ocean 981, began producing oil from the Liuhua 29-22-1 well in the eastern part of the South China Sea. More than 1,000 oil wells have been drilled in disputed parts of the South China Sea by the Philippines, Vietnam and other countries, but none are owned by China. CNOOC said it was planning to drill three wells and was optimistic that it would find oil. Li Jinming, South China Sea Expert at Xiamen University, said the first well was located between the Paracel Islands – an archipelago claimed by both China and Vietnam – and the Macclesfield Bank, claimed by China and Taiwan. The semi-submersible Haiyangshiyou 981, with an operating water depth of 3,000 meters, drilled its first well on May 9. Most of the company's domestic oil production and exploration had previously been limited to a depth of about 300 meters. Wang Min, Vice Minister of Land and Resources, told a drilling ceremony in Beijing that the rig will play a strategic role in protecting China's marine interests and guarantee its energy security. The South China Sea is estimated to have about 16 trillion cubic meters of natural gas and up to 30 billion tons of oil, accounting for one third of China's total oil and gas resources. The drill location is in China's exclusive economic zone, Dong Manyuan, a Researcher with the China Institute of International Studies, said. The CNY5.3 billion rig is to drill the well for 56 days before being towed to other drilling sites in the Baiyun Depression, which encompasses 20,000 square kilometers in the eastern part of the South China Sea, said Shi Hesheng, Chief Geologist of CNOOC (China) Shenzhen Branch. The Baiyun Depression contains about 700 million metric tons of crude oil and 1.2 trillion cubic meters of gas, Shi said.

GE and Shenhua in gasification joint venture

General Electric has set up a 50-50 gasification joint venture with Shenhua Group, the country's largest coal producer, as the U.S. conglomerate further consolidates its foothold in China. The signing of the joint venture – which will specialize in a technology that converts coal into a synthesis gas – came just three days after GE announced it is buying a 15% stake in China XD Electric Group for CNY3.38 billion. Synthesis gas is a mixture of gases made as feedstock and produced by controlled combustion of coal in the presence of water vapor. The tie-up with Shenhua would help GE secure more large clean-energy projects, said Paul Browning, Chief Executive of GE's thermal products businesses. Neither party would disclose how much they will invest in the venture, which will sell gasification technology licenses across China. The synthesis gas produced can be used to make chemicals or other products. Gasification technology is also an important tool needed in the process of coal-to-liquid fuel conversion.

- Iran is accepting renminbi for some of the crude oil it supplies to China, industry executives said. Tehran is spending the currency, which is not freely convertible, on goods and services imported from China. Most of the oil that goes from Iran to China is handled by the Unipec trading arm of Sinopec. The trade is worth as much as USD20 billion to USD30 billion annually. Iran sells 21% of its crude oil exports to China.
- The central government has cut the maximum petrol retail price by CNY330 per ton and that of diesel by CNY310 a ton. While different regions have different pump prices, the cuts, the first in seven months, represent a 3.2% reduction in Beijing. National Development and Reform Commission (NDRC) figures show retail fuel prices late last month corresponded to an international crude oil price of about USD110 a barrel, below the USD120 a barrel average crude benchmark referenced by regulators to make retail fuel price adjustments.
- PetroChina is in talks to buy United States-based Valero Energy's shuttered refinery in Aruba. PetroChina paid USD1 billion last year for a 50.1% stake in the Grangemouth refinery in Scotland and a 49.9% interest in the Lavera refinery in France. It also bought refining and fuel-storage assets in Singapore in 2009.
- China’s crude oil imports in April rose 3.3% year-on-year to 22.26 million metric tons, the lowest so far this year, compared with 8.7% in March, 14.6% in February and 7.4% in January. Over the first four months of the year, total crude imports were 92.87 million tons, up 9.3% year-on-year, Customs data showed. China’s crude exports in April fell 82.8% year-on-year to 50,000 tons.
- Sinopec Group sold its first dollar bond in more than 15 years, raising USD3 billion of debt in the largest dollar-denominated sale by a Chinese company. The sale by Beijing-based Sinopec is the fifth dollar bond offering by a Chinese company in the oil-and-gas industry this year.

