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

NEWSLETTER | 20 AUGUST 2012

FCCC ACTIVITIES

EU-China Business Summit – 20 September 2012 – Brussels – Speaking & Sponsorship Opportunities and Registration

Following the announcement that the EU-China Political Summit will take place on 20 September 2012 in Brussels, we have started preparing the EU-China Business Summit which will be organized the same day in parallel to the Political Summit. It is a joint initiative by the EU-China Business Association (EUCBA), BUSINESSEUROPE, the China Council for the Promotion of International Trade (CCPIT) and the EU Chamber of Commerce in China (EUCCC).

The EU-China Business Summit provides business leaders from China and Europe with an opportunity to discuss the current commercial environment as well as issues of common concern in the EU-China trade relationship. It is held annually, alternately in the EU and in China, and recognized as the most high-level platform for exchange between EU and Chinese business and political leaders.

We expect a Chinese delegation of about 100 senior business people (including CEOs) to attend the event. The overall theme will be linked to investment – opportunities and challenges in both China and the EU.

The 8th EU-China Business Summit will:

- Bring together the highest level of European and Chinese political leaders including Chinese Premier Wen Jiabao, European Commission President José Manuel Durão Barroso, European Council President Herman Van Rompuy and global CEOs.
- Provide an excellent opportunity to join an open discussion with European and Chinese leaders about current and future challenges and opportunities that shape the business environment in China and the European Union.
- Provide an excellent opportunity to expand business relations and the EU-China network with important counterparts from Chinese business and politics.

Speaking & sponsorship opportunities:

As the Chinese business delegation will be very high-level, including CEOs from major Chinese companies, we are actively seeking Global CEOs from representative European Companies to participate as key European business speakers at the EU-China Business Summit.

The EU-China Business Summit will also provide an excellent opportunity for companies to present themselves and their activities to a broad public of high-level business and political representatives from China and the EU. We are happy to provide more detailed information about this possibility.

To register for the event, click here no later than 14 September 2012.

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

Vyncke signs contracts in Guangxi

Recently Vyncke secured two strategic contracts in Guangxi. The companies Guangxi Feng Lin Wood Panel Co and Guangxi Qin Guan MDF Co both selected a turn-key Vyncke energy plant to support the production process of their new factories.

Each factory will produce 150,000 m3 of Medium Density Fiberboard (MDF) on a yearly basis. MDF is a type of wood panel, which is widely used in the furniture and flooring industry.

Each of the new Vyncke plants will produce 42 MW energy in the form of steam, thermal oil and hot gas. These energy media will be generated through the combustion of biomass, a waste stream from their production process.

Vyncke, now celebrating its 100 year anniversary, is considered a global market leader for energy plants in industrial markets like the wood industry and the agro and food industry. Vyncke is in the biomass-to-energy business in China for more than 20 years. Since 2007, Vyncke is based in Suzhou, with its own production facility.

FINANCE

Salaries at foreign banks in China rise further

According to the latest annual survey of foreign banks in China by global accounting firm PricewaterhouseCoopers (PwC), salaries for mainland-based staff at foreign banks are likely to continue to rise this year, mainly thanks to strong domestic commercial banking business. Currently, a total of 181 foreign banks operate in China. Senior executives from 41 of those banks, including all the major players such as HSBC, Citigroup and Standard Chartered, participated in the survey, which was conducted in April and May. More than half the participating banks forecast that pay rises for their mainland staff could be 8% to 10% this year, far above inflation in the world's No 2 economy, currently running at 2.2%. Headcount is likely to increase at the 41 participating banks to 55,000 by 2015 from 35,000 at present, the survey shows, but staff retention continues to be a problem, with 10 banks saying they expect to see more than 20% staff turnover this year. According to official data released by the China Banking Regulatory Commission (CBRC), foreign bank profits more than doubled to CNY16.7 billion in 2011 from 2010. The PwC survey attributed that surge mainly to international companies' demand for credit to expand their mainland businesses.

Foreign banks report rise in profits

Foreign banks saw their profits in China double in 2011 and expect at least 20% annual revenue growth over the next three years despite a bleak economic outlook, according to a survey by PricewaterhouseCoopers (PwC). A total of 181 foreign banks in China reported a combined revenue growth from CNY7.78 billion in 2010 to CNY16.73 billion in 2011. The total assets of foreign banks in China also grew 24% to CNY2.15 trillion over last year, and accounted for about 2% of the total assets in China's banking sector. The share is up from a decline during 2008, which was the result of massive liquidity injected into Chinese banks. "The significant growth (in profit) was a result of strong demand for corporate credit from multinationals expanding within China and an increasing number of state and private-owned enterprises customers," said Jimmy Leung, banking and capital market leader with PwC China. He added that the internationalization of the renminbi has generated a strong demand and growing revenue in derivatives, which also helped drive results. The central bank's recent advancement on interest-rate liberalization is also viewed as advantageous, as foreign banks can now compete with more flexibility, Leung said. "The exponential growth in the number of high net-worth individuals in China is leading some foreign banks to renew and develop their retail and wealth-management businesses," said Raymond Yung, PwC China financial services leader. The strong results were achieved despite barriers such as lending caps and a relatively slow pace of new-branch approvals, PwC's report said. The strict regulatory environment continues to be a major concern among bankers. Relaxed regulatory restrictions on bond underwriting, access to the derivatives market and wealth-management market, as well as a higher quota of offshore funding are on the respondents' wish lists, the China Daily reported.

- Customer satisfaction with retail banks in China has improved this year due to "significant" increases in satisfaction with fees and problem resolution, according to a survey by JD Power Asia Pacific. Overall satisfaction in 2012 improved by two points to 687 on a 1,000-point scale from 2011. Satisfaction with six overseas banks, including HSBC, Citibank and Standard Chartered Bank, fell below average both among general and VIP clients. The survey examined the operations of 24 banks in China. Shenzhen Development Bank ranked the highest in customer satisfaction, followed by China Everbright Bank and China Merchants Bank Co.

- Australia plans to work with China to allow direct conversion between the Australian dollar and the yuan – without pricing through the U.S. dollar – which would make it the third country to have such a bilateral currency arrangement. The move is designed to help the Sino-Australian commodities trade and would pose a fresh challenge to the world dominance of the U.S. dollar.
- Yang Kun resigned in July as an Executive Director of Agricultural Bank of China (ADB) after more than a month being detained in Beijing by the Central Commission for Discipline Inspection (CCDI) of the Communist Party of China (CCP), amid a widening probe into allegations of illegal gambling and misappropriation of clients' money.
- Some of the largest banks and financial firms in Hong Kong and Japan signed a non-binding agreement of interest to invest in Shenzhen's Qianhai development zone, which Beijing wants to use as a test ground for freer yuan use and possible capital account convertibility. HSBC and its subsidiary Hang Seng Bank, Bank of East Asia and Sun Hung Kai Financial, were among 37 who signed. The Chinese offices of Japanese banks such as Bank of Tokyo-Mitsubishi UFJ and Sumitomo Mitsui Banking Corp and mainland lenders such as Industrial and Commercial Bank of China (ICBC) also signed.
- China discriminates against suppliers of foreign bank cards by maintaining state-owned China UnionPay (CUP) as the monopoly supplier for clearing certain transactions, a World Trade Organization (WTO) dispute panel said in a ruling. All payment cards issued in China are also required to carry the CUP logo and all payment terminals must work on the CUP network. White House Spokesman Jay Carney called the ruling a “win” that showed “our determination to go after China's efforts to distort global trade rules”.
- The Chinese government continues its crackdown on underground banks, as tens of billions in yuan was smuggled out through illegal channels. A court in Chongqing convicted 18 people of smuggling almost CNY62 billion. The group used fake electronics companies and bank accounts to help clients evade capital controls.
- China Construction Bank (CCB) faces losses on CNY3 billion it is owed by Zhejiang Zhongjiang Group that filed for bankruptcy after being hit by the property market crackdown. Zhejiang police have arrested Yu Zhongjiang, the owner of the company, on suspicion that he had illegally collected public funds. “Under the tightening measures to cool the real estate market, once developers' capital chain was broken because of falling prices and sluggish sales, banks were exposed to the risk of rising bad loans,” said Guo Tianyong, Professor at the Central University of Finance and Economics.
- China Investment Corp (CIC), the country’s sovereign wealth fund, reported an annual loss of 4.3% in its overseas investment portfolio in 2011, the first loss since 2008. Total assets of CIC at the end of last year, including Central Huijin Investment, stood at USD482 billion, 17.7% up from the previous year. The company reported a net profit, for domestic and overseas investments, of USD48.4 billion, down 6% year-on-year. Investment returns in 2010 reached 11.7% and cumulative annualized returns stood at 3.8% since CIC was established in September 2007.
- The Chinese government approved a plan to extend a value-added tax pilot program in Shanghai to eight provincial-level regions. The program to replace the business tax with a VAT will be extended to Beijing, Tianjin, Jiangsu, Zhejiang, Anhui, Fujian, Hubei and Guangdong, and the cities of Xiamen and Shenzhen. The replacement of the business tax could lift GDP growth by 0.5 percentage points and export growth by 0.7 percentage points, while helping create about 700,000 jobs.
- Two Chinese private equity funds, Hony Capital and GCS Capital, are reported to be close to finalizing a deal to buy Dexia Asset Management, the asset management arm of Franco-Belgian financial group Dexia. The funds offered more than €500 million for the unit.
- China Cinda Asset Management, one of China's big four bad-loan managers, said net profit more than doubled in the first half of this year to CNY3.54 billion, a boost to its plans for a stock market listing.
- HSBC, Hang Seng Bank and Bank of China (Hong Kong) started offering non-residents yuan accounts and yuan exchange and credit card services in Hong Kong.

