法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 3 SEPTEMBER 2012

FCCC ACTIVITIES

Information session: Financial incentives and investment funds for doing business with China – 12 September 2012, 15h – Offices of FIT, Brussels

The Flanders-China Chamber of Commerce and Flanders Investment & Trade are organizing an information session focused on financial incentives and investment funds for doing business with China.

The session will present a view on investment funds available and which financial incentives are being offered. This seminar focuses both on Flemish companies wishing to expand in China and Chinese companies investing in Belgium.

This practical information session will take place on Wednesday 12 September at 15h at the offices of Flanders Investment & Trade, Gaucheretstraat 90, 1030 Brussels.

The programme is :

14h30	Registration
15h00	Welcome by Mrs Claire Tillekaerts, CEO Flanders Investment & Trade
15h10	Introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
15h20	“China-Belgium Investment Funds” by Mr Rik Daems, Senator, Chairman China-Belgium Investment Fund
15h50	“TINA: Transformation through Innovation, a multi-company approach”, by Mr Roald Borré, Business Manager, Investment Fund TINA, PMV
16h20	“Financial Support to companies” by Peter Bulckaert (Head of Department Finance & IT) / Yves Roekens (Head of financial incentives) Flanders Investment & Trade
16h35	Questions and answer session
16h45	Networking cocktail

If you are interested in attending, please subscribe online before 7 September 2012. Participation fee for FCCC Members: €45, for Non-Members: €65.

Lunch seminar: EU Business in China: Position Paper 2012/2013 – 18 September 2012, 12h00 – Résidence Palace, Brussels

The Flanders-China Chamber of Commerce (FCCC) is inviting its members the annual lunch seminar “EU Business in China: Position Paper 2012/2013”, which will take place on Tuesday 18 September 2012 at 12h at the Résidence Palace, Rue de la Loi/Wetstraat 155, 1040 Brussels. The seminar is organized by the European Union Chamber of Commerce in China (European Chamber) in collaboration with Business Europe and the EU-China Business Association (EUCBA), of which the FCCC is in charge of the secretariat-general. At this occasion, the European Chamber will present its European Business in China Position Paper 2012/2013.

Speakers:

- Karel De Gucht, Commissioner for Trade, European Commission
- Davide Cucino, President, European Union Chamber of Commerce in China

This is the 13th edition of this annual publication, which has grown in importance and stature to become a vital contribution from private business to the development of China and Europe-China relations. On the eve of a generational leadership transition, China's economic model remains unstable, unbalanced, uncoordinated and unsustainable. China's state capitalism has supported high-levels of growth for the last 3 decades. However it has reached the point in which bold reforms are needed in order to create the conditions whereby the drivers of innovation, productivity and efficiency will prevail.

The "EU Business in China: Position Paper 2012/2013" illustrates the perception of European business regarding the challenges to operate in the Chinese market. But it also wants to contribute by providing constructive recommendations on how China could move to a more balanced and sustainable economic model. Drawing on the industry knowledge and expertise of the European Chamber's 1,700 member companies, this year's Position Paper presents Chinese and European policy-makers with more than 600 key recommendations. Trade Commissioner Karel De Gucht will deliver a speech on the current climate of EU-China business and economic relations.

Agenda:

12h00 –13h00:	Registration and buffet lunch
13h00 –13h15:	Introduction by EU-China Business Association
13h15 –13h45:	Presentation of the European Business in China Position Paper 2012/2013 by Mr Davide Cucino, President, European Union Chamber of Commerce in China
13h45 –14h00:	Speech on EU-China business relations by Mr Karel De Gucht, European Commissioner for Trade
14h00 –14h15:	Q&A

The participation fee is €85. Register online via following link:
http://www.flanders-china.be/events_subscription1.asp?id_event=250&lang1

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.