REAL ESTATE

Hangzhou home owners protest against discounts

Home owners in Hangzhou have been protesting against discounts offered to new buyers. They gathered in the sales offices of property developers, holding up signs and funeral wreaths from May 3 to 5 asking for compensation. There have been nearly 20 similar protests in Hangzhou this year. Three developers had slashed their prices from CNY2,000 to CNY4,000 a square meter. “I bought my apartment for CNY12,600 per square meter in August, but it is CNY8,800 per square meter now. I lost more than CNY200,000 in less than half a year. How can I accept that?” one homeowner said at the protest. There was also a protest in another Zhejiang city, Ningbo. Qiu Shi, a lawyer at He and Partners Law Firm in Nanjing, said that both the buyers and the developers should stick to their contracts. As long as the contracts are legal, there is no reason for the buyers to ask for refunds or compensation if prices go down, he said.

Listed developers' sales remain constant

According to an index tracking 149 A-share developers, compiled by Shenyin & Wanguo Securities Co, their sales edged up just 0.18% to an aggregate CNY71.7 billion, while their earnings fell 3.13% to CNY9.4 billion in the first quarter. 41 property companies reported first quarter losses. Huge inventories have deepened developers' woes, said Xue Jianxiong, Analyst from China Real Estate Information Corp. By March 31, inventories stood at CNY1.37 trillion, up 34.3% year-on-year. The 30 publicly rated developers have more than CNY100 billion in total debt maturing this year, a report by rating agency Standard and Poor said. Many developers are cutting prices on new projects to spur sales and raise cash, especially in big cities such as Beijing and Shanghai. In Shanghai, some developers have offered discounts of up to 40%, even for prestigious waterfront and central business district locations, according Anjuke.com, an online house trading site. Housing prices in suburban Shanghai have been dropping since late 2011, and discounts are widespread in the most expensive downtown areas. Price cuts in Shanghai are inevitable because developers need cash, Xue said. "This is the hardest time for the industry since I entered this sector five years ago, because we hardly saw any sales in the past three months," said Lin Jiantao, a property agent in Shanghai's Changning district. Many prospective buyers plan to wait for further price declines.

- The Housing Bureau Yangzhou says it will subsidize purchases of fully furnished homes in a move that appears to contravene Beijing's two-year campaign to curb speculation and rein in housing inflation. The city would offer cash subsidies of up to 0.6% of the total purchase price to encourage families to buy ready-for-use homes, which are typically more expensive than unfurnished ones. But analysts warned that the proposal could attract the ire of the central government.
- Hainan-based property developer Hainan Meiyuan Real Estate – worth CNY10 billion – has shut down amid investigations into bribery, land hoarding and illegal construction. Billionaire founder Wang De was taken away by authorities for alleged bribery more than a year ago. The Haikou Municipal Bureau of Land Resources said it had reclaimed from the company 14 parcels for land, measuring more than 500,000 square meters on grounds that they were either obtained illegally or sat idle for too long. Several of the company's latest projects are now likely to be torn down or otherwise disposed off due to their illegal operation.
- A consortium led by National Electronics has made Hong Kong's biggest sale of office space this year. The sale of the 28-story 50, Connaught Road Central building in Central for HKD4.88 billion is also the largest investment deal this year, and the cost is the highest per square foot yet. The buyer spent about HKD27,888 per square foot, beating the previous record set in February last year when the 20th floor at No 9, Queen's Road Central in Central sold for HKD27,507 per square foot.
- Hong Kong developers are investing at least USD1.3 billion to build malls in Chengdu. Swire Properties will open a CNY6.4 billion retail and office project in downtown Chengdu in early 2014. Sun Hung Kai Properties, Henderson Land Development and Wharf Holdings also plan malls in the city of 11 million people.
- Housing authorities in Xian have released a list of 66 real estate developers who cheated customers during the past year. The companies were punished for dishonest behavior including exaggerating sales figures and misleading buyers with false advertising claims.
- Swire Properties expects to see strong growth in rental income from its Chinese investment properties over the next three years as new projects come on stream. Chief Executive Martin Cubbon said its two integrated developments – Taikoo Hui in Guangzhou and INDIGO in Beijing – opened last year. Projects in Chengdu and Shanghai were under construction and were due for phased opening in 2014 and 2016. In Hong Kong, Swire Properties has released its luxury Frank Gehry-designed OPUS Hong Kong on Stubbs Road on The Peak for lease.

