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

NEWSLETTER | 5 JUNE 2012

FCCC ACTIVITIES

Conference “Fragile China? – Appraising Recent Developments and Future Operating Conditions for MNCs”, 6 June 2012, 19h00 Le Méridien, Brussels (Change of programme: afternoon meeting has been changed to a dinner.)

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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 dinner will start at 19h00 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:

18h30	Registration
19h00	Welcome by Mr Bert De Graeve, CEO Bekaert NV, Chairman Flanders-China Chamber of Commerce
19h10	Speech by Mr David Hoffman, Vice President & Managing Director, The Conference Board's China Center
19h40	Dinner and exchange of views
21h00	Close

If you would like to attend this conference please subscribe online through this link.

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As the briefing is replaced by a dinner, there is a small difference in price. The participation price for the dinner is €115. Those who already paid the participation fee for the briefing and are not able to attend the dinner, will be refunded in full.

PAST EVENTS

FCCC Industrial fact-finding trip to Shandong province (20-24 May 2012)

The Flanders-China Chamber of Commerce (FCCC) organized a fact-finding trip to Jinan, Qingdao, Yantai and Weihai in Shandong province from May 20 till 24, 2012 as part of its strategy to give its members a better insight into business opportunities in second- and third-tier cities. Managers of a limited group of companies were offered the opportunity to become better acquainted with the area and meet potential partners and senior officials. H.E. Mr. Patrick Nijs, Ambassador of Belgium in China, accompanied the delegation, assuring that it was received at the highest possible level in all the cities visited.

The mission started on May 20 in **Beijing** with a networking lunch organized by the Benelux Chamber of Commerce in China (BenCham), chaired by Mr. Patrick Vandenbemd, General Manager of BenCham Beijing, where participants to the mission also met FCCC members based in Beijing. Mrs Naomi Sanders, Project Manager of the IPR Helpdesk, gave a presentation on the “Top 5 points you need to know about IP in China”. Mrs Ludmila Hyklova, Advisor at the EU-China SME Center, talked about “Due diligence on investing and exporting to China”, while FCCC member and General Manager of Orientas, Drik Laeremans, talked about different ways to get involved in the Chinese market. The lunch-meeting concluded with a brief introduction of the investment environment in Zhuhai, Guangdong province, by Corinna Wu, Event Manager at the Zhuhai Investment Promotion Bureau. In the evening, Ambassador Nijs welcomed the delegation with a dinner at his residence.

On May 21, the mission traveled by high-speed train to **Jinan**, capital of Shandong province, were a meeting and lunch were organized with the leaders of the Lingang Economic Development Zone, who briefed the delegation on the investment environment in Jinan. Mr. Winston Zhao, Partner at Jones Day Shanghai Office, shared some insights on investing in China. Mr Thierry Schmidt, Chairman of the Board of Esco Couplings (Jinan), offered a testimonial of Belgian investment in Jinan, followed by a visit to the company. The mission also met leaders of the Environmental Protection Bureau of Shandong province and Jinan city. Vice Governor of Shandong province Cai Limin met with the delegation and introduced the economic development of the province. Following a banquet offered by the provincial government, the mission continued the trip by high-speed train to Qingdao.

In **Qingdao** the mission was briefed on the investment environment in the city by Mr Feng Wenqing, Chairman of the Council for the Promotion of International Trade (CCPIT) Qingdao Sub-Council, followed by a meeting with the leaders of the Qingdao Environmental Protection Bureau, who introduced the opportunities for foreign companies active in the environment sector in the Five Year Plan. Qingdao Vice Mayor Liu Mingjun chaired a banquet for the members of the mission. In the afternoon a visit was organized to the Qingdao Economic and Technological Development Zone and to Huber Engineered Materials, a Member of the FCCC, where Plant Manager Zhang Weijia and HR Manager Helen Lu introduced the company and its experience of investing in Qingdao. The mission also visited the huge new Kempinski Hotel of Qingdao, which will cater to conferences and conventions, and is owned by the Qingdao Weiye Group, chaired by Mr.Li Zhongyu. A successful day was concluded with a dinner with the leaders of the Economic and Technological Development Zone.

Wednesday, May 23, started with a breakfast meeting with Andries Verschelden, Partner, and Scott Krivokopich, Manager at Moore Stephens Verschelden, about taxation issues and the results of a survey of Belgian companies investing in China. Mr. Zhan Haiqing introduced the Qingdao Association of Enterprises with Foreign Investment. Following the breakfast meeting, the mission traveled by bus to **Yantai** for a visit to the Yantai Haide Special Vehicle Co, where Chairman Louis Song and Executive Vice President Maxime de la Morandiere introduced the company. The very brief visit to Yantai was concluded by a meeting with Vice Mayor Song Weining and a dinner attended by leaders of the city. In the evening the mission arrived in its final destination of Weihai.

The first activity in **Weihai** was a meeting with the Municipal Bureau of Commerce and the Weihai-Belgium Cooperation Exchange Meeting with presentations by Mr. Xu Dongming, Director of the Municipal Bureau of Commerce; H.E. Mr. Patrick Nijs, Ambassador of Belgium to the People's Republic of China; Mrs. Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce (FCCC); Mr. Juha Ven of the Huiyin Group and Mr. Geert Roelens, CEO of Beaulieu International Group. A welcoming lunch was chaired by Vice Mayor of Weihai Mr.Tian Zhiying. In the afternoon the mission visited Bekaert (Shandong) Tire Cord, where General Manager Julia Zhu led a visit to the plant; the Weiqiao Textile Co; the Weihai

Airport Equipment Co and the Shandong New Northern Information Technology Co. The fact-finding mission to Shandong was concluded with a banquet offered by the leaders of Weihai's Huancui district.

The visit to Shandong was organized with the financial support of Flanders Investment & Trade. An extensive report of the mission to Shandong will be made available to FCCC members in about one week.