The Hong Kong Monetary Authority (HKMA) wants to attract overseas investors to trade yuan products in Hong Kong. "Yuan loans now represent only about 1% of all loans made in Hong Kong, but the growth potential is huge," said Hang Seng Bank Chief Executive Rose Lee.

- New lending by China's four biggest state-owned banks hit CNY220 billion in July, up CNY30 billion from June, but the increase may not be enough to offset an expected drop in lending by smaller banks, the official Shanghai Securities News reported. The big four state banks doubled their pace of lending in the first half of July from a month earlier, at CNY50 billion, in large part reflecting a pickup in borrowing by government-led investment programs. The “big four” account for between 30% to 40% of total bank lending in China.
- Bank of East Asia, Hong Kong's fifth-largest lender by assets, posted higher first-half earnings but warned that the quality of its assets on the mainland was deteriorating and the spread was narrowing between the bank's cost of funds and its loan income. The bank, which generates about 40% of its business from the mainland, said net profit rose 10.2% to HKD2.99 billion on the back of improved non-interest income and several one-time gains from the sale of some assets and the revaluation of certain property.
- Shenzhen Development Bank (SDB) changed its name to Ping An Bank Co after it merged with the bank belonging to Ping An Insurance (Group) Co of China. The insurance group, together with its holding subsidiaries, is the controlling shareholder in Ping An Bank, with a 52.38% stake. Cards, documents and certificates of deposit of the original Shenzhen Development Bank and the original Ping An Bank shall remain effective; account numbers shall remain unchanged; and signed contracts are still effective, the bank said.
- China’s central bank said the country’s total foreign exchange reserve had reached USD3.24 trillion by the end of June, compared with USD3.3 trillion in the first quarter, nearly two-thirds of which was investment in dollar-denominated assets and securities.
- Citigroup has set up an investment banking joint venture in China with Orient Securities Co called Citi Orient Securities Co with a registered capital of CNY800 million.

FOREIGN INVESTMENT

Mixed FDI figures for first half

China drew USD59.1 billion in foreign direct investment (FDI) between January and June, down 3% year on year, with June’s inflow alone down 6.9% on year ago levels at USD12.0 billion. FDI in the property sector fell 12.4% in H1 versus a year earlier. Strip that out of the aggregate data and H1 FDI was down just 0.1% versus last year at USD46.8 billion. China’s economy slowed for a sixth successive quarter to 7.6% in the April-June period from a year earlier, its slackest pace in more than three years, dragging down growth in the first half of the year to 7.8%. A surprising bright spot in the FDI data came from the European Union. The Commerce Ministry said FDI from the EU rose 1.6% year-on-year in the first half to USD3.5 billion, reversing the 5.1% year-on-year drop in the first five months of this year. Investments from Germany, Switzerland and the Netherlands rose 31.2%, 213.1% and 67.3%, respectively, on year ago levels. Meanwhile, FDI inflows from the United States continued to shrink, falling 3.2% from a year ago to USD1.6 billion, while investment from the top ten Asian countries and regions, including Hong Kong, Japan and Singapore, dropped 2.8% to USD51.1 billion. China drew a record USD116 billion in foreign direct investment last year. The Commerce Ministry aims to attract an average of USD120 billion in each of the next four years. China’s own investments overseas meanwhile surged 48.2% in the first half of this year compared with the first half of last year, pushing outbound direct investment (ODI) to USD35.4 billion.

China to focus on quality of foreign investment

China plans to focus more on the quality of foreign investment rather than on the quantity. To that end, the authorities will encourage multinationals to set up regional centers, R&D centers, procurement centers and financial management centers. China will also encourage foreign companies to invest in advanced service sectors, such as modern logistics, software development, engineering design, consultancy and intellectual property service industries, but the country will strictly limit foreign investment in industries that consume a lot of energy and resources, and high-pollution industries. “China is transferring from embracing foreign investment to selectively embracing foreign investment, in a bid to upgrade and improve the economy,” said Huo Jianguo, President of the Chinese Academy of International Trade and Economic Cooperation.

Chinese FDI in the U.S. reaches record high

Chinese foreign direct investment, or outbound FDI, in the U.S. reached USD3.6 billion in the first half of this year, and covered 33 projects, according to a report by the Rhodium Group. Of these, 12 were acquisitions and 21 involved greenfield investments. The first six months of 2012 saw a record investment for any half year from China. Major projects targeted by Chinese FDI this year include the USD2.5 billion purchase by China Petroleum and Chemical Corp (Sinopec) of a one-third stake in five shale oil and gas fields across the U.S. from Ohio-based Devon Energy. Copper-tube producer Golden Dragon also broke ground on a USD100 million manufacturing facility in Wilcox County, Alabama. The banking sector also saw the acquisition by Industrial & Commercial Bank of China (ICBC) of 80% of Bank of East Asia’s U.S. operations for USD140 million. Two headline-making investments were not included in the report: Dalian Wanda Group’s USD2.6 billion acquisition of U.S. movie-theater operator AMC Entertainment Holdings and Superior Aviation Beijing Co’s USD1.8 billion bid for aerospace company Hawker Beechcraft in early July. While Super Aviation is still awaiting approval from U.S. authorities, Wanda and AMC announced that they received approval from the Committee on Foreign Investment in the U.S. If the Super Aviation deal is also approved, these investments would push total Chinese FDI in the U.S. beyond USD8 billion this year, not including projects in the pipeline.

- By the end of June, 380 MNCs had set up regional headquarters in Shanghai, and another 348 had established research and development (R&D) centers. In the first half, foreign direct investment (FDI) in Shanghai rose 22.6% from a year earlier, raising physically allocated investment to USD7.37 billion. Contracted foreign direct investment expanded 15.8% to USD11.2 billion in the first half, during which 1,681 new foreign-funded projects were approved.
- Pepsico has opened its sixth facility in China. The Wuhan plant can make about 15,000 tons of Lay’s potato chips a year. PepsiCo says Lay’s is the top selling chip brand in China and the world’s biggest food brand. The plant may also use 30% less water and 20% less energy than some of the company’s other facilities.
- Chinese President Hu Jintao has offered USD20 billion in loans to African countries over the next three years, double the amount China pledged for the previous three-year period in 2009. Hu said the new loans would support infrastructure, agriculture, manufacturing and development of small and medium-sized businesses in Africa.
- A group of Chinese investors is to pay €55 million for a 15% stake in Inter Milan, becoming the second-biggest shareholder of the Italian premier league football club. The deal will give the 104-year-old club a new stadium to be built by China Railway Construction Corp, which would be the main partner in the first such investment from China in a major foreign sports team.

FOREIGN TRADE

China's trade surplus rises further

China's trade surplus expanded sharply in June as exports outperformed imports — an indication of insufficient domestic demand. Exports in June increased 11.3% year on year to USD180.2 billion, the General Administration of Customs said, while imports rose 6.3% to USD148.5 billion. That left a trade surplus of USD31.7 billion in June, up 42.9% from a year earlier and higher than May’s USD18.7 billion and April’s USD18.4 billion. “The surge in trade surplus is caused more by weak imports than strong exports,” said Xue Jun, Analyst at CITIC Securities Co. “However, it may renew pressure for China to appreciate the yuan.” Both exports and imports in June grew at a slower pace compared to May, when exports jumped 15.3% and imports gained 12.7%. On the whole, China’s trade performance in the first half remained stable, the Customs said, citing unfavorable factors including a slowing economy, the global economic downturn, rising production costs for exporters and spreading trade protectionism. China’s trade value advanced 8% on an annual basis to USD1.84 trillion in the first six months. The trade surplus in the period climbed 56.4% from a year earlier to USD68.9

billion. Trade with the European Union rose 0.7% in the first six months.

The U.S. trade deficit with China continues to grow even as the rest of the world runs a trade surplus with Beijing, potentially exacerbating a political problem for President Barack Obama during the election campaign. Globally, China's thirst for imported oil and minerals to power its economy is catching up with demand for the textiles, shoes, computer goods and machinery that it exports. As a result, China's trade surplus with all of its international partners fell by half from 2008 to 2011 to USD155.1 billion annually. China ran trade deficits in 2011 with many of the big commodity exporters, including iron-ore heavyweights Australia and Brazil, and oil-export giant Saudi Arabia. A deficit of USD48.6 billion with Australia in 2011 was more than three times as large as the 2008 mark. But Americans keep buying low-end consumer goods from China. Exports of textiles, clothes and shoes to the U.S. in 2011 were up almost 50% from 2008. On top of that, plenty of computer goods and other machinery are assembled in China and shipped to the U.S., meaning that they are counted as Chinese-made goods even if much of the value of the machinery is produced elsewhere. As a result, the annual U.S. trade deficit with China has increased 18% since 2008 to USD202 billion — an amount substantially larger than China's global surplus. The U.S.-China trade pattern continued in the first half of the year, with the U.S. trade deficit with China climbing 17% to USD99.7 billion over the period. The EU is also running a deficit with China. In 2011, the European Union bought USD144.8 billion more from China than it sold to the country. Strong exports of machinery from Germany, which runs a trade surplus with China, helped hold the overall European deficit down, the Wall Street Journal reported.

China's trade surplus this year is likely to exceed that of last year, making it tougher for the government to balance trade and avoid friction with trading partners. Ministry of Commerce (MOFCOM) Spokesman Shen Danyang said that a higher trade surplus was probable as imports were expected to weaken more than exports. The trade surplus last year totaled USD155.14 billion. In the first half of this year, the surplus jumped 56.4% from a year ago to USD68.92 billion. Last month alone, exports surpassed imports by a three-year high of USD31.72 billion as domestic demand softened while global prices of energy and raw materials fell. Shen Jianguang, Economist at Mizuho Securities, said: “The rising trade surplus is expected to lead to yuan appreciation by up to 3% in 2012.” The yuan has weakened against the U.S. dollar by about 1.3% so far this year.