RETAIL

Bailian becomes largest chain store operator

The Shanghai-based retailer Bailian Group Co overtook Nanjing-based Suning Appliance Co last year to become the largest operator of chain stores measured by sales revenue in China, according to a report by the China Chain Store and Franchise Association. The report said Bailian had CNY118 billion in sales revenue last year after adjustments were made to ensure the figures were comparable between companies. As a result, some of the numbers differed from what appeared in the companies' financial reports. Suning and Gome Electrical Appliance

Holding tied for second place in the ranking, each having CNY110 billion in adjusted sales revenue in the past year. Last year marked the first time in the past six years that electrical appliance retailers ceded the top spot for sales revenue. From 2006 to 2008, Gome had enjoyed the largest revenue, as Suning had in 2009 and 2010. The top 100 operators of chain stores in China, measured by sales revenue, together generated CNY1.65 trillion in adjusted sales revenue last year, the Association said.

- A subsidy program failed to boost sales of home appliances in rural areas amid the economic slowdown in the first four months of this year, according to the Ministry of Commerce (MOFCOM). Home appliance sales in the countryside fell 6.7% year on year to reach CNY61.68 billion from January to April.
- World Luxury Association statistics show that during the Lunar New Year, Chinese spent USD7.2 billion on luxury goods overseas. Europe was the biggest beneficiary, attracting 46% of the spending, and 35% was spent in Hong Kong, Macao and Taiwan. Chinese are also the biggest group of duty-free shoppers in the world, accounting for 19% of total sales, according to the CLSA report “Dipped in Gold”.
- Fast-food giant Yum! Brands plans to open 150 KFC, Pizza Hut, Little Sheep or East Dawning restaurants inside Suning Appliance stores in the next five years. Yum already opened trial KFC and Pizza Hut restaurants in Suning stores in 17 cities including Nanjing, Beijing, Shanghai, Shenyang and Dalian. Yum now has more than 5,000 restaurants in the country and aims to open at least 600 restaurants a year in the near future.

STOCK MARKETS

Chinese brokers ready to expand abroad

Chinese brokers and underwriters have called for regulatory support for their overseas expansion. They are ready to set foot abroad, said Yin Ke, Chairman of the International Cooperation Committee of the Securities Association of China and Deputy Chairman of Citic Securities Co. “The ‘going out’ strategy could force business managers to improve corporate governance and stimulate convergence with international standards,” he added. According to Haitong Securities Co, as of the end of last June, 23 securities companies had received permission to set up subsidiaries in Hong Kong, compared with less than 10 companies five years previously. In addition, 17 of those companies underwrote IPOs in Hong Kong last year, four more than in 2011, and earned CNY1.02 billion from that business, Haitong said. “Under the existing legal framework and capital restrictions, it is hard for Chinese securities companies to directly list on overseas exchanges, such as in the United States,” Yin said. Guo Shuqing, Chairman of the CSRC, said that the opening-up of China’s securities business will be accelerated and companies in the industry should learn from the experience of commercial banks’ overseas expansion. “Our securities companies should speed up innovation to join the ranks of the world’s first-class investment banks,” Guo said.

Zhejiang Media forced to scale back offering size

Zhejiang Media Industrial has become the first company to be subject to the reformed initial public offering (IPO) mechanism, pricing its shares at a 4% discount to its original target. The cooker-maker due to list on the Shenzhen exchange hopes to raise up to CNY480 million, CNY20 million below the original goal. The China Securities Regulatory Commission (CSRC) introduced a new IPO system at the end of last month as it stepped up efforts to curb exorbitant offering prices to protect retail investors' interests. After price consultations in an off-line subscription, Zhejiang Media was forced to scale back its offering size because of lukewarm response from institutional investors. The CSRC now makes IPO issuers allocate half of their offering to institutional investors in the off-line system, up from 20% previously. Ever since he took the job in October, CSRC Chairman Guo Shuqing has been determined to contain excessively high IPO prices. “Zhejiang Media's IPO pricing appears to be a success for the regulator,” said West China Securities Trader Wei Wei. “Efforts to protect retail investors are paying off.” A flood of IPOs on the A-share market between 2010 and last year resulted in a huge liquidity drain, causing a sharp fall in the key index. China has been the largest IPO market worldwide in the past two years, and the Shanghai index was among the world's worst performers. Buyers of new shares in the past two years have repeatedly been left high and dry as overpriced shares sank after making their debuts. Under the new mechanism, IPOs priced 25% above the average price/earnings ratio of their peers are required to be closely monitored. Issuers also have to publish all bids by institutions participating in the off-line subscriptions. Zhejiang Media's offering price of CNY9.6 translates into 22.8 times its earnings last year, 13.8% higher than its peers' average P/E ratio, the South China Morning Post reports.