PUBLICATIONS

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

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

FINANCE

Direct yuan-yen trade launched

China and Japan launched direct yuan-yen trade in the Shanghai and Tokyo markets on June 1 to facilitate trade and financial transactions between the two countries. The yen is only the second foreign currency, after the U.S. dollar, to be directly traded with the yuan. The move marks another step-up for the yuan in pursuing its globalization by making the Chinese currency’s exchange rate more flexible. From June 1, the yuan/yen rate is set directly by the market rather than based on the yuan/dollar mid-point rate and the dollar/yen rate. The People’s Bank of China (PBOC) said that it had authorized the move to help improve the foreign exchange market, promote Sino-Japanese cooperation and develop China’s capital markets. About 60% of Sino-Japanese bilateral trade is currently denominated in U.S. dollars. Only 0.3% of exports and 1.7% of imports from China to Japan were settled in yuan last year, according to the Asian Development Bank (ADB). Economists estimate the move could save USD3 billion in annual costs tied to using the dollar in trade transactions. In Tokyo, participating banks will present their yen-yuan exchange rates to the money market brokerage, which will then announce market rates, Bloomberg reported, citing Japan's Ministry of Finance. The timing of the policy comes as the yuan became the world's third-largest currency in the issuance of letters of credit by value in April, with a market share of 4%. China now accounts for 10% of the world's gross domestic product (GDP) and about 9% of world trade. He Guangbei, Chief Executive of Bank of China (Hong Kong), said the Japanese government was interested in investing in Chinese sovereign bonds, and the new policy would help smooth the process. Japan won approval from Beijing in March to buy Chinese government bonds worth about CNY65 billion, becoming the first country to do so. Interest in using the Chinese currency as a reserve currency has also been on the rise in recent years. At present, the central banks of Malaysia, Nigeria and Chile all hold yuan, even though International Monetary Fund rules dictate that a currency without free convertibility cannot be considered a reserve currency.

Carlyle wants SAFE to invest in its fund

The Carlyle Group is quietly lobbying big government institutions in Beijing, including the State Administration of Foreign Exchange (SAFE), to get them to invest in its new Asia fund. Carlyle is looking to raise between USD3 billion and USD4 billion for its fourth Asia-dedicated buyout fund. SAFE put several hundred million dollars into Carlyle's third Asia buyout fund about three years ago as an institutional investor. Beijing has been keen to reduce the size of its foreign exchange reserves, which some economists and analysts have said will be too big to manage, in particular in terms of investment returns. Earlier this year, the government approved a pilot scheme in Wenzhou to encourage local wealthy people to invest abroad. Other cities are expected to follow. Washington-based Carlyle is also lobbying other Chinese institutions, including China Investment Corp (CIC), the country's USD300 billion sovereign wealth fund, to be an institutional investor in its new Asia buyout fund.

BOC not to relax lending policy

The Bank of China (BOC) said it has no plan to relax lending policy even as loan growth weakens amid an economic slowdown. The bank expects loan growth to slow in 2012 from last year while remaining “steady”, President Li Lihui said. BOC advanced CNY247 billion of new loans in the first quarter, 17% less than the amount offered during the same period a year ago. Profit growth among the 17 Chinese banks listed in Hong Kong or the mainland was 4 percentage points lower than in 2010, partly because of the difficulty of maintaining strong growth and partly because of a slowdown in wider economic growth and a rise in bad loans, according to accounting firm Ernst & Young. Last year six of the 17 listed banks posted an increase in non-performing loan charge-offs, and in the first quarter of this year, 11 listed banks saw a rise in bad loan recognition, said Keith Pogson, Managing Partner of Asia Pacific Financial Services at Ernst & Young. "The days of ever-declining non-performing loan ratios in Chinese banks have ended," he said. The banks have enjoyed fat profits in past years, partly because of a steady income spread between what they pay for deposits and what they earn from lending. The 17 banks made CNY886.7 billion in profits last year, up 29% year on year. Many larger banks have already begun increasing the proportion of fee-based income generated from operations such as credit cards and investment products. Fee income can contribute up to 50% of revenue at some global banks. Fee income rose 1 percentage point to 18% among the 17 banks. The figure stood at 23% for the five largest lenders and 16% for the rest of the group. Another challenge that lenders face is a rise in credit costs, mainly related to local government financing vehicles (LGFVs). Such loans reached about CNY5 trillion by the end of 2010. Ernst & Young said 30% to 40% of the loans would expire between 2012 and 2014, giving the first insights into how the problem will be managed.

- Executive Vice President at the Agricultural Bank of China (ABC) Yang Kun is under investigation by the Communist Party's Central Commission for Discipline Inspection (CCDI). Caixin Magazine said Yang was suspected of involvement in a gambling case involving a Beijing real estate company and misuse of money in a bank client's account. One source said Yang and his friends owed large sums to Macao casinos. The probe might be extended to developers who received loans from ABC with Yang's help. He Juxin, General Manager of Brand Management at China Minsheng Banking Corp and Director of the Minsheng Art Museum, was also detained in the case.
- China has signed an investment agreement with Sweden for loans to small and medium-sized firms, which media reports said could be worth €1 billion. Swedish companies would be able to apply for innovation loans from the China Development Bank.
- UBS has received regulatory approval to convert its Beijing branch to a wholly-owned subsidiary in China, enabling it to offer a wider range of services. With an initial registered capital of CNY2 billion, the subsidiary, expected to open in the third quarter this year, will deepen the Swiss bank's roots in China. By the end of 2011, there were 37 locally-incorporated foreign banks, and 245 locally-incorporated branches of foreign banks in the country, according to the China Banking Regulatory Commission (CBRC).
- Yuan deposits in Hong Kong have fallen for a fifth straight month to the lowest level since May 2011 as expectations of currency appreciation receded. Savings denominated in the currency fell by CNY1.95 billion in April to CNY552.4 billion, according to the Hong Kong Monetary Authority (HKMA). The holdings stood at a record CNY627.3 billion at the end of November. The yuan weakened 0.92% last month versus the U.S. dollar, its biggest decline since a dollar peg ended in July 2005.
- Industrial and Commercial Bank of China (ICBC) said it would not adjust loan targets or accelerate lending, even though the government is relaunching infrastructure projects to boost growth. "Loan growth in recent months has been faster than our set targets," ICBC President Yang Kaisheng said at the bank's annual general meeting. The bank would not lower loan growth targets of 12% that it set at the start of the year, he said. Loan demand has been uncharacteristically low in the past few months, and analysts say there is a mismatch between companies that need money and those that banks are willing to lend to.
- Irregularities have been found in 17 of China's central government-owned companies involving a combined tens of billions of yuan. A total of 87 officials have been punished, the National Audit Office (NAO) said.
- The China Banking Regulatory Commission (CBRC) has warned banks of rampant illicit borrowing by steel companies, some of whom borrowed excessively to speculate on property and stocks. Even without illicit borrowing, credit risks in the steel sector are on the rise, the regulator cautioned. "Banks must accurately assess how slowing exports and falling domestic purchases of homes and cars will impact the demand for

steel and the operations of steel trading companies," the CBRC said.

- Of the four listed insurers, only Ping An Insurance posted a 4.3% annual rise in profit in the first quarter of this year. The profits of China Life Insurance Co slid 29%, New China Life shed 36%, and China Pacific Insurance Co tumbled 81%.
- Cai Guoxi, CEO of China Credit Rating, said China's first bond default will occur as the economy slows and yield premiums on the lowest-rated debt stay near a record high. "In the debt market a default will happen because if there's no default then the market can't mature," he said. A first default was averted in April when Shandong Helon paid off CNY400 million of bonds before CNY956.7 million of overdue loans.