BICCS Seminars 2012-2013, organized in cooperation with the Flanders-China Chamber of Commerce – 4 and 5 October 2012 – Brussels

The Brussels Institute of Contemporary China Studies (BICCS) is organizing its 2012-2013 seminar series in cooperation with the Flanders-China Chamber of Commerce (FCCC) and the EU-Asia Centre. All seminars are free of charge, but registration is mandatory. All seminars, apart from the one on 5 October, take place at BICCS, Pleinlaan 5, Brussels. For more information, please contact Mischa Puyenbroeck via biccs@vub.ac.be.

4 October: China's lonely rise: This seminar will clarify the responses that China's rise elicits from the United States and the Asian powers. Professor Rosemary Foot, Oxford University, will discuss whether and how China and the United States can manage their complicated relationship that is characterized by both competition and cooperation. Xie Tao, Professor at the Beijing Foreign Studies University, will focus on what is wrong with China's good neighbor policy and how much China could be able to tackle the troubled relations between Beijing and the other Asian countries.

16h00: Prof. Dr. Rosemary Foot on the Sino-U.S. relations.
16h30: Prof. Dr. Xie Tao on China's good-neighbor policy.
17h00: Debate, moderated by Jonathan Holslag
18h00: The policy view: Sem Fabrizi (tbc)

5 October: Taking stock of China's economic reforms: For years it has been stated that China's growth is unbalanced and unsustainable. But how much has China addressed its economic distortions? What are the scenarios for China's future growth? How should we interpret China's economic rise from a Belgian and European viewpoint? What does it mean for large investors in China? The opening conference of the academic year 2012-13 will address these questions with several very acknowledgeable speakers.

16h00: Opening Gustaaf Geeraerts
16h05: Introduction panel: Jonathan Holslag
16h10: Prof. Dr. Michael Pettis, Tsinghua University and Carnegie Foundation: Keynote
16h30: Panel discussion with

- Steven Vanackere, Vice Premier and Minister of Finance
- Marc van Sande, Vice President Umicore
- Ambassador Liao Liqiang (tbc)
- Michael Pettis

– moderated by Jonathan Holslag
17h15: Debate
18h00: Reception

Four more seminars will be organized at later dates and be announced in our newsletter in due time.

OTHER ACTIVITIES

China Low Carbon City Tour – September 15-19, 2012 – Beijing-Dezhou-Nanchang-Beijing

New energy is one of the seven Strategic Emerging Industries under China's 12th Five Year Plan which receives favorite policy support from the central government. To decarbonize the economy and encourage the development of new energy industry and application, the government targets to have 11.4% non-fossil fuel based primary energy by 2015, and to shoot for 15% by 2020. The Climate Group's 5th China Low Carbon City Tour focuses on new energy industry development and application. The tour will bring local and foreign business delegates and investors to two Chinese cities – Dezhou and Nanchang. The delegation will gain industry insights by meeting senior city government officials, as well as local business leaders. The tour will also include visiting local industrial parks and projects.

Key activities of the Low Carbon City Tour include:

- Visiting Dezhou Solar Exhibition, Dezhou Economic Development Zone, Solar Valley, Industrial Park, and selected industrial plants;
- Meeting with Dezhou Mayor and DRC officials;
- Visiting Nanchang Economic Development Zone and low carbon projects;
- Meeting with Nanchang Mayor, DRC officials, business and financial institutions on projects and development roadmap

All activities in Dezhou and Nanchang of the Low Carbon City Tour are free. The Dezhou government will cover all local expenditure including meals and accommodations. However, we will charge each participant CNY6,000 to cover round trip transportation from Beijing-Dezhou-Nanchang-Beijing. If participants are departing directly from Nanchang after the tour ends, the cost is CNY5,000.

For more information: Xue Yanyan, Senior Manager, The Climate Group, Tel: +86 10 6440 3639 (ext 8008), E-mail: yxue@theclimategroup.org

University of Ghent China Lecture Café, starting on 25 September 2012, Ghent

The University of Ghent, Structural Partner of the Flanders-China Chamber of Commerce (FCCC), as from September 25th, is organizing the with a lecture series on diverse aspects of China, based on research by professors and researchers from different departments. The lectures will take place every 4 weeks, on Tuesday from 12h to 14h, in Tentamenzaal (UFO, St-Pietersnieuwstraat 33). Sandwich lunch will be provided.