- China’s grain imports grew substantially in the first half of the year by 41.2% to 40.85 million metric tons, according to the General Administration of Customs. Corn imports hit 2.4 million tons, a 65-fold increase over the same period last year, while wheat imports surged 295% and rice 227%. A drop in the quality of some grain and higher prices for domestic grain fueled China’s appetite for the imports, experts said.
- China' steel exports were at the highest level in two years in June, rising to 8.7% of domestic output, the highest proportion since July 2010. Chinese steel mills, set for a record production in 2012, are ramping up overseas sales to avoid a softer domestic market, where prices for the commodity have dropped to a two-year low.
- The Ministry of Commerce (MOFCOM) at the end of July preliminarily ruled that the United States and the European Union have dumped ethylene glycol monobutyl ether and diethylene glycol monobutyl ether on the Chinese market. The Ministry said it will require cash deposits as anti- dumping measures. The dumping margins ranged from 9.3% to 18.8%.
- China's balance of international payments in the second quarter showed a deficit of USD71.4 billion in the capital and financial account after a surplus in the first three months, indicating that capital might have flowed out at a faster pace, the State Administration of Foreign Exchange (SAFE) said, but an official added that foreign exchange assets were shifting from the central bank to domestic institutions and individuals. “Even if the data showed a net outflow of capital, it is still affordable," he concluded.
- More than 2,000 Hong Kong-owned factories in the Pearl River Delta may close this year as export orders fall and wages rise, Stanley Lau, Deputy Chairman of the Federation of Hong Kong Industries, said.
- The Ministry of Commerce (MOFCOM) said that more trade remedy probes have been launched against Chinese products in the first half of the year amid the global economic slump. In the first six months, 18 countries and regions have made 40 trade remedy investigations against Chinese products, a jump of 38% from a year earlier.

These investigations involved USD3.7 billion, a surge of 76% from last year.

- The World Trade Organization Dispute Settlement Body has adopted a report which supports China in its claim against the anti-dumping measures taken by the U.S. on Chinese shrimp and diamond saw blade exports. The report was adopted without U.S. appeal, meaning its rulings are final and the U.S. has announced its intention to implement the rulings. The “zeroing” methodology in calculating the margins of dumping used by the U.S. in the investigations at issue was inconsistent with the Anti-Dumping Agreement, according to the ruling.
- China’s imports of liquefied natural gas rose 29% in the first half from a year earlier to 6.7 million metric tons, while purchases of coal, excluding lignite and including metallurgical coal, climbed 61% to 113 million tons, according to General Administration of Customs.
- The Tibet autonomous region reported USD1.02 billion in foreign trade in the first half of this year, up 170.3% year-on-year. The growth rate was 162 percentage points higher than the national average. In June alone, Tibet reported USD290 million in imports and exports, up 221.6% year-on-year, it said. The region’s border trade in the January-June period totaled USD520 million, up 80% from the same period last year.

IPR PROTECTION

1 millionth invention patent granted

During a ceremony on July 16, State Intellectual Property Office (SIPO) Commissioner Tian Lipu issued a patent certificate on the spot to the Beijing Research Center for Information Technology in Agriculture to mark the 1 millionth invention patent granted in China. SIPO issued the first Chinese patent certificate to the No 207 Institute of China Aerospace Science and Industry Corp in 1986. The millionth patent came for an invention that uses 3-D technology to help agricultural researchers analyze and assist crop growth, said Xiao Boxiang, one of the inventors. Tian said that “behind the patents are millions of inventors involved in technology research who contribute to improving China’s innovation capacity and the country’s change to an innovation-driven country”. SIPO has received more than 3 million applications for invention patents since the nation’s first patent law took effect in 1985. Of the 1 million granted, 518,000 came from China. Tian noted that the U.S. issued its 2 millionth patent last year. The number of applications for invention patents has risen at an average annual rate of 26.8% since 2001. In 2011 alone, SIPO issued 172,000 invention patent certificates, an increase of 27.4% over 2010 and nearly 11 times the number granted in 2001. Chinese applicants were awarded close to two-thirds of the invention patents granted last year, a considerable rise compared with fewer than one-third in 2001.

- Cartier has filed two lawsuits at the Pudong New Area People’s Court against two Beijing companies – Beijing Huixin Tianyuan Technology and Trade Co and Beijing Mengkela Technology Co – accusing them of infringing on its trademark in slogans to promote their products through a Shanghai-based online supermarket. It is seeking a total of CNY1.1 million compensation. The two Beijing companies sell diamond rings, bracelets, necklaces and jades and were using promotional slogans such as “Cartier’s Classic Style” and “Cartier included” in their advertisements.
- During the first five months of this year, the Chinese government tackled 120,291 cases of counterfeiting, worth an estimated CNY2.93 billion in value, said Jiang Zengwei, Vice Minister of Commerce. “The total number of cases decreased compared with last year, which means our IPR environment is improving,” he added. The police had arrested 16,315 counterfeit suspects from January to May.
- The Ministry of Commerce (MOFCOM) is planning a crackdown on IPR infringement and the production and selling of fake or forged goods in the third quarter. Campaigns are being planned to deliver harsh penalties on IPR infringement of key commodities such as agricultural products, and activities online.
- Guangzhou Pharmaceutical Group said it will keep working with retailers and suppliers to promote its herbal teas after a Beijing First Intermediate Court ruling confirmed its ownership of the Wong Lo Kat trademark.
- Chinese police have detained almost 2,000 people in a nationwide sweep on a fake drugs network said to be worth CNY1.16 billion. The Public Security Ministry said that

24 large crime organizations had been smashed in the highly coordinated effort. The raids, which took place on July 25, involved 18,000 officers from 190 cities cracking down on more than 1,100 illegal operations. They confiscated around 205 million tablets of fake medicine along with millions of knock-off trademark logos, packages and instruction manuals.

MACRO-ECONOMY

Economic growth slows in second quarter

China's economic growth fell to 7.6% in the second quarter from a year earlier, easing further from the 8.1% pace in the first quarter. In the first half, economic growth reached 7.8% year on year. The growth rate is still higher than this year’s target of 7.5%. Industrial production rose 9.5% in June from a year earlier, below the market consensus of 9.8%. Fixed-asset investment in non-rural areas rose a higher-than-expected 20.4% in the first half of the year. China's retail sales growth eased slightly in June, indicating domestic demand is stabilizing although it remained weak. Retail sales expanded 13.7% from a year earlier to CNY1.65 trillion. In the first half of this year, sales rose 14.4% to CNY9.82 trillion. Tang Jianwei, Economist at the Bank of Communications, said supportive policies and easing inflation will shore up retail sales in the second half. Sales of communication appliances, mobile phones in particular, continued to lead other purchases by rising 30.4% from a year earlier in June. Auto sales stayed weak, rising by 6.2%. The Investor Confidence Index, compiled by the China Economic Monitoring Center, settled at 121.2 in the second quarter, down 1.8 points from that in the first three months, the National Bureau of Statistics (NBS) said. A reading above 100 points indicates optimism among the more than 20,000 investors interviewed.

- China's inflation rose 2.2% – its slowest pace in 29 months in June – weaker than expected and allowing more room for policy easing to encourage growth. Food costs contributed most to the CPI slowdown. They gained 3.8% in June, down from May’s 6.4% year-on-year growth. In the first six months, China’s inflation rose 3.3%, compared with 2011’s 5.4%.
- The number of Chinese companies in the Fortune 500 global list continues to rise. The Fortune 500 list for 2012 includes 79 Chinese companies, 10 more than in 2011 and the ninth consecutive year the figure has risen, according to Fortune magazine. Among them, 69 are based in the Chinese mainland, four are from Hong Kong and six from Taiwan. Three Chinese enterprises — Sinopec Group (5th), China National Petroleum Corp (6th) and State Grid Corp of China (7th) — remain in the top 10. Netherlands-based Royal Dutch Shell, which ranked No 2 last year, replaces Wal-Mart Stores to lead the rankings, followed by Exxon Mobil and Walmart.
- Sany Heavy Industry, China's biggest maker of excavators, lowered its sales forecast. Excavator sales might rise 10% this year, slower than a previous target of 40%, Vice Chairman Xiang Wenbo said in Changsha, Hunan province, where Sany is based. The company would still outperform the industry, which could see a fall in demand. He said a “meaningful recovery” in demand for earth-moving equipment might not be visible until the first quarter of next year. Sales of excavators contributed to 21% of Sany's sales last year. China, the world's biggest market for construction equipment, accounted for 93% of the company's revenue.
- Bermuda is stepping up its efforts to attract Chinese and Hong Kong companies to use the territory as their base of incorporation, in the face of intense competition from other low-tax jurisdiction rivals such as the British Virgin Islands and the Cayman Islands. Out of the 15,000 companies registered in Bermuda, about 700 are from China while 146 are from Hong Kong. They lag the number of U.S. and British companies registered there, but Bermuda officials think China holds a lot of potential. By the end of last year there were 456 Bermuda-incorporated companies on the HKEx main board, making up about a third of all listings.
- Guangdong Governor Zhu Xiaodan conceded that the provincial economy grew a “weaker than expected” 7.4% in the first six months of the year. Exports grew only 6.9%. Other key economic indicators, such as fixed asset investment, retail sales, and the government's fiscal revenue were worse than anticipated and were below national averages.
- Sinopec Corp topped the China Fortune 500 list again this year with annual revenue of

CNY2.5 trillion, while PetroChina Co and China Mobile were second and third — the same as last year. The Industrial and Commercial Bank of China (ICBC) entered the top five for the first time in fifth place and ranked top in net profit. Aggregate revenue of the Fortune 500 companies rose 25% from a year earlier to CNY23.7 trillion, accounting for 50.4% of the country's gross domestic product (GDP).