FOREIGN INVESTMENT

Outbound direct investment on the rise

Outbound direct investment (ODI) is set to soar in the coming years, with double-digit growth rates predicted, said Chen Runyun, Commercial Counselor at the Department of Outward Investment and Economic Cooperation at the Ministry of Commerce (MOFCOM). ODI surged by 1.8% in 2011, from the previous year, to USD60 billion. But the January to April figure grew by 72.8% year-on-year to USD23.16 billion. China's total ODI, at the end of April, stood at USD345.1 billion. "The trend is clear. ODI is on a fast-growth track which will probably continue for some decades," Chen said. "Various factors, including the increasingly appreciating yuan, China's large foreign exchange reserves and domestic companies expanding abroad, are driving the fast growth.'' ODI is expected to register an annual growth rate of 17% from 2011 to 2015, reaching USD150 billion in 2015. China overtook Japan and the United Kingdom in 2010 to become the fifth-largest global investor. China was the largest investor among the developing nations in 2010 and 2011. Overseas investment, by the end of 2010, mainly went to manufacturing, retail, wholesale, commercial services and mining. In terms of regions, Asia, Europe and Africa are the top three destinations for ODI. Chen predicted that Latin America will be another key investment destination. China's investment in the European Union jumped by 94% in 2011, year-on-year, to USD4.28 billion, and in Africa it went up by 59% year-on-year. More and more overseas investment deals came through mergers and acquisitions (M&As). Besides cultural issues, Li Rongcan, Assistant Minister of Commerce, said "many Chinese companies and investors complain that they face protectionism''.

Some European companies consider to move investment out of China

A survey by the European Union Chamber of Commerce in China found that 22% of 557 respondents said they may move their mainland investment to developing economies in Southeast Asia and South America, where doing business is easier. "As [China's] regulatory reform continues to stall and costs rise, a previously reliable stream of foreign direct investment may slow and planned investments may be shifted to other emerging markets," said Chamber President Davide Cucino. According to the study, more than 40% of respondents said policies related to foreign-invested enterprises were less fair now than they were two years ago. Respondents were most concerned about the discretionary enforcement of broadly drafted laws, lack of coordination among different regulators, and local governments enforcing their own standards. Half of the companies said they had missed out on business opportunities because of regulatory barriers. Rising costs were another concern. Nearly 60% of respondents expected labor costs in China to rise over the next two years. Companies based in the Pearl River Delta, Nanjing and Shanghai were particularly worried about labor costs. Yin Zhongli, Financial Researcher with the Chinese Academy of Social Sciences (CASS), said European firms were feeling more pressure doing business in China partly because some of the special treatment they used to enjoy has ended in the past few years, including incentives related to taxation, recruitment and the use of land. Some of the tax breaks were scrapped in December 2010. Despite worries about China's business climate, most of the firms were optimistic about its economy. About two-fifths of those surveyed said profits were higher in China than their global average. Nearly half did not expect profitability to change in the next two years. About 60% planned to boost investment in China in the next two years, the South China Morning Post reports.

GE beefs up presence in Chengdu and Xian

General Electric has added facilities in Chengdu and Xian. Chief Executive Jeff Immelt said the U.S. company was optimistic about growth prospects in China. GE opened its first “innovation center” in Chengdu, in Sichuan province, and said it was setting up a second innovation center in Xian, in Shaanxi province, this summer, as it positions itself closer to the high-growth western regions. “We chose Chengdu because it's a great gateway to China's west,” Immelt said. “The future in China will be innovation, not just low-cost manufacturing.” The 33,000 square meter innovation center, built with an investment of USD80 million, was part of GE's USD2 billion commitment in 2010 to boost innovation and build up technology partnerships in China over three years. It will focus on research into tailor-made medical equipment for China's rural areas, equipment to tap shale gas reserves and energy storage applications for the country's transport sector. In China, GE recorded annualized growth of about 20% in the past year. GE has made a series of massive investments in China recently to consolidate its foothold in the market. It announced it would buy a 15% stake in China XD Electric Group for CNY3.38 billion and planned to set up a 50-50 gasification joint venture with Shenhua Group, China's largest coal producer. Immelt said GE was establishing two or three more joint ventures in China, without providing details. “The goal now in China is to localize, make the products simpler, and make the products more suited for Chinese development,” he added. The Xian facility due to open in summer will focus on research in lighting and coal, the South China Morning Post reports.

FOREIGN TRADE

China's corn imports on the rise

China may soon start importing Argentine corn, which has been barred because some genetically modified varieties are yet to be approved by Beijing. Premier Wen Jiabao is set to visit Argentina next month, accompanied by Agriculture Minister Han Changfu and Ren Zhengxiao, Director of the State Administration of Grain. China’s corn consumption more than doubled over the past decade, thanks to the growing demand from the country’s livestock industry, which has steadily driven up corn imports. During the first four months of this year, corn imports stood at 1.76 million tons, more than the total amount last years. Most of China’s corn imports now come from the U.S. Chinese industry analysts estimate the country’s corn imports this year will be between 3 million and 4 million tons, while the U.S. Department of Agriculture set its forecast at 6 million tons. Argentine corn could compete with U.S. corn in both quality and price and may prove popular among China’s private mills, said Ma Wenfeng, Senior Analyst at Beijing Orient Agribusiness Consultant. Large state-owned importers, which control about 60% of the country’s corn import quota, may still stick to U.S. corn for “political reasons”, Ma added. During the past two years, Argentina has signed protocols to allow exports to China of corn, bovine semen and embryos, barley, beef and dairy products. It is also a major soybean supplier for China, the China Daily reports.

- The EU is gathering evidence to show Huawei and ZTE had used subsidies to allow them to sell goods below cost in the EU.
- Chinese service exports currently rank fourth in the world and the nation’s imports rank third globally. By 2015, China’s service trade value will reach USD600 billion, or 47% of its GDP, up from the current 43%.
- China’s textile and garment export growth slowed drastically in the first four months of this year due to rising domestic cotton prices, falls in market share overseas and inadequate support from consumption at home. The export value stood at USD71 billion, just 1.07% higher than a year ago, down from the 27.05% rise registered in the first four months in 2011.
- Iran has canceled a USD2 billion contract for Sinohydro Corp to build a hydroelectric dam in the country's western province of Lorestan. It was designed to support a 1,500 MW power station. According to Iranian media reports Iran's central bank was dissatisfied with financing options offered by China.
- CNR Changchun Railway Vehicles Co, China’s largest producer of rolling stock and urban rail cars, aims to double its annual export revenue to USD1 billion within five years, General Manager Lu Xiwei said. Exports will generate 30% of revenue in the next five years. In April, the company signed a contract with Bangladesh to supply traction inverters and network control systems for diesel trains. The company is

researching the feasibility of exporting technology to, and localizing production in, South America, South Africa and Southeast Asia. CNR Changchun already has joint ventures in Iran and Australia that design and produce rail and subway cars.