CSRC is mulling to allow issuing panda bonds in Shanghai

The China Securities Regulatory Commission (CSRC) is looking at the possibility of letting foreign companies raise money by issuing so-called panda bonds on the Shanghai Stock Exchange – a move that could dent Hong Kong's lucrative dim sum bond business and create a debt market running into hundreds of billions of yuan. So far China has allowed only a handful of foreign financial institutions, including the Asian Development Bank (ADB), to offer panda bonds issued on the interbank market. The People's Bank of China (PBOC) and the National Development and Reform Commission (NDRC) have the final say on the sales of panda bonds, originally designed to widen yuan investment channels. The Shanghai exchange's pending liberalization of bond sales, if it happens, would be a big breakthrough since it would expand the panda bonds program, allowing foreign non-financial institutions to sell debt on both the interbank and stock markets. Panda bonds issued on the stock exchange are listed and traded, unlike those on the interbank market. Some multinationals including General Electric have in the past applied to the NDRC for permission to issue panda bonds, without success. The Shanghai exchange is also about to launch China's first high-yield bond market – on which small and medium-size privately owned firms will be able to sell debt carrying high interest. The expanded panda bond scheme would also offer global firms an alternative to Hong Kong's offshore yuan market when firms raise yuan funds through debt offerings.

- The China Securities Regulatory Commission (CSRC) said it would allow retail investors to trade unlisted shares on a new national over-the-counter (OTC) market that it plans to set up, provided they meet certain requirements such as investment experience. The new OTC board may start in July or August.
- The Hong Kong Stock Exchange (HKEx) intends to diversify its business, with yuan-denominated products and commodities becoming crucial to its long-term expansion plans, Senior Vice President Tae Yoo said. HKEx plans to launch offshore yuan-denominated futures in the third quarter of this year. HKEx reported a first-quarter net profit of HKD1.15 billion, down 7% on year.
- By the end of last year, 109 securities companies in China had a total net income of CNY39.38 billion, only about half of the previous year’s figure, according to the Securities Association of China. “We should move fast to strengthen the sense of crisis and accelerate innovation,” said Zhuang Xinyi, Vice Chairman of the China Securities Regulatory Commission (CSRC), who also pointed out that lack of product differentiation was one of the obstacles to the expansion of China’s securities industry.
- Hong Kong shares ended their worst week since last September with a seventh straight loss on May 11. The Hang Seng Index closed down 1.3% at 19,964.63, off 5.32% for the week. The China Enterprises Index of top mainland listings in Hong Kong finished down 1.43% at 10,143.07, ending the week 6.79% lower. The CSI300 Index of Shanghai- and Shenzhen-listed stocks ended down 0.76% at 2,636.92. This week, it lost 2.91%, the worst weekly performance in six weeks.
- The China Securities Regulatory Commission (CSRC) is inspecting listed firms to identify those that have not allocated a reasonable amount of cash for dividend payouts. The investigation is in line with efforts to urge listed firms to pay out more cash dividends so as to bolster the weak stock market. More than 600 listed firms that posted a net profit for 2011 did not pay a single yuan in dividends. Last year, Chinese firms distributed a combined CNY606.7 billion in cash dividends to shareholders, accounting for 31.4% of their total profits.