The program for the coming months is to be found at http://www.ugent.be/china. Subscribing is free but mandatory, by email to isabelle.decoen@ugent.be.

25/09/2012 – Prof Ruddy Doom: "Repressive tolerance and visual arts in the People's Republic of China"

23/10/2012 – Prof Bruno Merlevede: "China and the world economy – past, present en future"

20/11/2012 – Prof Geert De Schutter/ Prof Luc Taerwe: "Concrete for tall structures: the Shanghai case"

11/12/2012 – Prof Bart Dessein: "New Confucianism and the Mandate of Heaven"

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

Beijing, Taipei sign yuan clearing pact

Taiwan will become the third off-shore yuan trading center after Hong Kong and Macao. Beijing and Taipei signed a yuan clearing agreement last week, a move that analysts say will help globalize the use of the currency but create competition with Hong Kong. Taiwan would allow interbank trading of the yuan, creating a new exchange rate for the currency. The two monetary authorities are also negotiating a currency swap deal that will allow Taiwan to hold yuan assets in its foreign-exchange reserves. The deal will help Taiwanese companies move their yuan assets back to the mainland and lessen their exchange risks. Yang Yi, Spokesman for the mainland's Taiwan Affairs Office in Beijing, said the pact would lower the costs and currency risks of cross-strait trade and deepen economic cooperation between the two markets. After the agreement comes into force in 60 days, the yuan will be cleared off-shore in three locations – Taiwan, Hong Kong and Macao – with London and Singapore vying to be next. About 30% of Taiwan's exports are bound for mainland China, while the island is the mainland's fourth-biggest importer. Raymond Yeung, Senior Economist with Australian bank ANZ in Hong Kong, said an average 4% of global payments with mainland China and Hong Kong were now settled in yuan, based on the latest Swift statistics. He deems it possible that a higher penetration to 10% could be reached within the next six to 12 months. The trade settlement flow in the yuan across the strait could potentially reach USD12 billion a year, he added. Yuan trade settlements conducted in Hong Kong in July dropped 7.4% from June to CNY223.4 billion, while yuan deposits rose 1% to CNY563.2 billion at the end of July, the South China Morning Post reports.

- The China Banking Regulatory Commission (CBRC) has set up a bureau to protect the rights of financial services consumers and improve the Commission’s supervision system.
- Bank of China (BOC) said profit growth slowed sharply in the first half of this year because of a weaker economy, regulatory changes and the absence of one-time gains that bolstered earnings last year. Net profit rose 7.6% to CNY71.6 billion in the first six months compared with a year earlier, less than half the 19% profit growth rate recorded in 2011. The bank's bad loans fell by CNY377 million to CNY63.6 billion compared with the end of the first quarter.
- The People's Bank of China's purchases of foreign exchange totaled CNY298.8 billion in the first seven months of the year, a year-on-year slump of 87%. Mopping up foreign exchange earned by companies and individuals and releasing yuan into the system in return has been the most important tool used by the central bank to maintain yuan supply. In the first seven months, the ratio of outstanding foreign exchange to broad money supply M2 fell to 28% from 32% a year ago. The total amount of foreign-currency deposits by non-financial companies and individuals in China grew USD266.3 billion in the January-July period, marking a 12-fold increase over the same period last year.
- Bank of China Hong Kong, the overseas arm of Bank of China, expects loan demand to weaken even further in the current half as Hong Kong's economy suffers from the uncertain outlook in Europe and the U.S. The bank's net profit fell 6.3% year-on-year to HKD11.24 billion due to the absence of the one-time recovery of provisions related to Lehman Brothers products in the year-earlier half. The bank's loans grew 6.8% to a total of HKD746 billion in the first six months compared with the end of last year.
- Shanghai’s government issued its first debt issue this year with a total value of CNY8.9 billion. The five-year tranche with a yield of 3.25% saw a transaction-to-subscription ratio of 2.2 to 1, while the seven-year tranche with a yield of 3.39% had a ratio of 2.1 to 1. The 10-year central government bond with a total value of CNY30 billion also auctioned last week influenced the demand for the Shanghai bond. Zhejiang and Guangdong provinces, and Shenzhen, will also launch local government debt bonds in the near future.
- Industrial and Commercial Bank of China (ICBC) and Agricultural Bank of China (ABC) will lower their interest rates for U.S. dollar and euro deposits this week to 0.8% and 0.7% respectively. As the U.S. dollar and the euro appreciated against the renminbi recently, willingness to hold foreign currency has been on the rise.
- Net profit growth at China Construction Bank (CCB more than halved in the first six months from a year earlier. CCB reported an annual 14.6% rise in net earnings to CNY106.3 billion in the first half year, below the industry average of 23%. China Galaxy Securities predicted CCB’s profit growth to slow to 3.4% next year. The bank’s interest income, accounting for 74.5% of its total revenue, gained 16.5% to CNY169.7 billion in the first half, while its net interest margin improved annually from 2.66% to 2.71%.