- The World Bank has banned private-owned Zhonghao Overseas Construction Engineering from bidding for contracts for two years, under the bank's fraud and corruption policy. A Deputy General Manager of Zhonghao had forged documents submitted in 2008 as part of its bid for a World Bank contract to rebuild a road in Sudan. Zhonghao is a private company headquartered in Beijing with registered capital of CNY150 million. The company's businesses include water supply, road and bridge construction and hydroelectric engineering. Since January 2009, the World Bank has imposed sanctions against 14 Chinese companies for fraud and corruption.

MACRO-ECONOMY

NDRC speeds up approval of infrastructure projects

The National Development and Reform Commission (NDRC) is speeding up the approval process for large-scale projects. More than 100 projects were approved on May 21 alone, a number equal to the total number of projects approved during the first 20 days of the month. A new round of stimulus spending could inject from CNY1 trillion to CNY2 trillion into the Chinese economy, according to Tao Dong, Hong Kong-based Economist with Crédit Suisse Group. But “more investment in production amid a sluggish demand will only exacerbate overcapacity”, warned Zhang Monan, Researcher with the State Information Center. Zhang said an increase in investing will lead to more cheap credit and is likely to lead local authorities to take on more debt. The upshot will be more non-performing loans in China’s banking system. Despite the government’s attempts to bolster economic growth, China’s GDP growth may slow to 7% or “slightly less” in the second quarter this year, down from 8.1% in the first quarter. According to a report by the Agricultural Bank of China (ABC), the new round of investment should go mainly into infrastructure, since money spent on manufacturing will not bear as much fruit amid depressed domestic and global demand as it would in normal times. Even so, Shen Minggao, Managing Director with the Asia-Pacific Economic and Market Analysis Department of Citigroup, doubted current stimulus policies will be enough by themselves to reinvigorate growth. “The government should take more aggressive policy measures to prevent a faster-than-expected economic contraction,” Shen said.

China promoting emerging industries

China approved a guideline on promoting the development of seven emerging industries in the period to 2015. They include energy conservation and environmental protection, new-generation information technology, biotechnology, high-end equipment manufacturing, new energy, new materials, and green vehicles. The government also approved plans to launch 20 “major projects” for the emerging industries but gave no further details. It added the growth of emerging industries was of great importance for a stable economic development. The ownership of core technologies in pollution prevention, safe disposal of pollutants and recycling of resources should be highlighted in China’s energy conservation and environmental protection industry, which should also promote clean production and low-carbon technologies, according to the guideline. The information technology sector should speed up construction of next generation information networks, and make progress in the research of ultra-high-speed fiber and wireless communications technology and advanced semiconductors to enhance global competitiveness. For green vehicles, car manufacturers should speed up research in high-performance power batteries, motors and other key components. The guideline said healthy development of the seven industries will mainly rely on a market that can play a fundamental role in allocating resources, forming an optimized policy environment and encouraging market participants. “China is trying hard to find a balance between inflation control, growth stabilization and economic restructuring,” said Tommy Xie, Economist at OCBC Bank. “This move targets both growth sustainability and industrial transformation, and aims at longer-term development.”

List of major projects recently approved

Listed are the project's name, province, content and investment figure if available.

- Zhanjiang iron and steel plant, Guangdong province, 9.2 million tons of iron and 19.38 million tons of steel, CNY69.68 billion.

- Fangchenggang iron and steel project, Guangxi, 8.5 million tons of iron and 17.8 million tons of steel, CNY63.99 billion.
- Shougang Qiangang plant, Hebei province, 7.8 million tons of iron and 15.57 million tons of steel.
- East terminal and third runway of Jiangbei airport, Chongqing, 450,000 sq m terminal, and 3,800 m runway.
- Fuyuan airport, Heilongjiang province, 2,500 m runway, and 4,000 sq m terminal.
- Qingyang airport, Gansu province, 2,600 m runway, and 3,350sq m terminal, and renovation of the existing terminal.
- Shihezi airport, Xinjiang autonomous region, 2,400 m runway, and 3,000 sq m terminal.

- Growth-challenged China is unlikely to launch massive stimulus measures like the CNY4 trillion package three years ago, Xinhua News Agency said, pouring cold water on forecasts by two brokerages – China International Capital Corporation and Crédit Suisse – that stimulus measures worth trillions of yuan were imminent. It said spending on the scale of 2009 would risk flirting with consumer price inflation, inefficient investments and asset bubbles. Xinhua said the central government “would not fork out as much money as last time to stabilize growth”, because it was unsustainable to do so.
- State-owned enterprises' earnings fell 9.9% year-on-year to CNY457.8 billion in the first four months, while the net income of private businesses increased 20.9%, according to the National Bureau of Statistics (NBS).
- The Chinese government has approved a five-year safety plan for its nuclear facilities following a year-long inspection in the wake of Japan's nuclear disaster last year. Analysts said the move once again underlined Beijing's determination to pursue the expansion of its nuclear industry. Some nuclear power plants however failed to meet new requirements of flood control. A statement said all the problems were in the process of being rectified. No mention was made of when the central government would resume its approval of new nuclear power plants. Lin Boqiang, Director of Xiamen University's Center for Energy Economics Research, said it remained unclear when the government would lift the ban on the approval of nuclear projects.
- China's manufacturing in May weakened to a five-month low, as the official Purchasing Managers’ Index (PMI) fell to 50.4 last month from April’s 53.3, the China Federation of Logistics and Purchasing said. New domestic orders fell 4.7 points to 49.8, and new export orders lost 1.8 points to 50.4. The HSBC China Manufacturing Purchasing Managers’ Index, slanted more toward private and export firms, was at 48.4 in May, down from April’s 49.3, signaling a seventh straight month of worsening manufacturing conditions.