- The National Development and Reform Commission (NDRC) said China has issued a complete set of 42 documents to encourage private investment in state-dominated industries ranging from banking to railways as well as in the restructuring of SOEs. It is part of government efforts to boost the economy.
- Construction on a west-to-east ultra-high voltage direct current (UHV DC) power transmission project began in Zhejiang province. The project, funded by the State Grid Corporation of China (SGCC), will transport about 40 billion kilowatt-hours of electricity annually from Xiluodu Hydropower Station in southwest China to Zhejiang after its scheduled completion in 2014. The SGCC will invest CNY23.86 billion in the construction. Starting in Yibin in Sichuan province, the 1,679.9-kilometer transmission line will traverse Guizhou, Jiangxi and Hunan provinces to end in Zhejiang's Jinhua city.
- Shanghai residents enjoy the highest average disposable income in a list of 27 provincial areas which have unveiled their first-half economic data. Between January and June, the city's urban residents' average disposable income, excluding inflation factors, rose 8.6% year on year to CNY20,689, followed by Zhejiang province's CNY18,802 and Beijing's CNY18,154. The disposable income in the 27 regions all outstripped that of the consumer price index. Across China, the disposable income of urban residents rose 13.3% year on year to CNY12,509 in the first six months.
- There is one multimillionaire to every 1,300 Chinese as the number of individuals on the Chinese mainland with more than CNY10 million broke through the 1-million mark for the first time, according to the latest Hurun Wealth Report. The number reached a record 1.02 million, an increase of 6.3% over the previous year. The Chinese mainland is also home to 63,500 super-rich, those worth more than CNY100 million, up 5.8%. Beijing is home to the most of China's wealthy, with 179,000 millionaires and 10,500 super-rich.
- The official purchasing managers' index (PMI) fell from 50.2 in June to 50.1 in July, driven by declines in new orders, production and employment. The reading released was the weakest in eight months. However, economists said that when seasonal adjustments were factored in, the reading showed some improvement from June, a trend in line with the separate PMI released by HSBC and Markit Economics, which rose from 48.2 in June to 49.3 last month.
- Huaneng Power International, the listed unit of China's largest power producer China Huaneng Group, will be unable to meet its production target set earlier this year amid the economic slowdown but the impact on profit is expected to be offset by lower coal costs. The company expects output this year to drop to as low as 320 billion kilowatt-hours – 5.9% less than the 340 billion kWh it predicted in March when it announced its results for last year. In the year's first half, Huaneng Power's output fell 1.46% year on year due to weak power demand, as well as increased hydropower output, which lowered the need for coal-fired power.
- China's non-manufacturing activities expanded at a slower pace in July due to weakening domestic demand. The official non-manufacturing Purchasing Managers' Index, which measures the performance of mostly state-owned enterprises in the service industry, declined to 55.6 in July from June's 56.7, the China Federation of Logistics and Purchasing (CFLP) and the National Bureau of Statistics (NBS) said.
- Total profit for China's biggest state-owned companies fell 16.4% on an annual basis in the first half of this year as the economic slowdown deepened, the government said. Combined profit for the 117 companies in the top tier of state industry fell to CNY387 billion for the six months ended on June 30, the State-owned Assets Supervision and Administration Commission (SASAC) said.
- The annual income of workers categorized as non-private sector, those in state-owned enterprises, collectively-owned businesses and enterprises funded by foreign investment, stood at CNY42,500 in 2011, a rise of 14.3% from a year earlier. Workers in the private sector had an average annual income in 2011 of CNY24,500, a year-on-year increase of 18.3%. Wage growth is slowing, however.

- China’s electricity use, a key indicator of industrial activity, is expected to grow 7% this year to reach 5.1 trillion kilowatt-hours, according to the State Electricity Regulatory Commission.
- Shanghai's economy grew at an annualized 7.2% in the first six months to CNY955.2 billion, signaling a possible bottoming out of the current economic downturn, although it remained among the country’s worst performers. The service sector output jumped 10.3% from a year earlier, equal to 60.4% of GDP. Industrial output in the first six months edged down 0.4% year on year, with the value of exports falling 5.1%.
- The International Monetary Fund (IMF) called China's currency “moderately undervalued” and expressed confidence the economy will grow by 8% this year – faster than the government's target. The remarks are contained in the Washington-based lender's annual report card of China's economic and financial policies. The comment on the yuan is in sharp contrast to last year's report, which said the currency was “significantly undervalued” by an estimated 3% to 23% against a basket of currencies, depending on the methodology used. Concerns over the yuan's level are fading and should not be the top priority of a new U.S. administration, Thomas Donohue, President of the U.S. Chamber of Commerce, said.

MERGERS & ACQUISITIONS

PE activity on the rise

New figures show that the number of venture-capital (VC) and private-equity (PE) companies in China, and the value of assets they handled, both increased significantly last year. According to the National Development and Reform Commission (NDRC), there were 882 VC and PE firms registered with the Commission at the end of 2011, a 34.3% rise compared to 2010, and the value of assets managed by them had increased 41.5% to CNY220.7 billion. The most popular investment target sector was financial services, followed by traditional manufacturing, new energy, and materials. By the end of 2011, the accumulated investment value for the VC and PE companies was CNY120.4 billion, a 30.7% increase year-on-year.

Chinese companies to follow market principles in acquisitions

Chinese companies making foreign acquisitions must obey market principles, follow “international rules of the game” and play down national interest, the State Administration of Foreign Exchange (SAFE) said. With China facing a window of opportunity to venture overseas, businesses must bear in mind return on investment (ROI), costs and cash flow, SAFE Director Yi Gang, said. “It would seem unnecessary to remind people about these basics, but it needs to be done in China,” he added. China, which holds USD3.2 trillion of foreign exchange reserves, has been encouraging companies to buy assets overseas through a “going out” strategy to secure energy and commodity resources, buy technology and build internationally competitive businesses. Non-financial outbound investment rose 48% in the first half of the year to USD35.4 billion while inbound investment fell 3%, according to the Ministry of Commerce (MOFCOM). Resources and energy made up 92% of China's overseas mergers and acquisitions in the first quarter, according to a report from Hong Kong-based A Capital, a private equity fund. China Petrochemical Corp accounted for the largest deal, with the USD4.8 billion purchase of a 30% stake in Galp Energia SGPS' Brazilian unit. China's attempts to buy foreign assets have met with opposition from U.S. lawmakers, derailing some deals.

PETROCHEMICALS

CNOOC hires lobbyists in Nexen take-over

CNOOC, which has offered to take over Canada-based energy firm Nexen for USD15.1 billion, has hired Washington-based lobbyist firm Wexler & Walker Public Policy Associates to counter political opposition to the deal. In Canada, CNOOC has engaged four consultants of the Ottawa office of United States-based Hill+Knowlton Strategies to handle government lobbying on its proposed takeover. U.S. Democratic Senator Charles Schumer urged Treasury Secretary Timothy Geithner to block the Nexen acquisition until Beijing provides "fair access" to US firms that want to invest in China. The Nexen bid requires approval from regulators in Canada, the U.S. and China. Analysts said CNOOC is much more prepared this time to deal with political opposition than in 2005, when it withdrew its US$18.5 billion bid for all of California-based oil and gas firm Unocal in the face of strong resistance. Neil Beveridge, Senior Analyst at U.S. brokerage Sanford Bernstein, said the fact that Nexen's U.S. production accounts for less than 0.5% of total U.S. oil output means a weak case for opposing the deal on grounds that it represents a threat to the U.S. Nexen derived 43.5% of last year's gross output from Britain, 29% from Canada, 10.9% from the US, 15.9% from Yemen and the rest from elsewhere. Meanwhile, the deal has been approved.

CNOOC and Shell to jointly explore for oil and gas

China National Offshore Oil Corp (CNOOC) has signed contracts with Royal Dutch Shell to explore for oil and gas in the South China Sea and off the coast of Gabon in West Africa. “The decision is highly significant for China’s strategic energy reserves while (the country) remains highly dependent on oil imports,” said Zhang Jing, Oil Analyst at JYD Online Co, a Beijing-based bulk commodity consultant. “The exploration will take at least four to five years before there are any commercial discoveries,” an insider said. In Gabon, CNOOC will acquire a 25% stake in a pair of off-shore exploration blocks — BC9 and BCD10. It will pay Shell a quarter of what that company has spent on exploration in those two areas, as well as for future exploration. The blocks are in water that is between 1,200 and 2,100 meters deep and are considered to be deep-water assets. Shell also said it had signed an agreement with China National Petroleum Corp (CNPC) to develop a new phase of the Changbei gas field in China, which occupies 1,700 square kilometers in the Ordos Basin. The project must still win government approval.