TRAVEL

Punctuality of Chinese airlines improves

The punctuality of Chinese airlines improved slightly last year, after falling for three consecutive years. Punctuality increased to 77.2% last year, up 1.4% on 2010. Domestic airlines flew 2.35 million flights last year, of which 1.82 million were on schedule. Delays are calculated until the doors of the aircraft are closed, not until take-off time. Many aviation insiders say the on-schedule rate would be far worse if the authorities defined the delay up until take-off. The China Consumer Association statistics show that of all complaints last year, those against airlines increased the most — with flight delays topping them. Shanghai had the second-worst record of flight delays among Chinese cities, only behind Guangzhou. Li Jiaxiang, Director of the Civil Aviation Administration of China (CAAC), said airlines are mainly responsible for 40% of flight delays — even though they frequently blame air-traffic control or the weather. “The cause of many delays is airlines arranging flights so tightly that maintenance and cleaning work are not finished on time,” Li said. The regulator will take measures this year to increase the punctuality rate by two percentage points to about 80% for domestic flights, he said. The central government will invest about CNY20 billion per year to build 72 new airports and expand 101 others by 2015 to meet the increasing demand, Li said.

- Prices of the more expensive business and parlor seats on high-speed rail services between Shanghai-Nanjing and Shanghai-Hangzhou have been cut by up to 30%. The discounts will cover 116 train services from May 18 until June 20. Those are the first price cuts to be introduced since the high-speed lines came into operation in 2010. Many business seats remained unsold due to the high prices. Each bullet train has about 28 business seats available.
- Direct flights from Chengdu to Los Angeles will be available by the end of this year. A Chengdu official said a deal was reached with United Airlines to operate the 18-hour flight.
- More than 59 million passengers have travelled between Tibet and Qinghai by rail since 2006, and the average annual growth rate has been more than 10%. Qinghai provincial tourism authorities expect the growth rate to become even faster in coming years with the opening of new tourism attractions, such as hiking and camping sites, along the world's highest rail line.
- Chengdu plans to have 10 subway lines operational by 2020, bringing the total length of the city's metro network to 658 kilometers. However, there are questions as to whether the deadline is feasible, as the provincial capital's second line won't even begin trial runs until September.
- Cathay Pacific Airways said weakening demand and high fuel costs would badly hurt its first-half results. Air cargo, which accounts for 30% of Cathay sales during good times, was sluggish despite an uptick in volume due to ad hoc shipments of smartphones. It had cut capacity by 25% to 30% on its freighter services to Europe and North America, he said. Cathay announced cost-saving plans including unpaid leave, a freeze on headcount and cuts in capacity on long-haul flights. However, it does not plan to delay the delivery of new planes. Between now and the end of 2019, it will take delivery of 93 aircraft.

VIP VISITS

French President-elect meets Chinese Ambassador

Within hours of defeating incumbent Nicolas Sarkozy, French President-elect François Hollande expressed his goodwill towards China by meeting Kong Quan, China's Ambassador to France. Hollande told Kong, the first foreign envoy to meet the President-elect, that he attached importance to the role China plays in the global political and economic arena and wants to expand the volume of bilateral investments, working with Beijing within the G20 framework. President Hu Jintao has also sent a message of congratulations to Hollande, promising to work with France.

ONE-LINE NEWS

- The former Director of Beijing's Taxation Bureau was sentenced to death with a two-year reprieve for graft. Wang Jiping was convicted of embezzling public funds and taking bribes worth more than CNY14 million.
- An entrepreneur in Huzhou, Zhejiang province, has fled to Canada, leaving behind debts of CNY1.8 billion. Hong Hanmin, President of Zhejiang Gaosheng Science and

Technology, allegedly cheated state-owned banks out of CNY1 billion in loans and borrowed CNY800 million from private investors before fleeing in March. The city government has launched an investigation into his disappearance.

- Three Chairmen of state-owned enterprises headquartered in Dalian – Yu Baohe of Dalian Equipment Manufacturing Investment, Xing Liangzhong of PDA Corp, the state-owned parent of Dalian Port (PDA), and Sun Hong of Dalian Port – have been replaced, but the companies insist they were not sacked and that the changes have nothing to do with any political fallout from the Bo Xilai scandal.
- More than 25% of junior high and primary school students born in Shanghai expect to work and live abroad after finishing school, according to a survey by the Shanghai Academy of Social Sciences. Data from the Ministry of Education showed more than 330,000 people nationwide went abroad to study in 2011, making China the biggest supplier of students to Western schools.

ANNOUNCEMENTS

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