MERGERS & ACQUISITIONS

Number of outbound M&A deals on the rise

The value of deals in China’s M&A market totaled USD154 billion last year, increasing 74% from that in 2007. By the end of April this year, the amount of finished deals had reached USD26.77 billion, according to a report by China Venture. “The number and value of completed outbound M&A deals have greatly increased. A main reason is that Chinese enterprises have been showing great confidence in developing businesses by merging with and acquiring overseas companies,” said Wan Ge, author of the report and Analyst at China Venture Group, a leading Chinese private equity research agency. The value of outbound M&A deals finished last year was USD39.8 billion, up from USD4.46 billion in 2007. The year 2010 witnessed a record figure of USD70.9 billion. In 2011, 323 deals with a value of USD73.2 billion were initiated, while there were 107 such deals in 2007 worth USD13.58 billion. Chinese private enterprises are seeking targets with first-class technology and a global sales networks, the report said. Some are interested in the luxury industry. In 2011, Fosun took a stake in Folli Follie Group, a high-end global retailer based in Greece, with an initial investment of €84.58 million. SHIG-Weichai Group acquired a controlling interest the world’s largest luxury yacht maker, the Italian company Ferretti Group. According to Wan, 239 outbound deals totaling USD50 billion were finalized in the Chinese M&A market from last year to the end of April. Among them, 61 deals with a total trade value of USD27.46 billion are in the energy and mining sector, making it the most popular sector.

- Gas supplier ENN Energy is to seek shareholders' approval on July 6 for a USD2.2 billion takeover offer for its bigger rival China Gas Holdings, even though the bid is significantly below the China Gas stock price. ENN, which has teamed up with Sinopec in the unsolicited bid, needs to get the go-ahead before proceeding with a formal takeover offer. It has not said if it will raise its HKD3.50 per share offer.

PETROCHEMICALS

CNPC welcomes private investment in West-East gas pipeline

State-owned China National Petroleum Corp (CNPC) has for the first time accepted outside investment in its gas business in response to government calls to open energy and other infrastructure projects to private investors. Private firms have long been effectively shunned from industries such as energy, banking, telecom and railways, but Premier Wen Jiabao has been keen to open these sectors to private investment. The parent of PetroChina signed an agreement with several state and private investors to co-fund the third West-East gas pipeline to take central Asian gas to China's southeastern coast. “CNPC has made an audacious innovation in the business mode of the third West-East gas pipeline by introducing outside investors, changing the previous method of funding all projects itself,” the company said. The project will cost CNY116 billion and CNPC would contribute CNY32.5 billion, or 52% of registered capital, to the yet-to-be-established joint venture. The National Social Security Fund (NSSF), Urban Infrastructure Industry Fund and Baosteel Group would each contribute CNY10 billion. The third cross-country gas pipeline, including one trunk line and eight branches, will span more than 5,000 km from the northwestern border in Xinjiang to coastal Fuzhou. It will have a transport capacity of 30 billion cubic meters (BCM) per year, the same as the second line that was put in use in late 2009. CNPC's first West-East pipeline has an annual capacity of 17 BCM.

- Sinopec Corp and Japan’s Mitsui Chemicals plan to build a CNY2 billion synthetic rubber factory in Shanghai, which will help China cut its heavy reliance on imports. The plant, in the Shanghai Chemical Industry Park, will be able to produce the world’s biggest volume of ethylene-propylene-diene terpolymer at 75,000 tons a year when commercial production starts in the first quarter of 2014. Both companies will each have 50% of the venture. China’s consumption of the synthetic rubber totaled 237,400 tons in 2011, with imports taking up 223,000 tons.
- China's average demand for diesel in the first four months of 2012 rose only 2.2% year-on-year, far below its year-earlier growth of 9.5%. Sluggish demand in the manufacturing, transportation and agricultural sectors accounts for the weak demand for diesel. These three sectors represent almost 80% of China’s total diesel demand. China’s average diesel demand in 2012 may remain soft at 3.50 million barrels per day, a year-on-year increase of only 2.8%, albeit with a possible mild recovery in the second half.

REAL ESTATE

Chinese developers looking to Hong Kong market

Chinese property developers are seeking listings on the stock exchange In Hong Kong or bidding there for land as the new administration of Chief Executive-elect Leung Chun-ying prepares to increase land supply and the mainland market languishes under the impact of government austerity measures. China's biggest publicly traded developer, China Vanke, announced last month it would pay HKD1.08 billion for 74% of Hong Kong-traded Winsor Properties. Earlier last month, China Merchants Property Development bought into Hong Kong-listed consumer electronics maker and retailer Tonic Industries with a view to establishing a new source of financing. And last year Gemdale, a Shanghai-based real estate developer, launched a failed bid to acquire a 61.96% stake in Hong Kong-listed Chi Cheung Investment, a property development and securities investment company, for HKD836 million. Apart from seeking listings on the local market, mainland developers are showing increased interest in the city's real estate market. In March, China Overseas Land & Investment, a Hong Kong-listed mainland developer that shifted its focus to the mainland years ago, returned to the local market with a winning HKD2.54 billion bid for a site in Ap Lei Chau; and the Vice Chairman of Guangdong-based Agile Property, Chan Cheuk-yin, acquired a site in Sai Kung for HKD700 million. The Hong Kong projects allow them to respond to the demands and aspirations of mainland buyers who are unable to buy for investment purposes at the present time in the mainland market. It is estimated that 40% of new homes sold so far this year in Hong Kong have gone to mainland buyers.

Developers turning to tourism-related commercial projects

Chinese developers are turning to tourism-related commercial projects as safer bets than residential developments, which are bearing the brunt of government measures to curb demand and price growth in the sector. The trend could see strong growth in property projects integrated with serviced apartments and leisure and entertainment facilities, presently in their infancy in China, according to Zhang Wei, Deputy General Manager of Zhejiang Tourism Jishi Investment. The investment arm of state-owned Zhejiang Tourism Group was planning to launch a CNY2 billion fund that would focus on investments in tourism-related property projects, Zhang said. “We believe property projects offering leisure facilities such as spas, hot springs, and 'wellness' centers will see big growth over the next decade,” he told the “Invest in China, Invest in the Future” seminar in Shanghai. The Zhejiang Tourism Group announced in April that it would team up with Zhejiang's Yiwu municipal government to invest CNY20 billion in the development of a film studio, luxury hotel, convention and exhibition center, and serviced apartments in Yiwu. Wang Jun, President of Coastal Real Estate Group, said integrated property projects would generate higher profits and more sustainable revenues than purely residential developments. He added that property projects targeting tourists, as well as information technology firms, or industrial parks, could negotiate for lower land prices.