- China Life Insurance's first-half profit fell 26% to CNY9.64 billion as stock market declines crimped investment returns and income from premiums dropped. China Life joins smaller insurance companies, including China Pacific Insurance (Group) Co, in suffering from an almost 20% slump in the benchmark Shanghai Composite Index in the year ended June 30 as the economy cooled. Net premiums earned fell 5.2% as sales over bank counters dropped under tighter regulatory rules and customers chose wealth management products for higher returns.
- Chinese banks are stepping up lending in the U.S. Their share of U.S. syndicated lending has risen to 6.1% of the total market so far in 2012, up from 5.1% last year, according to data from Dealogic. So far this year, the total value of syndicated loans from Chinese banks into the U.S. has reached USD51 billion. Among the latest deals, Bank of China (BOC) is involved in a USD1.4 billion syndicated loan to Zimmer Holdings, a medical device company, and Bank of East Asia (BEA) is part of a USD575 million loan syndication to Constellation Brands, a wine and beer group.
- China Life Insurance aims to increase its stake in China Guangfa Bank, a move that will give it more control over the mid-sized Chinese lender. The bank is planning an initial public offering (IPO) in Hong Kong and Shanghai next year to raise USD5 billion and USD6 billion. China Life, Citigroup, State Grid Corp of China and Citic Trust each own a 20% stake in Guangfa Bank. If China Life becomes the largest shareholder of the bank, it may challenge Citigroup's leading position and influence in the bank.
- Industrial and Commercial Bank of China (ICBC) registered a net profit of CNY123.2 billion in the first half, up 12.5% from a year ago. The lender's outstanding non-performing loans reached CNY75.1 billion, up CNY2.1 billion compared with six months ago. The bank's NPL ratio declined 0.05 percentage point from the beginning of the year to 0.89%. ICBC's net interest margin improved to 2.66% from 2.6% at the end of 2011. Net interest income, which took up more than 70% of its operating income, increased 17%, while fee income rose 1.9%.
- Net profit at the Agricultural Bank of China (ABC), the nation's third-largest lender by assets, rose to CNY80.5 billion in the first half of this year, but the bank saw the on-year growth rate more than halve to 20.8%. However, the profit growth the bank reported was stronger than that of the Bank of China (BOC) and China Construction Bank (CCB), another two of the nation's four biggest lenders. ABC's fee and commission income rose 4.8% in the first half, a sharp slowdown from 65.4% a year earlier. Interest income, which accounts for 79.6% of its total revenue, gained 15.9% to CNY167.7 billion.