- China has cut fuel prices by nearly 5% on July 11 in response to falling international crude rates — the third reduction since May, when prices reached their lowest level since December 2010. The price for gasoline was cut by CNY420 per ton and diesel by CNY400 per ton, the National Development and Reform Commission (NDRC) said. That represented cuts of 4.6% and 4.8%. The NDRC may adjust fuel prices when the 22-day moving average of a basket of international crude changes more than 4% from the previous adjustment. Fuel prices vary by cities. For Beijing, the reduction represents a 4.4% cut to petrol and 4.6% on diesel.
- China’s Anton Oilfield Services Group sold a 20% stake to Schlumberger, valued at HKD635 million. Antonoil said Schlumberger won’t be involved in its management as a minority shareholder.
- Guangdong Zhenrong Energy, a unit of state-owned commodity trading firm Zhuhai Zhenrong, has offered to buy at least 51% of debt-laden Titan Petrochemicals for up to HKD200 million, with Singaporean businessman Tsoi Tin Chun surrendering control of the troubled fuel-trading and logistics company. It also intends to provide up to HKD320 million of “interim financing” to StorageCo, a Titan unit that operates several fuel and chemical storage tank farms in Guangdong and Fujian provinces. Guangdong Zhenrong also wants to buy private equity group Warburg Pincus' 50.1% stake in StorageCo and 11.3% interest in Titan for up to HKD1.13 billion.
- China’s oil demand fell for the first time in three years in June with a 1.9% drop year-on-year to 36.84 million metric tons, or an average of 9 million barrels a day. The country’s daily oil demand in June fell 178,400 barrels a day from 9.18 million barrels a day in the same period last year, which is the first drop since a 2% decrease in the first quarter of 2009 in the wake of the global financial crisis.
- The China National Offshore Oil Corp (CNOOC) has won government approval to build a liquefied natural gas terminal in Shenzhen, the National Development and Reform Commission (NDRC) said. The Diefu terminal, with a receiving capacity of 4 million tons per year, will become CNOOC's second LNG terminal in Shenzhen.
- China's Foreign Ministry urged the United States to rescind sanctions imposed on Bank of Kunlun, which is controlled by a major Chinese oil company, over its transactions with Iran, saying the move damaged China-U.S.relations. Kunlun will be unable to do business with any U.S. banks as a result of the sanctions. Founded as a municipal commercial bank in Xinjiang, Kunlun is controlled by China National Petroleum Corp (CNPC), which invested more than CNY5.8 billion in the bank between 2009 and 2010.
- Sinopec agreed to pay USD1.5 billion for a 49% stake in Calgary-based Talisman Energy's UK unit, gaining access to oil and natural-gas fields in the North Sea. The deal is subject to regulatory approval.

- PetroChina has agreed to acquire a 40% interest in an oil and gas exploration project in Qatar from French energy company GDF Suez. The area is located close to Qatar's North Gas Field, which according to Qatar Petroleum is the world's single largest natural gas reservoir, excluding gas that coexists with petroleum. PetroChina and GDF Suez would start drilling in Block 4 in the next few months, PetroChina said. It did not say how much it had agreed to pay for the interest, or the estimated exploration budget involved in the development of Block 4.

REAL ESTATE

Chinese retail properties coming up for sale

A growing number of Chinese retail properties are coming up for sale as global investment funds seek to cash in on their investments due to difficulties in raising fresh capital because of the euro-zone debt crisis. With new buyers keen to enter the market, the shop sell-off is a quick way to raise cash, say property brokers. “It comes as no surprise to see a rise in profit-taking by investment funds,” noted David Ji at property brokers DTZ. The liquidity crunch caused by the deepening debt crisis in the euro zone is being blamed, along with the slow pace of economic recovery in the United States. The situation has left funds needing to cash in their investments in China, Ji said. In addition, some funds may have reached their investment horizon of five to seven years on their China portfolios, and may be scheduled to roll them over. Shanghai, where the rental sector is more resilient than in other cities, has been the main focus of investment. The city is a magnet for global brands wanting to get a slice of the world's second-largest economy. Betty Wong, Executive Director at consultancy Colliers International, expects to see a number of properties changing hands in big-ticket transactions in the final quarter of this year. Investors who bought into several projects between 2006 and 2008 believed the time was ripe for selling, she said. A bottleneck of deals built up last year as a result of the slow approval process for foreign purchases of property in China, Wong said. Concerned about excessive speculation in the nation's red-hot real estate sector, Chinese authorities were reluctant to give the go-ahead to foreign-exchange-related property transactions. But foreign investors would be back actively seeking acquisition targets in the coming months, particularly in Shanghai, said analysts, where the limited supply of retail space in prime locations has resulted in increasing rents, the South China Morning Post reported.

Office occupancy costs rise fastest in Beijing and Guangzhou

Business districts in Beijing and Guangzhou had the biggest increases in office occupancy costs worldwide in the first quarter, according to a report by CBRE, the world's largest commercial realtor. Four other locations in the Asia-Pacific region – Shanghai's Pudong district, Jakarta, Sydney and Bangalore – and two areas in San Francisco along with Moscow made up the other top 10 spots. Two areas in Beijing – Jianguomen and Finance Street – topped the survey, with increases of 49% and 42% from a year earlier. Guangzhou was third, with a 40% gain. Hong Kong's Central district has the highest overall occupancy cost of USD248.83 per square foot a year. It is followed by London's West End, at USD220.15, and Tokyo, at USD186.49. Jianguomen in China's capital is fourth, at USD180.76. Hong Kong topped the chart even as occupancy costs in the city showed the biggest decrease among the 133 global locations in the survey.

Home prices rose again in July

Home prices in China rose on a monthly basis for the second month in July amid continuously improving sentiment across all property segments. Average prices climbed 0.33% from June to CNY8,717 per square meter in 100 major cities across the country, according to the China Index Academy’s research. Nationwide, prices advanced in 70 cities, compared with 55 in June, with 22 seeing gains of more than 1%. Losses were posted in the other 30 cities, with seven seeing falls of more than 1%. Year on year, home prices in the 100 cities fell 1.77% on average, narrowing from a 1.9% decrease in June. The average cost of homes in the 10 largest cities, including Shanghai, Beijing and Guangzhou, rose 0.27% from June to CNY15,470 per square meter, with Chongqing recording the biggest increase of 1.57%. In Shanghai, the average value of new homes hit a record high in July despite a retreat in sales. New homes, excluding government-funded affordable housing, were selling at an average of CNY24,609 per sq m across the city last month, up 2.2% from June and the highest registered so far, Shanghai Deovolente Realty Co said. By volume, meanwhile, new residential properties totaling 859,000 sq m were sold during the period, down 15.9% from June, which saw the highest in 17 months. Among the city's 10 best-selling residential projects last month, four cost more than CNY30,000 per sq m, Deovolente data showed.

- Beijing-based Sinobo Group Co, which invests mainly in mining and property assets, acquired a 38,869 sq m plot in Beijing's Haidian district for CNY2.63 billion, a record price in Beijing. The plot was offered at a starting price of about CNY1.866 billion, or CNY24,000 per sq m, and was finally sold for CNY33,831 per sq m, a premium of 40%. The previous record in Beijing for housing land was set in 2009 at CNY29,859 per sq m. The developer's offer included allocating 16,400 sq m of floor area for subsidized housing. Poly Real Estate Group withdrew from the tender in response to the People's Daily and Xinhua issuing reports urging state-owned enterprises not to bid.
- The most significant new market for the sales of French chateaux in the future will be China, according to vineyard experts Maxwell-Storrie-Baynes. "The number one buyers at the moment are Americans, second are South Africans and then Chinese, followed by Europeans, including the United Kingdom. The number one potential buyer, however, is China – by a long margin," said Michael Baynes of Maxwell-Storrie-Baynes. The French agricultural land regulatory body said that of the 35 chateaux vineyard properties sold in the Bordeaux region last year, more than 20 were sold to Chinese buyers, while in 2010 only three chateaux were sold to Chinese.
- Grade A office rents continued to rise mildly in Shanghai in the second quarter of this year amid weak demand in the overall market, according a report by Jones Lang LaSalle released in July. The average rents at Grade A office buildings rose slightly to CNY9 per sq m per day, a quarterly gain of 1.4%. Anthony Couse, Managing Director of Jones Lang La-Salle Shanghai, said the rising rents were driven by the Pudong New Area, where office supply is tight.
- New home purchases by value fell 6.5% to CNY1.93 trillion in China in the first half of this year, narrowing from a double-digit decline in the first five months, as buying sentiment rebounded notably in June. By volume, they fell 11.2% to 353.47 million sq m from the same period a year earlier. In June alone, new homes worth CNY531.3 billion were sold around the country, an increase of 41% from May. New home inventory climbed 42.9% year on year to 202.33 million sq m as of June. Investment in housing development rose 12% to CNY2.08 trillion in the first six months.
- Asian investors' strong demand for London homes has spurred the Berkeley Group, a British luxury developer, to open a Hong Kong office to serve customers in the region. The group, which markets properties under the St George, St James, St Edward and Berkeley Homes brands, opened a 2,200 sq ft showroom and office in Edinburgh Tower in Hong Kong's Central district. "Around 50% of central London new homes are now bought by Asians," said Seb Warner, Asia-Pacific Director of international project marketing at Knight Frank. "About 22% of these buyers are Hong Kong citizens, split 80% between Hong Kong Chinese and 20% Hong Kong expats."
- A luxury Chinese-style garden villa project in Suzhou, Jiangsu province, has been launched by Suzhou developer Zan Wei Realty in Hong Kong, with the biggest unit of 43,040 sq ft and a 6,000 sq ft private garden, going for CNY500 million. The villa complex is built on a site that once used to be part of the Humble Administrator's Garden in the city center and is built in the architectural style of the Ming dynasty. The firm has appointed Savills to handle overseas sales.
- Investors are snapping up property near the proposed USD45 billion Qianhai business zone in Shenzhen, betting that the government's plans to further open its capital markets with a "mini-Hong Kong" will drive property values higher. Prices for some new residential projects near Qianhai, just an hour by car from Hong Kong, average about CNY33,800 per sq m, nearly double the going rate in Shenzhen. Qianhai, a 15 sq km experimental zone for service sector reforms, had collected accumulated investment intentions worth CNY300 billion as of July 16, Shenzhen Party Secretary Wang Rong said.
- A land sale in Tianjin became the city's most expensive in terms of floor area. Developer China Overseas Property won the former site of Tianjin Normal University in the Balitai district during a land auction with the 78th bid of CNY2.97 billion. With a total gross floor area of 228,000 sq m, this equates to CNY13,026 per sq m, breaking the record set in March 2010 for a residential site in Xinyeli, which had a price tag of

CNY10,410 per sq m.