Overseas Land defends low sales price at The Amethyst

China Overseas Land and Investment warned the worst was yet to come for the property market as it defended its low-price strategy for the launch of a luxury residential project in Shanghai – The Amethyst – saying it would not hurt its margins. “We have been employing the sales strategy of starting with low prices to appeal to potential buyers and raising prices later,” said Chairman Kong Qingping. The average price of the project was CNY38,000 per square meter, compared with the land cost of CNY22,400 per sq m. The offer prices are about 45% lower than what the market has been expecting. In 2009, China Overseas Land paid CNY7 billion for The Amethyst site in Shanghai, making it the most expensive land in the city at the time. Taking into account construction cost and interest expenses, analysts said its launch price just about covered the total costs. Kong rejected suggestions that the project might significantly squeeze the company's profit margin. Last year, the company achieved a gross profit margin of 42% and a net profit margin of 30%. China Overseas Land secured 40% of its sales target – set at HKD80 billion for this year – in the first four months of this year. China Overseas Land has spent CNY2.4 billion to develop two sites with a total gross floor area of 2.13 million sq m in Ganzhou and Foshan this year. Last year, it spent a total of CNY24.16 billion for 27 plots and added a total gross floor area of 10.56 million sq m to its land bank.

- Fosun International has filed a civil suit to protect its claim to a 50% stake in the prime Bund 8-11 site in Shanghai. It already owns the other 50% and is trying to prevent its partners Shanghai Zendai and Greentown China from selling the disputed stake to Soho China. Soho China said Fosun's allegation that it was buying the disputed stake was unfounded and that it was Fosun that had been in talks to buy the stake but could not reach an agreement. Bund 8-11 became the most expensive site in Shanghai in 2010 when it was sold for CNY9.22 billion at a land auction.
- Sales of mid- and high-end residential properties in Shanghai rose to their highest level in a year last month thanks to price cuts. New homes sold for more than CNY30,000 per sq m totaled 155,000 sq m during the first 30 days of May, a 30% increase over April, Shanghai Deovolente Realty Co said. The city’s existing home market witnessed a lackluster performance as individual owners were reluctant to cut prices. The average price of existing houses in 66 of the 128 areas tracked dipped 0.11% in May, down from 0.24% in April.
- Minmetals Land's replica of Hallstatt, an Austrian alpine hamlet, copied down to the statues by a Chinese developer, was officially opened in Guangdong province's Huizhou city. Members of a delegation from Austria's Hallstatt said they were proud to be copied but also disappointed with the way it was done. “They should have asked the owners of the hotel and the other buildings if we agreed with the idea to rebuild Hallstatt in China, and they did not,” hotel owner Monika Wenger said.

- China's house prices fell to a 16-month low in May according to SouFun Holdings. Prices declined 0.3% from April to CNY8,684 per sq m, based on its survey of 100 cities. The figure was the lowest since January last year and the ninth month-on-month decline. Housing values dropped in 73 cities while 26 posted gains, and one reported no changes in residential prices, SouFun said. Prices in the 10 biggest cities, including Beijing and Shanghai, retreated 0.5% from April, and dropped 3.2% year-on-year.
- Protests by homebuyers have erupted in several cities, but they have taken on a special poignancy in Hangzhou, capital of Zhejiang province. Hundreds of people who bought unfinished flats through pre-sale agreements have been staging protests against developers. They say they have been forced to take "justified action to protect their own interests". Most have already lost 30% of their investment since Beijing's curbs led developers to offer discounts on unsold flats amid a liquidity squeeze. A 30% price fall on a 100 square m home equals more than CNY300,000, equal to at least five years' pay on an average wage.
- Agile Property Holdings started offering up to 25% discounts on its flats in 10 of its projects in Guangdong province. The Guangdong-based developer said the offer would last 20 days. A company spokeswoman said the discount offer was only part of the marketing campaign to commemorate the company's 20th anniversary. Six of the 10 projects are in Zhongshan city. It is one of the biggest price discounts from a listed developer in recent months. In February, China Merchants Property cut prices by about 20% on 22 developments across 14 cities.
- Average home prices in 100 cities fell 1.53% last month from a year ago to CNY8,684 per sq m, said the China Index Academy. In Beijing and Shanghai, prices declined 3.2% to an average CNY15,314 per sq m during the same period. "The continued falls in residential prices are mainly because developers are offering new projects at a discount," said Alan Chiang, head of China residential property for consultancy DTZ.

RETAIL

New subsidies for energy-saving appliances announced

Subsidies for energy-saving appliances totaling CNY26.5 billion are expected to be rolled out after a similar program mostly ended one year ago. But the market is unsure whether the policy can boost spending in the sector that has just experienced its lowest point in months. Consumers will be subsidized CNY100 to CNY400 for purchase of an energy-saving air conditioner or an energy-saving flat-panel TV for a year starting from June 1. Other energy-saving white goods will also be included in the subsidy policy. The government will earmark another CNY2.2 billion to promote the purchase of energy-efficient light bulbs and light-emitting diodes (LEDs) and CNY6 billion for the buying of vehicles with engine sizes below 1.6 liters. In a previous campaign, subsidies applied exclusively to green air conditioners but now five categories of goods enjoy the preferential policy, which is expected to raise home appliances sales by 20%.

SCIENCE & TECHNOLOGY

Jiaolong to attempt 7,000 m deep-sea dive

An oceanographic ship carrying China's manned deep-sea submersible, the Jiaolong, left the port city of Jiangyin, Jiangsu province, for the Mariana Trench to attempt the world's deepest manned submersible dive of about 7,000 m. It completed 17 dives in the South China Sea between May and July 2010, with the deepest reaching 3,759 meters, making China the fifth country, following the United States, France, Russia and Japan, to send a manned submersible to a depth of more than 3,500 meters below sea level. The submersible succeeded in diving 5,188 meters below sea level in the Pacific Ocean last summer. "The scientific expedition of the Jiaolong is aimed at benefiting mankind. The deep sea has amazing resources waiting to be discovered, such as hydrothermal sulfide and manganese nodules," said the lead pilot of the Jiaolong, Ye Cong, 32. The United States, Russia, Japan and France currently lead the world in the development of deep sea exploration technology.

- The Chinese Academy of Engineering (CAE) has asked Xie Jianping – one of its members – to quit because he specializes in refining low-tar cigarettes. The request came after a campaign opposing his membership, and ahead of World No Tobacco Day on May 31. Scientists who dispute Xie's membership say his research into reducing the health hazards of tobacco by lowering tar content – which led to his being named a fellow of the academy – contradicts international health standards. Xie, who is also Vice President of the Zhengzhou Tobacco Research Institute under the China National Tobacco Corporation, refused to resign.