FOREIGN INVESTMENT

MOFCOM urges more tolerance for Chinese companies investing abroad

China's Ministry of Commerce (MOFCOM) is urging the international business community to be more "tolerant and rational" toward ambitious Chinese companies seeking to invest overseas. Shi Ziming of the Ministry's Department of Outward Investment and Economic Cooperation, said many international markets still misunderstood the motives behind Chinese companies making investments overseas. Shi said there should be much more objective recognition and evaluation of any proposal being made by a Chinese company seeking to make an investment, given their strong track record in terms of local job creation and other economic contributions to the organizations and communities in which they invest. The latest Statistical Bulletin of China's Outbound Foreign Direct Investment showed that Chinese non-financial ODI surged by 14% in 2011 from a year earlier to USD68.58 billion. The revised figures were an improvement on those announced earlier in the year by the Ministry, which had been set at USD60 billion. China's total ODI gained 8.5% year-on-year to USD74.65 billion, which makes China the sixth-largest investing nation in value terms worldwide. About 36% of Chinese ODI last year was realized through mergers and acquisitions (M&As), particularly in mining, manufacturing, and electricity production and supply. ODI during the first seven months in the non-financial sector increased 52.8% from a year earlier, driven by growth of capital flow into ASEAN member countries and the United States, which represented 36% and 29.6% of the total respectively. Still, in 2011, China's ODI by value accounted for just 4.4% of the global total, meaning "China still lags far behind developed economies in investing overseas", said Shi. In 2011, Chinese companies that owned operations overseas submitted local taxes of more than USD22 billion, creating jobs for as many as 1.22 million people, including 888,000 local jobs, said the MOFCOM report.

- Shandong Heavy Industry Group Co is seeking a 25% stake in German fork-lift manufacturer Kion Group, which belonged to industry group Linde until 2006 and now is owned by Goldman Sachs Group and KKR & Co. With an expected price of around €700 million, the transaction would be the biggest investment yet by a Chinese company in Germany.
- SMC Capital China, a subsidiary of Hong Kong-based Simon Murray Group, signed an agreement with Khorchin Rider Horse Co to launch a joint venture. Khorchin Rider is the largest private company in China's horse breeding industry. The total investment exceeds CNY120 million. SMC Capital China injected CNY60 million in the joint venture — Inner Mongolia Rider Horse Industry Co — in the first round of investment. The recreational horse sector's market size is less than USD1 billion in China, but its annual growth rate is more than 20%. The number of equestrian clubs increased from less than 100 in 2007 to between 700 and 800 today.
- Life Technologies, an international biotechnology company, announced a partnership with Chinese biotech player Sino Biological to distribute the latter's products – 6,000 human-derived recombinant proteins, antibodies and other products – globally under the joint brands of Sino Biological and Life Technologies. The latter company has 10 offices in China and its sales in the country have increased by 20% annually over the past decade. The output of China's biotechnology industry jumped to CNY1.6 trillion in 2010 from CNY600 billion in 2006, and is expected to reach CNY4 trillion by 2020.
- Italy's Ferretti Group, whose Riva unit made boats for celebrities including Sean Connery, intends to open an assembly plant in Qingdao as its new Chinese parent seeks to drive up sales. Ferretti yachts can cost more than USD100 million.

FOREIGN TRADE

Premier Wen worried about European debt crisis

Expressing alarm at Europe's debt problems, Chinese Premier Wen Jiabao called on Greece, Spain and Italy to embrace budget cuts and get their finances in order after meeting visiting German Chancellor Angela Merkel. Wen said China is willing to keep buying European bonds but gave no sign Beijing will bail out the eurozone. China has a stake in a resolution because Europe is its biggest export market and the nation holds billions of dollars in European bonds. "The European debt crisis has continued to worsen, giving rise to serious concerns in the international community. Frankly speaking, I am also worried," Wen told reporters. He cited uncertainty over whether Greece leaves the eurozone and whether Italy and Spain take "comprehensive rescue measures," a reference to spending cuts and tax increases to balance their budgets. "Resolving these two problems rests with whether Greece, Spain, Italy and other countries have the determination for reform," the Premier said. "Resolving the European debt problem requires fiscal tightening and finding balance within individual economies." Wen said China was willing to buy European bonds so long as it could evaluate the risks and to help the European Union, International Monetary Fund and European Central Bank support indebted eurozone countries "in overcoming hardships." The European Financial Stability Fund (EFSF), set up to lend to troubled governments, says China and other Asian investors have bought 40% of its bonds but gave no other details. Ahead of Merkel's visit, German officials said they wanted to reassure Beijing that European debt is a "safe and good investment," the Shanghai Daily reports.