- China Vanke, the largest Chinese property developer by sales, reported a 25.1% rise in net profit for the first half of the year to CNY3.73 billion, slightly stronger than expected.

RETAIL

Sportswear, websites the top choices for shoppers

Sportswear outlets and retail websites were favored by Chinese shoppers in a new study. Nike, Adidas and Li Ning received the top three rankings in this year's Retail Proposition Index study conducted by OC&C Strategy Consultants, an international management consulting company. Closely behind was fourth-ranked Taobao, which comprises online retail services giants TMall, a business-to-consumer e-commerce platform, and consumer-to-consumer operation Taobao Marketplace under one brand. The three other e-commerce enterprises in the top 10 were sixth-ranked Amazon China; consumer electronics specialist 360buy.com at No 9; and 10th-placed Vancl.com, China's biggest online apparel merchant. “Scale is a key to success in China, and all of these retail champions are considered large national players,” said Chan Wai-chan, Partner at OC&C Strategy Consultants Greater China. PwC has forecast total retail sales in China will reach USD4.6 trillion by 2014. In its latest retail study, OC&C surveyed more than 2,500 consumers, including shoppers in major metropolitan areas like Beijing and Shanghai, and smaller, tier-2 and tier-3 cities. “We collated more than 18,000 consumer ratings on 49 retailers in five categories: grocery, sportswear, apparel, health and beauty, and electronics,” said Chan. The other top 10 favorite retailers in the survey were Taiwanese supermarket chain RT-Mart at No 5, health and beauty chain Watsons at No 7 and Walmart Stores at No 8.

- Singapore-listed shopping arcade developer CapitaMalls Asia expects to double the value of its assets in China to USD20 billion in three to five years. The shopping-mall arm of CapitaLand, the largest property developer in Southeast Asia, has 98 malls in its portfolio, of which 26 are yet to open, in Singapore, Malaysia, China, Japan and India. They have a combined gross floor area of 88.6 million sq ft and include 42 operating malls in China and 15 in the pipeline.
- Louis Vuitton opened its largest China store in Shanghai in July, complete with a gilded spiral staircase and an invitation-only private floor where big spenders can get their hair done while examining designs for custom bags. “The made-to-order concept is the ultimate luxury,” Louis Vuitton Chief Executive Yves Carcelle said during a tour of the store. “It's the same with art. If you are interested in art, the ultimate is to commission an artist rather than buy a piece that is already done,” Carcelle added. Louis Vuitton routinely ranks among the most admired brands in surveys of Chinese consumers.
- Sportswear firm Adidas said it was closing its only company-owned factory in China, although the country would continue to be its “main global production site” via subcontractors. The site in Suzhou would close at the end of October. The company uses 300 factories belonging to subcontractors in China.
- Diving, swimming and table tennis are the sports of most interest to the Chinese, a survey shows. A recent study conducted by Charm Communication, an advertising agency in China, and Intage China, a market research group, covered 13 cities and interviewed 1,300 Chinese. The study showed 63% are very interested in the London Olympic Games.
- China is predicted to remain on track to become the world's second-largest advertising market next year despite concerns over an economic slowdown. A report by New York-based research firm eMarketer forecast total advertising spending in China would reach USD52.9 billion next year, a significant increase from USD46.3 billion estimated this year. It would be the first time China has overtaken Japan in advertising spending, eMarketer said. By 2016, the advertising market in China is forecast to be worth about USD74.2 billion.
- Yum Brands set a new goal to add 700 restaurants this year in China, which would be a record build-out for a single market in a year by the owner of the popular KFC and Pizza Hut chains. Chairman and Chief Executive David Novak said that subsidiary Yum China was expected to post “modest margin improvement in the second half of

this year and double-digit profit growth”. Shanghai-based Yum China is the country's leading restaurant developer, responsible for about 5,251 stores – excluding licensees – in more than 800 cities on the mainland as of mid-June. He said Yum China's sales in the quarter to June grew 27%, driven by an 18% increase in new stores opened and 10% sales growth in existing restaurants.

- Adidas Group China plans to open 500 to 600 stores in at least 300 to 350 lower-tier cities by the end of the year, mainly in the western and northwestern parts of China. The company’s first-quarter revenues were up 14% at €3.8 billion and net profit up 38% at €289 million. The figures were boosted partly by strong sales in China, with a 26% increase, compared with a 7% drop in Western Europe. The company’s Route 2015 strategy calls for five years of double-digit annual sales growth in China. Adidas has opened more than 6,000 stores since it entered the Chinese mainland market in 1997.
- Italian fashion brand MaxMara is planning to open at least one new store a week over the next six months in China. “In China, growth has been always much bigger than we could ever predict. Basically, we could not catch up” with the speed of growth, Chairman Luigi Maramotti said. MaxMara has more than 2,000 staff and about 320 stores in the mainland, Hong Kong and Taiwan.
- Lifestyle International, the operator of Hong Kong's Sogo department store and the mainland's Jiuguang department store saw its net profit increase to HKD909.9 million in the six months to June but growth was slashed to 12.7% from 30% in the same period last year. Sales grew 10% to HKD2.6 billion. The profit growth for 2012 is bleaker than last year due to the slowdown in the Chinese economy. The group's Chief Financial Officer Terry Poon said the department store in Shanghai suffered a 2.9% year-on-year decline in sales in the first half while the Dalian store saw sales drop 7%. Sales at the Suzhou store grew 21%, slowing from 61% a year earlier.

SCIENCE & TECHNOLOGY

Shanghai scientists claim HIV vaccine breakthrough

Shanghai scientists are claiming a breakthrough in the search for an HIV vaccine, with clinical trials on humans expected to begin in three years’ time, given sufficient funding. Scientists from the Institut Pasteur of Shanghai, Chinese Academy of Sciences (CAS), say they are the first in the world to use fruit fly cells to produce HIV-1 virus-like particles which then successfully generated immunity in mice. The scientists’ research has been published in the Journal of Virology. In the next step, tests will be performed on monkeys to pave the way for clinical trials on human beings.

- Dr Wu Zuze, a member of the Chinese Academy of Sciences (CAS) who helped draft China's first regulations on clinical trials of stem cell treatments, said the authorities are considering centralizing such treatment and research in 50 hospitals and institutes. Other hospitals or research institutes that wanted to conduct clinical trials could only do so inside the 50 bases after their applications had been approved by the health authorities. The move is part of a year-long crackdown on unscrupulous hospitals that had been cashing in on desperate patients with unproven therapies.
- Chengdu is planning on building the country's first early-warning system for earthquakes, which will send out instant notifications of quakes via text messages, televised warnings and announcements in public places. A total of 57 monitoring stations will be built, though it was unclear when the system would be completed or how much it would cost.
- Professor Liu Jiansheng accidentally created snow in his laboratory at the Shanghai Institute of Optics and Fine Mechanics of the Chinese Academy of Sciences (CAS), firing a laser beam into the cloud chamber. Liu and his team published their findings in the April edition of Optics Letters, an international journal run by the Optical Society of America. The technology could be used in the battle with climate change.
- Eight human rights lawyers have urged the Ministry of Education to abolish discriminatory enrollment policies at elite universities which put students from some impoverished and populous regions at a great disadvantage. Chang Boyang, a lawyer from Henan who was one of those who signed the letter to the Ministry, said they urged it to reform the university recruitment system, which has been linked to the

controversial hukou, or household registration system.

- The Chinese government is concerned about the worsening job market for university graduates this year. China will have 6.8 million new graduates this year, compared with 6.6 million last year and 6.3 million in 2010, Ministry of Human Resources and Social Security data show. This year's total was a record. Multinational companies might be hiring 15% fewer graduates than last year and 30% fewer than in 2010, according to HR firm 51job, which estimated that 20% to 30% of graduates might not find jobs.
- Beijing University of Chemical Technology Professor Lu Jun admitted that he committed plagiarism and that his academic credentials were fake. He was sacked by the university in July. Lu was accepted by a government-sponsored program that sought to recruit foreign professionals, entitling him to receive a CNY500,000 subsidy. Lu's sacking followed Xiamen University's dismissal of Medical School Professor Fu Jin for also using fake academic credentials.
- A next-generation rocket engine, that will pave the way for lunar exploration, was successfully tested at the end of July. The engine, with a 120-ton-thrust using liquid oxygen (LOX) and kerosene, will enable the Long March 5 carrier rocket — which is expected to make its maiden voyage in 2014 — to place a 25-ton payload into near-Earth orbit, or place a 14-ton payload into geostationary orbit, experts said. Tan Yonghua, Director of Xian Aerospace Propulsion Institute under the China Aerospace Science and Technology Corp, which developed the engine, said that the single engine currently used by Long March carrier rockets only has a 75-ton thrust, much less than the 120-ton thrust of the new engine. China will launch its third lunar explorer, Chang'e 3, next year to land on the moon.
- Harrow School in London and the Juilliard School in New York, have plans to open campuses in China. Harrow will open its fourth international school in Chengdu, while Juilliard has decided to open a branch of its music and arts focused school in Tianjin.
- The traditional Chinese medicine industry got a boost from the central government as the National Development and Reform Commission (NDRC) approved six research-and-development projects in the TCM sector. The projects are all about lab construction, which is the foundation of R&D for TCM composition analysis, the chemical and technological studies of herbs, the industrialization processes, new-drugs research, and data collection.
- The State Oceanic Administration (SOA) signed a contract with Finnish ship designer Aker Arctic to design an ice-breaker for Antarctic research. Construction is to be completed by 2014. At present, China has only one Antarctic research vessel, the Xuelong, an ice-breaking cargo ship built in Ukraine. With a length of 120 meters, maximum breadth of 22 m and draught of 8.5 m, the new ship will carry a crew of 90 and be able to break through 1.5 m of level ice at between two and three knots. The ship will be built by a Chinese shipyard.