STOCK MARKETS

Regulator promotes bigger role for small stock exchanges

The China Securities Regulatory Commission (CSRC) is looking to let smaller stock exchanges shoulder more listing responsibilities so more companies can get a foot on the listing ladder, as the watchdog struggles to tackle bottlenecks in the system. Qi Bin, Director General of the CSRC Research and Strategy Center, said the agency was looking to promote stock exchange boards that cater to small- and medium-sized enterprises, so they could build a multilayer structure and become less reliant on the main board. “The gist of the idea is to apply the same rules and standards between the boards, and allow companies to switch between boards gradually,” Qi told the South China Morning Post. In Beijing alone, more than 1,000 companies that originated in the Zhongguancun Science Park met the standards to apply for an IPO, he said, but the CSRC could approve only 300 to 400 listings a year. At present, the number of 1,400 companies listed on the main boards in Shanghai and Shenzhen far exceeds that of the smaller markets, which are also located in Shenzhen – the SME board has 646 listings; ChiNext, also known as the Growth Enterprise Board, has just 281; and the over-the-counter (OTC) market has about 150. In contrast, the New York Stock Exchange lists about 2,300 companies; Nasdaq has 2,700; the US OTC market has 9,000 companies; while the grey market, also known as the “pink sheet”, has 60,000. CSRC's plan to develop the smaller boards would supply money to SMEs in need of liquidity and in turn improve the real economy, said Sun Mingchun, Daiwa Capital Markets Chief Economist.

CSRC to prioritize IPOs from companies in West China

The China Securities Regulatory Commission (CSRC) said that it will prioritize IPO applications from companies in western China to support the development of the regional economy, and their listings will be equally distributed between the Shanghai and Shenzhen stock exchanges. Companies from western China raised a total of CNY78 billion on the stock market last year, with 18 companies launching IPOs on the main and ChiNext boards, raising CNY15.5 billion last year. The development of the stock market in the western area lags far behind the eastern regions, a CSRC official said. Last year, western companies accounted for 5.48% of the nation’s CNY282.5 billion in IPOs. The CSRC said it is currently reviewing IPO applications from 683 companies, among which only 9.66% are from the western region. The CSRC also vowed to accelerate the listing of private companies to help stabilize economic growth. In addition, the process of administrative licensing for private shareholders when increasing stakes in securities and fund management companies will be accelerated, the CSRC said.

- Twelve so-called dim sum bonds have listed on the Hong Kong stock exchange this year to raise CNY11.8 billion. There are a total of 23 dim sum bonds listed in Hong Kong. In November, the exchange relaxed some requirements to attract dim sum bond listings by shortening the application process for those aimed at professional investors.
- Shanghai-listed construction machinery maker Sany Heavy Industry has filed for a USD2 billion Hong Kong listing, 40% less than the USD3.3 billion it intended to raise last year. The company postponed its Hong Kong IPO in September. Sany Heavy plans to sell 10% of its capital, instead of the 15% it offered last year.
- People's Insurance Company of China (PICC) has hired 14 investment banks to help sell its stocks in its dual initial public offering (IPO) this year. It aims to raise USD3 billion in its H-share listing in Hong Kong, and more than CNY10 billion in its A-share offering in Shanghai. It would be the biggest IPO in Hong Kong this year. Market experts said such a broad share distribution network was not often seen in the market, but would make sense for PICC, as it had chosen to raise a large sum of money in a difficult environment. PICC plans to list in Hong Kong near the end of June, while its A-

share listing timetable is unknown.

- Copper producer China Nonferrous Mining Corp (CNMC) is delaying its Hong Kong listing because of a technical issue in the financial data submitted to the Hong Kong stock exchange. The news came after the China Banking Regulatory Commission (CBRC) said that credit risks in the steel and nonferrous metal industries had already surpassed that of the property sector. At the end of last year, the company's total borrowings reached USD711.2 million, and the net debt-to-total-equity ratio reached 127.9%, up from 70.4% in 2010, according to its listing prospectus. CNMC has already scaled back its deal size to HKD2.44 billion from HKD3.9 billion because of the market downturn.
- Graff Diamonds has shelved its proposed USD1 billion Hong Kong stock market listing after failing to find buyers for half of its shares. The flop by the London-based jeweler is by far the most high-profile in a string of canceled flotations planned for the Hong Kong Stock Exchange in recent days. Hong Kong's Hang Seng Index has lost more than 11% of its value in the past month. Analysts said Graff would have to cut its fund-raising target by at least 10% when it revived the listing to reflect sentiment in the market.
- Hong Kong has so far seen 21 IPO listings worth USD1.4 billion this year, down 85% from the same period last year when 25 IPOs brought in USD9.1 billion, according to Thomson Reuters. In Asia, 46 IPO deals worth USD7.7 billion have been pulled so far this year, up one third from the USD5.8 billion during the year-earlier period.
- The Hong Kong Securities and Futures Commission (SFC) announced that from June 18 investors or fund houses who have held large short-selling positions on certain stocks must report their positions to the SFC by using an online system developed specifically for the purpose. To help market participants to prepare for the reporting system, the SFC has been running a pilot testing program since May 7.
- The China Securities Regulatory Commission (CSRC) has not set a timetable to allow foreign companies to be listed, an official said, adding that the CSRC has set up the framework but is still studying the details. Analysts said that the conditions to launch the international board are not right yet. Xiang Weida, Director of Research at Great Wall Securities, said that from a financing perspective, supporting the financing of small enterprises is more urgent than the financing of foreign companies at a time the market was at an historical low.

TRAVEL

Jet fuel prices cut

Beijing cut jet fuel prices by 6%, helping to ease the cost pressure on airlines. Singapore kerosene jet fuel prices dropped to a one-year low on May 31 to USD116.38 a barrel. Jet fuel costs are the largest single cost for airlines and account for nearly 40% of total operating costs. Jet fuel supply in China has been monopolized by state owned firms, with the price set every month by the government under a mechanism that links a basket of international oil prices. Fuel surcharges will be cut by more than 10% for domestic flights within five days. The new surcharge for long-haul flights, 800 km or above, will be CNY130, while the cost for short-haul flights will be CNY70. Domestic passenger growth softened for the third straight month to 5.8% in April.

France top travel destination for Chinese millionaires

France is overwhelmingly the destination of choice for rich Chinese travelers going on luxury trips abroad while the U.S. ranks close behind, a report from the Hurun Research Institute said. The Maldives, Switzerland and Dubai are the international destinations growing most rapidly in popularity as travel spots favored by the "Chinese luxury traveler". The typical "luxury traveler" goes away for an average of eight days at a time, three times a year, and travels in groups of nine, according to the Institute and International Luxury Travel Market Asia, which interviewed 150 Chinese millionaires in U.S. dollar terms on their preferences. These wealthy travelers are holidaying more — 20 days per year, up five days on last year. Shopping is a prime motivation for travel, with each traveler spending an average of €813 on tax-free goods per trip, according to Global Blue, the tax-free refund group. China's luxury travelers' "love affair with all things France" was unlikely to change any time soon, said Rupert Hoogewerf, Hurun's founder. More than 40% of those surveyed cited France as being in their top 10 of preferred destinations. Within China, Sanya in Hainan, Hong Kong and Yunnan province are the top three spots for luxury travelers to visit. In addition, Tibet is becoming more popular.