IPR PROTECTION

Online copyright registration system unveiled

A groundbreaking online registration system was unveiled in Chongqing that allows Chinese citizens to file applications for copyrights. The DCAS system, the first of its kind nationwide, was developed by the copyright administration of Chongqing municipality and Chongqing University of Posts and Telecommunications. "In the past, an author couldn't apply for a copyright until the entire work was completed," said Xiong Zhihai, Dean of the School of Law at the University and leading researcher of the system. The system managed by the Copyright Protection Center of Chongqing now allows authors to reserve a copyright registration before works are actually finished. "Even if the author writes only one paragraph, or just a title, he can upload it to the DCAS for the system to generate a record," Xiong said. "If disputes happen in the future, that record can be used as evidence to claim the copyright." The Beidou Navigation System generates the registration time automatically and "stamps" it on the reservation certificate. The system accommodates applications for copyrights on articles, music, dramas, photographs, artwork, software and many other types of work.

- The Heyuan Intermediate People's Court in Guangdong province sentenced Xiao Zhenjiang, the alleged leader of a counterfeiting ring that made fake French luxury Hermès handbags, to life in prison, an unusually harsh sentence that legal experts say was meant to highlight intellectual-property protection. During a raid on his factory, police found CNY100 million worth of fake Hermès purses. Three accomplices were sentenced to seven to 10 years in prison and were handed fines of CNY500,000 to CNY800,000. The average criminal sentence handed to counterfeiters is three to seven years in prison. The harshest sentences are typically reserved for pharmaceutical and health-related counterfeiting.

MACRO-ECONOMY

Survey finds salaries are highest in Guangzhou

A survey of more than two dozen Chinese cities has found salaries are highest in Guangzhou, where employees receive an average of CNY57,473 a year. The Guangdong capital was followed by the Beijing and Nanjing, where the figure was CNY56,061 and CNY54,713 respectively. The figures were based on data about income levels for last year compiled by the cities' statistics bureaus, and the rankings were done by China News Service. Only employees whose registered residence was in a city were included, meaning migrant workers' pay was excluded. Shanghai ranked fifth in the survey, while Chengdu in Sichuan province recorded the lowest remuneration – CNY34,008 a year. Analysts caution that the samples used could differ in each city, making comparison difficult. The National Bureau of Statistics (NBS) said in May that the national annual income for city workers last year averaged CNY42,452, excluding migrant workers' salaries. The China News Service survey found salary levels in 11 cities were higher than the national average. Although the national average salary was up 14.3% compared to 2010, not all workers would be enjoying the boost, said an NBS official. "The growth rate varies across different industries and regions," he added.

Profit growth slows at industrial companies

The profits of Chinese industrial companies declined at their sharpest pace this year in July, falling 5.4% from a year earlier to CNY366.8 billion. In the first seven months, earnings lost 2.7% to CNY2.67 trillion, a sharp drop from last year's 25.4% increase. "China's manufacturers are suffering from higher production costs, which are not compatible with the sluggish sales at both external and internal markets," said Changjiang Securities Analyst Li Maoyu. Private business still reported a profit growth of 15.5% in the first seven months, while earnings of foreign-invested firms and those from Hong Kong, Macao and Taiwan slumped 12.6%. State-owned enterprises said their profit fell 12.2%. Of 41 industries tracked, 25 reported profit growth during January-July, led by the electricity generation and supply industry with a 29.3% jump from a year earlier. One sector — oil refining, coke and nuclear fuels — reported an outright loss in the first seven months.