STOCK MARKETS

CDB helping Chinese firms delist from U.S. exchanges

Policy lender China Development Bank (CDB) is providing more than USD1 billion to help smaller companies leave the U.S. stock market. It offered funding so that Fushi Copperweld, a Beijing-based wire maker listed on the Nasdaq Stock Market, could buy back its shares from the public, and China TransInfo Technology said on June 8 it would drop its Nasdaq listing with CDB financing. The bank has provided more funding than any other lender to help Chinese companies exit the world's biggest equity market, according to Roth Capital Partners, which specializes in emerging markets. While more than 60 Chinese companies joined exchanges in the U.S. in the three years up to the end of last year, only one has listed there this year, after those with market capitalizations of less than USD500 million lost 53% of their market value. The 53% plunge in the share prices of such firms since the Muddy Waters report last year is more than five times the 9.5% fall in the same period for the top Chinese companies traded in the U.S. The crash began in June last year, when Muddy Waters, a short-selling firm, raised concerns about accounting and corporate governance standards at Chinese companies by accusing Sino-Forest, a timber company that traded on the Toronto exchange, of exaggerating its assets. After going private, the smaller companies might relist again in Hong Kong, where they would aim to get higher multiples, Johnson Chng at Bain & Co in Shanghai, said.

- Two-thirds of young Hongkongers expect part of their retirement would have to be funded by investments in stocks and bonds. That proportion was the highest of six East Asian markets surveyed in a study sponsored by insurer Prudential Assurance and conducted by the Washington-based Center for Strategic and International Studies (CSIS). 66% of Hong Kong workers aged between 20 and 29 believed part of their post-retirement income would be generated from stocks or bonds. That compared with 65% in Singapore, 49% in Malaysia, 42% in Taiwan, 32% in China and 20% in South Korea.
- The China Securities Regulatory Commission (CSRC) has rejected a call from some investors for a halt to initial public offerings (IPOs) as a means to prop up the weak domestic share market. Reforms to the new listings regulatory system that did away with controls on the number and timing of IPOs had worked well and there was no need for a pause on new listings, the Commission said. Past experience had shown that interfering in the supply of new shares proved to be an ineffective and unsustainable way to support a depressed stock market, it added.
- The first A-share exchange-traded fund (ETF) attracted only CNY103.37 million of trading in its debut on the Hong Kong stock exchange in July, a disappointing result that brokers blamed on the poorly performing Chinese stock markets and difficulties in obtaining yuan. An ETF, which is traded like any other stock, is an index fund which allows buyers to invest in a basket of stocks. The China Asset Management (CAM) ETF is the first A-share ETF which allows Hong Kong investors to bet on the CSI 300 Index.
- The China Securities Regulatory Commission (CSRC) has published the first package of regulations for the credit system of the stocks and futures markets. A national profile database and information search system will be built to disclose the credit quality of market participants. Reward and punishment measures will also be applied to encourage trustworthy behavior. The regulations are expected to take effect in September.
- China announced the expansion of the over-the-counter (OTC) equity market. Trading of shares in non-public companies will be extended to three technology zones in Shanghai, Wuhan and Tianjin after a trial program was launched in Beijing in 2006, the China Securities Regulatory Commission (CSRC) said. The regulator did not disclose detailed rules for the OTC boards. Analysts said that if the initiatives are carried out smoothly, they could expand channels for small firms to raise capital and offer a much-needed platform for private equity and venture capital investors to profit. Only 124 companies are traded on the Zhongguancun OTC board in Beijing, China's first OTC market.
- Regulators are to lower transaction fees on equities trading by 20%, seeking to halt a 14% decline in the nation's stock market since the year's high on March 2. The fee reduction will take effect on September 1 and save investors CNY600 million in transaction-related fees in the last four months of the year, the China Securities Regulatory Commission (CSRC) said. Trading charges will also be cut by as much as 26% for futures exchanges in Shanghai, Zhengzhou and Dalian.
- Shares in Citic Securities dropped following news that the investment bank purchased a 19.9% minority stake in Hong Kong-headquartered brokerage CLSA for USD310.32 million in cash from Credit Agricole Corporate and Investment Bank. Under the agreement, Citic Securities has an option to buy the remaining 80.1% stake in CLSA from Credit Agricole for USD941.68 million in cash. The option expires on March 31 next year. A Macquarie report said there were limited synergies in the combined businesses in the near future. A report by Keefe, Bruyette & Woods said Citic Securities is paying 2.2 times the likely book value of CLSA, which is on the steep side.

TRAVEL

Superior Aviation Beijing to take over Hawker Beechcraft

Superior Aviation Beijing, a start-up founded by Qingdao-born businessman Cheng Shenzong two years ago, is set to take over the troubled 80-year-old Hawker Beechcraft company with a USD1.79 billion bid. The company filed for bankruptcy protection in May and is owned by

Goldman Sachs Capital Partners and Onex, a Canadian private equity firm. Superior Aviation Spokesman Qian Chunyuan said the company was 60% owned by Cheng Shenzong and his wife, with the remaining 40% held by a private equity fund, run by the Beijing Economic-Technological Development Area, a unit of the Beijing municipal government. Cheng acquired bankrupt Superior Air Parts from the liquidator in 2009 and formed Superior Aviation Beijing the following year. Superior Air Parts was the world's largest piston aircraft parts manufacturer for general aviation aircraft engines. Since acquiring know-how from Superior Air Parts, Superior Aviation had developed two types of piston engines that had been certified by the U.S. Federal Aviation Administration and the Civil Aviation Administration of China (CAAC). “The Beijing [municipal] government will provide subsidized interest rates or arrange interest-free bank loans for Superior to proceed with the deal,” Qian said. Superior Aviation promised to maintain Hawker Beechcraft's existing operations, preserving thousands of American jobs. The transaction will not include Hawker Beechcraft's military assets, which will remain a separate entity, the South China Morning Post reported.

Government issues circular on aviation industry

The Chinese government issued a circular aimed at boosting the aviation industry, predicting a tripling of the air transport volume in China by 2020. The circular said air passenger and freight transport volume would grow 12.2% annually to reach 170 billion ton-kilometers in 2020, compared with 57.7 billion ton-km last year. Flight services are projected to reach 89% of the nation's population by 2020, with the number of air passengers hitting 700 million, up from 293 million last year. Capacity will expand at existing airports and new ones will be built, the document says. It promises more efforts to develop aviation as a new growth sector, and more encouragement for private jet and business jet services. “By 2020, a safe, convenient and efficient civil aviation system will be in place in China,” it says.

Qinghai-Tibet Railway threatened by desertification

The Qinghai-Tibet Railway, the world’s highest rail system, is being threatened by desertification on the Qinghai-Tibet Plateau as a result of global warming, experts concluded after conducting a probe. About 443 kilometers of the 1,956-kilometer railway are in areas affected by desertification, including 103 km that lie in seriously desertified areas, Wang Jinchang, Senior Engineer with the Qinghai-Tibet Railway Co said. Sun Zhizhong, Researcher with the Chinese Academy of Sciences (CAS), said temperatures on the Qinghai-Tibet plateau rose over 2 degrees Celsius on average over the past three years, leaving large chunks of frozen earth to thaw. The moisture is soon lost, however, as water quickly evaporates under the plateau’s blazing sun. The soil begins to dry up and eventually becomes desert, Sun explained. An Fengjie of China’s State Forestry Administration said the plateau region suffered from desertification long before the railway arrived. “The railway did not cause the problem, but it gives us an opportunity to witness the severity and scale of soil erosion on the Qinghai- Tibet Plateau,” An said. Sands buried rail racks and disrupted train services over 1,362 times from 1984 to 2002 on the Xining-Golmud section of the railway, in operation since 1984. The main part, the Golmud-Lhasa section, went into operation in 2006. Since becoming fully operational, the railway has transported 52.76 million passengers, according to the railway company’s estimate in July.

- The nine-member crew of a Tianjin Airlines flight in Xinjiang who foiled a hijack bid on June 29 were rewarded by Hainan Airlines – the parent company of Tianjin Airlines. Two onboard security guards and the chief attendant were awarded each CNY1 million in cash, an apartment worth CNY3 million and an Audi car. The pilot and five other crew members each received CNY500,000, an apartment worth CNY2 million and an Audi car. The company also gave CNY30 million to be shared by all Tianjin Airlines staff, believed to number just over 2,000. The crew also received awards from the Civil Aviation Administration of China (CAAC), and the Xinjiang and Hainan governments. Passengers who fought with the hijackers could take Hainan Airlines flights free for life as “honorary passengers”, the airline announced.
- Savannah-based Gulfstream Aerospace, which accounts for nearly half of China's market for corporate jets, has amended the name of its latest long-range large-cabin jet to G280 from G250 apparently after realizing that “250” in Putonghua can mean “imbecile”, “useless” or “stupid”. Gulfstream has never publicly admitted that this is the reason for changing the name of the G250, however. The manufacturer decided to change the name three years after it announced the G250 program in 2008. All the

type certificate documents filed with the United States' Federal Aviation Administration (FAA) as well as the user manuals in various languages were printed with the name G250 and had to be changed.