- The Ministry of Railways (MOR) is to investigate equipment produced by Halfen Group's Chinese subsidiary. The company's cast-in channels, used to support equipment such as wires, signals and electrical devices, fell short of quality standards, failing strength and fire-resistance tests, it was reported. There were doubts whether the products were imported from Germany, as the company claimed, or were made in local factories.
- China is considering boosting domestic luxury spending by opening more duty-free shops in urban areas rather than cutting import tariffs on luxury goods. The China Duty Free Group signed a letter of intent with Beijing's Chaoyang district government to establish the city's first duty-free shop in the central business district (CBD). The group was also in talks with Shanghai to build similar shops there. Industry experts expect the government to open more duty-free shops selling high-end handbags, cosmetics and clothing in key cities as a way to keep consumer spending within the local market.
- Lot Polish Airlines resumed direct flights between Warsaw and Beijing for the fourth time. "We will be successful this time," Marcin Pirog, President and CEO of Polish Airlines, said. Each time it had previously opened the route — in 1987, 1989 and 2008 — it had to discontinue services due to a lack of demand. Beijing is the carrier's first destination in Asia. China is already one of the Poland's major sources of foreign investment and the fifth-largest source of imports. Pirog attributed the route's previous problems to inconvenient departure and landing times, and no right to fly over Russia, which made the flight one hour longer. Both problems were solved this year. Polish Airlines shares flight codes with Air China, as both are members of the Star Alliance.
- A new passenger train service started from Harbin to Vladivostok in Russia, taking about 18 hours. Heilongjiang province had more than 60,000 outbound travelers to Russia last year, while 1.46 million people came to China through Heilongjiang.
- Shanghai's massive Hongqiao transportation hub, which includes an airport, a railway station and metro stops, has surpassed expectations by earning CNY500 million last year alone, Liu Wujun, Chief Technical Officer of Shanghai Airport Group said. The figure was far above the CNY50 million annual revenue target. Daily passenger traffic at the hub exceeds 400,000, and about 10,000 people transfer between flights and high-speed trains each day.

VIP VISITS

Commerce Minister Chen Deming visits Brussels

Belgian Vice Premier and Minister of Foreign Affairs Didier Reynders met Chinese Minister of Commerce Chen Deming in Brussels and pushed for more Chinese investments in Belgium. They studied the opportunities of development zones, e.g. for investments in environmental technology developed in China. Both Ministers also discussed the opportunities and difficulties of Belgian companies in China and the negotiations between China and the EU on the protection of intellectual property rights, market access, non-tariff barriers and the draft of an investment agreement. The euro crisis and the situation in Africa were also discussed. Minister Reynders plans to visit China from June 13 till 15.

- Russian President Vladimir Putin plans to visit Beijing this week. The Chinese government expects a breakthrough in stalled negotiations with Moscow on a massive natural gas project. "I believe there will be a new breakthrough with both sides sharing the risks and benefits," said Chinese Deputy Foreign Minister Cheng Guoping. China and Russia signed a memorandum of understanding in 2006, when they agreed to construct two pipelines that would transport 68 billion cubic meters (BCM) of gas annually from Russia to China over 30 years, but both partners disagree over pricing. Russian Vice Prime Minister Arkady Dvorkovich and Chinese Vice Premier Wang Qishan already held preliminary talks on energy.

ONE-LINE NEWS

- Director of the State Administration of Work Safety Luo Lin stepped down after a four-year term and would be succeeded by Yang Dongliang, former Deputy Party Secretary of Tianjin. Luo was credited by some for the country's improved mining safety record during his tenure, including requiring senior managers to go into mine shafts with miners to ensure they are serious about safety.
- State Grid Corp of China, the country's largest power distributor and one of the world's largest utility companies, is going to buy electricity transmission assets in Brazil for USD531 million and assume debt of USD411 million in the latest step in the company's internationalization strategy. The company will take over seven high-voltage electricity transmission assets with a total length of 2,800 km from Spain's Actividades de Construcción y Servicios.

ANNOUNCEMENTS

Province of West Flanders looking for internships

The Province of West Flanders is looking for internships for students of West-Flanders' institutes of higher learning in China. Many students are eager to work in internships in companies of West Flanders in China. The Province is organizing a dinner to bring together economic and academic representatives in West Flanders to determine the opportunities for internships and research in China. The dinner – which is free of charge – will be attended by Governor Carl Decaluwé and Vice Governor for Education Gunter Pertry on Wednesday, June 20, 2012 at Provinciehuis Boeverbos, K. Leopold III-Laan 41, 8200 Sint-Andries. More information is available by contacting Kristien Vandamme, Provinciehuis Boeverbos (Dienst EEG), K. Leopold III-Laan 41, 8200 Sint-Andries, Tel.: 050-403359
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International Exhibition on Green Industry of Shandong, August 31 – September 2, 2012, Jinan

The International Exhibition on Green Industry of Shandong is organized by the Department of Environmental Protection of Shandong province, and is held every two years. It has been recognized as an international EP show and contributed a lot to the construction of an environment-friendly society. The 5th International Exhibition on Green Industry & Shandong High-level Forum on Construction of Ecological Province will be held in the Shungeng International Exhibition Center in Jinan, Shandong province from August 31 till September 2, 2012. On the theme of "Developing Green Industry, Constructing Ecological Province", the 5th Green Exhibition aims at promoting green production, green consumption and green living, building a market platform of environmental service, promoting the popularization and application of advanced environmental technologies and the harmonious development among economy, society and environment, and highlighting the supporting role of the EP industry on ecological construction in Shandong province. The exhibition is composed of five sections: Comprehensive Exhibition on Energy-saving and Pollution Reduction Projects; Exhibition on Energy-saving and Environmentally friendly Technologies and Products; International Exhibition on Energy-saving and Environmentally friendly Technologies and Products; Green Products Exhibition; and Technical Forums. Four sessions of the Green Exhibition have been held successfully since 2004. It aims to build the market platform of the environment protection industry and promote cooperation and exchanges through exhibiting the latest EP technology and products. Green Exhibition received much attention both at home and abroad. Participators included 2,245 international organizations and enterprises from 24 countries and regions including China, Korea, Japan, U.S., Canada, Sweden, Switzerland, France, Spain, Russia, Mongolia, Singapore, Denmark, the Netherlands, Hongkong, and Taiwan reached 8,694 agreements and contracts. Leaders from the Chinese Ministry of Environmental Protection (MEP), the Korean Ministry of Environment, the U.S. Commerce Department and delegates from 49 Northeast Asian countries and regions were present at the opening ceremony. Shandong has established successful EP industrial cooperation mechanisms with Korean and Japan through the exhibition.

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