Manufacturing activity drops for the first time in 9 months

Chinese manufacturing contracted in August for the first time in nine months. The official purchasing managers' index (PMI) dropped 0.9 point to 49.2 last month, from 50.1 in July, in the face of a drop in new orders, weaker production and job losses, the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP) said. The index fell below 50 for the first time since December. The sub-index for new orders fell to 48.7 from 49 in July, which signaled weaker domestic demand. The employment sub-index edged down to 49.1 from 49.5 a month ago, signaling the job market is under stress. A decline in the sub-index for raw material inventories to 45.1, from 48.5, implies manufacturers lack confidence and points to further weakness in production. The weak data for August will put pressure on the government to loosen policy further, Nomura Economist Zhang Zhiwei said. Hu Yifan, Economist with Haitong International Securities Group, told Bloomberg that a reduction in banks' reserve requirement ratios "would send a positive signal to the markets to boost confidence, particularly now that the PMI has dipped below the critical mark of 50". The component indices showed that production slipped 0.9 point from a month earlier to 50.9 in August — the only sub-index above 50.

- Investment in the culture and media industry fell in the first half of the year, according to ChinaVenture, a research and consulting firm focused on venture capital investment. Venture capital and private equity companies raised USD78 million for 21 projects in the first half of 2012, a 68% drop year on year. Film, television, music and advertising accounted for almost all the investment. Focus Media received a CNY100 million investment in February for its taxi LED program, the largest financing in the industry by June.
- Anhui took the lead in a pilot program initiated by the central government that aims to put chief quality officers (CQOs) in medium-sized to large companies to ensure product safety. CQOs have the right to veto decisions by the company if they threaten product quality, and the Officer will be held accountable if any quality-related accidents occur.
- The Hubei provincial government will raise the minimum wage in Hubei by 13% annually until 2015. The effort is in line with national targets for the 2011-2015 period. Last year, the minimum wage increased by 22% across the country.
- The government was likely to unveil long-awaited reforms to income distribution in October and was now seeking opinions from ministers and top leaders. The Economic Information Daily said the reforms would cover minimum wages, the sharing of state firms' dividends, taxes on high-income earners, and the salaries of managers at state financial institutions.
- China Railway Construction Corp's net profit declined 11.12% to CNY3.22 billion in the first half, while revenue dropped 12.71% to CNY184.53 billion. New contracts rose 36.55% to CNY280.07 billion. Another Chinese rail construction firm, China Railway Group, saw net profit decrease 2.2% to CNY2.39 billion.
- China Communications Construction (CCC), China's second-biggest builder by market value, posted its first decline in half-yearly profit in four years as slowing economic growth hampered new projects and investments. Net income declined 14% to CNY5.02 billion from a year earlier, as sales fell 10% to CNY124.7 billion. Investment in highway construction declined, while the number of tenders for new projects decreased significantly.

MERGERS & ACQUISITIONS

McCormick launches take-over offer for Wuhan Asia-Pacific Condiments

United States spice and flavoring firm McCormick & Co has made a USD141 million offer for Wuhan Asia-Pacific Condiments Co (WAPC), a privately owned spice and flavoring manufacturer. McCormick said the WAPC's Daqiao and Chushile brand bouillon products will complement its current lineup of spices, seasoning blends and sauces for the Chinese market. Daqiao monosodium glutamate is the best-selling seasoning brand in Wuhan, Hubei province. WAPC produced 2 tons of MSG and 4 tons of chicken condiment in 2011, achieving revenue of CNY800 million. Jiang Xiaodong, Analyst from Huatai United Securities, said that "the use of condiments by restaurants in China is a CNY150 billion industry".