- Shanghai International Port, operator of the world's busiest harbor, plans to start a cruise line to reduce reliance on overseas operators and secure traffic at its passenger terminal. Talks were under way with cruise line operators to form a venture. The parent company, Shanghai International Port, might hold about a 50% stake in the venture. Shanghai Port's terminal, in the city center next to the tourist destination of the Bund, can hold four passenger liners of up to 70,000 tons each.
- Cathay Pacific said it would buy 10 Airbus A350-1000 twin-jet aircraft, exercising a purchase option it had in 2010 when it ordered 30 A350-900s. The airline said it would also convert part of this order for -900s into a deal for 16 of the larger A350-1000s. The total list price of the contracts is HKD34 billion, but the actual price paid will be lower following negotiations between the airline and Airbus. The added efficiency of the new A350-1000 will allow Cathay to maintain its competitive position along profitable long-haul routes, one analyst said. The A350-1000 will be able to carry 350 passengers in three classes compared with 314 passengers in the -900 model.
- The Chinese government is considering setting up investment companies to buy stakes in airlines. The four largest state-owned Chinese airlines — Air China, China Eastern, China Southern and Hainan Airlines — are listed on the A-share market. Some private carriers like Shanghai-based Spring Airlines and Juneyao Airlines are hoping to list. Li Jun, Deputy Director of the Civil Aviation Administration of China (CAAC), expects the domestic civil aviation market to grow by 10% this year.
- China’s first home-made regional jet, the ARJ21, will delay its delivery again to the end of next year due to some “subtle” problems during its testing and certification. It was the third delivery delay of the jet that was initially scheduled to be delivered in 2007, but later rescheduled to the end of 2011. Chengdu Airlines will take the first batch of ARJ21s by the end of 2013. There are 208 orders for the 90-seat jet from domestic and overseas buyers.
- The National Tourism Administration (NTA) of China said that total tourism revenue was CNY1.28 trillion in the first half of the year, up 17.3% from the same period last year. The number of domestic trips taken hit 1.55 billion with a year-on-year increase of 14.6%. The revenue from domestic travel was CNY1.13 trillion, up 20.1% year-on-year.
- China Aircraft Leasing Co, headquartered in Hong Kong, signed a memorandum of understanding with Airbus to order 36 A320 aircraft. The company now has a fleet of 16 aircraft , including 11 Airbus. The leasing company plans to have 100 aircraft in its fleet by 2015, said Poon Ho-man, founder and CEO of the company.
- The number of Chinese traveling overseas surged 19.75% to 38.56 million in the first six months. The top five destinations were Hong Kong, Macao, Taiwan, South Korea and Japan. The number of entries into China by foreigners rose 4.6%.
- MTR Corporation said it had signed an agreement with Hangzhou Metro Group to form a joint venture to invest in and operate Hangzhou Metro Line One for 25 years. The total required investment for the railway line is estimated at about CNY22 billion. MTR effectively owns a 49% stake in the venture, with the balance owned by Hangzhou Metro Group.
- China Southern Airlines Co will fly its Airbus A380s on the Guangzhou-Los Angeles route starting in October, ending a year-long wait to use the super jumbo for overseas services. The double-decker will replace Boeing’s 777 aircraft on the route. The carrier has ordered a total of five A380s in a bid to challenge Air China and Cathay Pacific on international routes.
- CSR Zhuzhou Electric Locomotive Co has won a bid for a metro project in Ankara, Turkey, obtaining a contract worth CNY2.5 billion. The amount is equivalent to about 3.1% of the company’s operating revenue in 2011. The contract marks the largest order the Chinese railway industry has received in a European nation, as well as the first time that China has exported technology to make subway vehicles to Europe.
- Nicole Lamb-Hale, U.S. Assistant Secretary of Commerce for Manufacturing and Services, said China would become the country's fifth-largest source of tourists by 2016 – up from ninth place last year. China was named as a focus of the U.S. tourism strategy, she added. 50 offices had been added across China last year to process visa

applications and shorten waiting times, helping to bring more than one million Chinese tourists to the U.S. in 2011, up 36% from the previous year.

- China will encourage the development of budget airlines to reduce flight ticket prices, the Civil Aviation Administration of China (CAAC) said. Apart from low-cost carriers, other airlines should also cut prices by simplifying service processes and changing operational models, said Li Jiaxiang, Director of the Administration. Li also said China will build 82 new airports and revamp 101 others during the 12th Five Year Plan period (2011-2015) to meet rising air travel demand. China will have around 230 airports for civil aviation use by 2015, up from 180 in 2011.
- Foreigners can travel easier between Beijing and Tianjin with the help of "express-pay cards". They can take the cards to special electronic sensors installed on turnstiles in railway stations and use them to buy tickets and check in for their trips. Before now, they had to pay for their journeys either at ticket windows or online. The cards were issued by the Ministry of Railways (MOR) and Bank of China (BOC).

VIP VISITS

UN Secretary General attends China-Africa Forum

United Nations Secretary General Ban Ki-moon attended the China-Africa cooperation forum in Beijing in July and appealed to Beijing to provide more assistance to Africa, not only for economic development but also in political and social areas. Chinese President Hu Jintao and several African leaders also attended the forum. Ban said he sees China as a leader in promoting cooperation among developing countries.

- China reaffirmed its support for the European Union's efforts to tackle its sovereign-debt crisis as the two sides concluded the Third EU-China Strategic Dialogue in July. China and the EU also discussed their desire to develop trade and investment links, EU Foreign Policy Chief Catherine Ashton said.

ONE-LINE NEWS

- Pan Jiazheng, a top hydraulic engineer and advocate of the Three Gorges Dam, has died of cancer, aged 85, in Beijing. Pan dedicated most of his life to dam construction and was awarded a national lifetime-achievement prize in June. He was best known for his pivotal role in the approval of the Three Gorges Dam project nearly two decades ago. Pan earned notoriety for his efforts to sideline prominent scientists who spoke out against the dam.
- City governments across China are hastily ordering checks on drainage systems, and several have unveiled plans for extensive upgrades, following the fatal floods in Beijing on July 21. Shanghai, Wuhan and Guangzhou have announced multi-billion-yuan projects, as officials look to allay residents' worries about cities' ability to handle heavy downpours. Authorities in Beijing have conceded that the drainage system leaves much to be desired, as it can cope with only 30 mm or less rain per hour.
- Chinese companies are increasingly using executive search services to recruit senior employees, breaking from their previous reliance on word-of-mouth or internal referrals, according to Phoebe Wan, Executive Vice President of Chicago-headquartered executive search company DHR International. Hong Kong-based Wan said that when she joined the industry in 2005, Chinese private firms generally did not use search consultants. DHR data indicate that demand for talent in China grew strongly last year, lifting annual revenue at its local arms by 45% year-on-year.
- Shenzhen-based China Guangdong Nuclear Power, which runs the Daya Bay nuclear plant in Guangdong province, is bidding for a stake in a consortium that wants to construct two power plants in Wylfa in Wales and Oldbury in Gloucestershire, Britain. The plans could eventually involve up to five reactors and a total cost of GBP35 billion. Guangdong Nuclear will be bidding against another state-owned operator, China National Nuclear Corporation (CNNC).
- Beijing Mayor Guo Jinlong and Deputy Mayor Ji Lin resigned in a routine reshuffle after the Municipal Party Congress. Deputy Party Secretary Wang Anshun was appointed Vice Mayor and Acting Mayor. Guo, 65, was promoted to Beijing Party

Secretary at the Congress on July 3.

- Gu Kailai, the wife of former Politburo Member Bo Xilai, was sentenced to death with a two year reprieve for the murder in November last year of British businessman Neil Heywood.

ANNOUNCEMENTS

FIT: Warning on defrauding of Western companies

Flanders Investment & Trade (FIT) has warned to be on guard against fraud involving Chinese companies. Using hacked e-mail addresses of Chinese companies, banking details of swindlers are transmitted instead of those of genuine Chinese companies. A Nigerian gang has already earned millions by hijacking transactions between Western and Chinese companies. The fraud is conducted as follows: companies doing business with their trusted Chinese supplier receive an e-mail following the conclusion of a deal that the previously-used bank account number is temporarily under audit and that payments need to be wired to a different Chinese account number. Subsequently it turns out that e-mail addresses and documents have been falsified.

The Chinese authorities have arrested the Nigerian gang, but it is possible that others are still active or have been inspired by them. FIT advises Flemish companies to be very cautious and not to trust such messages. Double-checking needs to be done. If a company is a victim of such practices, FIT advises to inform local police, the Chinese Embassies to the EU and to Belgium, and the representative office of the China Council for the Promotion of International Trade (CCPIT) in Brussels. More information is available at FIT and the Flanders-China Chamber of Commerce (FCCC).

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Canton Fair – Encouraging Growth at a Difficult Time

Canton Fair--Encouraging Growth at a Difficult Time
China's Largest Trade Show register more buyer attendance

The 111th Canton Fair concluded early this May, attracted 210,000 buyers from 213 countries and regions. The buyer attendance increased 0.23% over the 110th session.

Though trade volume with Europe and USA went down, export deals with emerging markets such as India, Brazil, Russia and Africa displayed an encouraging 4.1% increase. The experience of those who visited the Fair was also overwhelmingly positive.

A first-time visitor to the Fair, Kristrian Holmqvist from Finland, said the Canton Fair "does provide better ideas on doing trade business and make us to be more competitive".

The 112th Canton Fair will be held from October 15th to November 4th in Guangzhou, China. For more information, please visit **http://www.cantonfair.org.cn**

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