- CNOOC has applied for Canadian approval of its USD15.1 billion bid to buy Nexen, Canadian Industry Minister Christian Paradis said, adding he was reviewing the proposed investment. The government has 45 days to review large foreign takeovers once an application has been filed.
- A proposal by the State Administration of Taxation to tax the gains of private equity and venture capital funds is expected to be implemented in six months. Under the plan, Beijing is expected to tax investment gains of the funds at a rate of up to 40%. The authorities want to rein in the rampant cash inflow to the private equity and venture capital sectors from wealthy individuals who believe the sectors offer a quick route to easy money. The levy, mainly targeting yuan-denominated funds, will replace a corporate tax rate of 25%.

PETROCHEMICALS

PetroChina calls for private co-investment

PetroChina called on private enterprises to co-invest in major projects, as the company announced a 6% year-on-year fall in first-half net profit to CNY62.03 billion. Vice Chairman Zhou Jiping said the firm's CNY120 billion, 7,000 kilometer third west-to-east pipeline would be partly backed by the National Social Security Fund (NSSF), an infrastructure fund supported by private businesses under the All-China Federation of Industry and Commerce (ACFIC), and China's second-largest steelmaker, Baosteel Group. “The reason for inviting private participation is not because PetroChina is short of cash. Rather, it would promote healthy growth of the economy,” Zhou said. PetroChina, hit by losses from oil refining and gas imports due to domestic fuel price controls, saw its first-half net cash inflows from operating activities drop 62.8% year-on-year to CNY48 billion. But Zhou said its liabilities-asset ratio of 44.9% meant it still had ample room to raise more debt. The company has a 52% stake in the pipeline, which is expected to start commercial operation by 2015, while its three other investors each holds 16%. Zhou said PetroChina had also teamed up on major projects with local government-owned enterprises, in response to Beijing's directive for major energy and infrastructure projects to have diverse ownership to improve governance, efficiency and accountability. The joint projects include oil and gas drilling in Shaanxi province and Xinjiang, and natural gas processing terminals in Liaoning province. Zhou expected China's reliance on gas imports to rise above 30% in 2015 from more than 20% now. In the year's first half alone, PetroChina recorded an operating loss of CNY19.6 billion on gas imports, after accounting for a CNY3 billion value-added tax rebate to ease the losses, the South China Morning Post reports. PetroChina pumped 452.4 million barrels of crude in the first half, up 1.5% on 445.8 million barrels in 2011, while the average selling price increased 6.3% to reach USD107.98 a barrel over the average of USD101.62 last year. Total oil and gas output rose 3.8% to the equivalent of 667.9 million barrels during the period. Some 62.5 million barrels came from its overseas assets, which rose 0.9% to account for 9.4% of the company’s total output. The company registered a loss of CNY28.9 billion from refining and chemicals due to factors such as the slowdown of the Chinese economy and controls on domestic fuel prices. The company said it would evaluate merger and acquisition (M&A) opportunities abroad.

CNOOC offers more off-shore blocks

China National Offshore Oil Corp (CNOOC) has offered 26 more off-shore blocks for joint development with foreign exploration companies, which experts said represented a massive expansion in its exploration activity. It is the second round of joint development tenders by CNOOC this year. The latest auction includes 22 blocks in the South China Sea, three in the East China Sea and one in northern China’s Bohai Bay, covering a total area of 73,754 square kilometers. CNOOC first started drilling in the South China Sea in May. Until then, most of its domestic oil and gas exploration had been limited to a depth of around 300 meters. British oil companies may have the most interest in the latest cooperative tenders because they have more experience of the kind of deepwater drilling required, from operations in the North Sea. CNOOC is in the process of acquiring Canada's Nexen, which controls the United Kingdom’s largest oilfield Buzzard. CNOOC’s Nexen acquisition will help the company increase its annual output by more than 20%.

- China Petrochemical Corp (Sinopec) has made total investments of more than CNY600 billion in sectors including trading and engineering services in 55 countries and regions, Chairman Fu Chengyu said. Sinopec’s overseas assets increased from 10.6% of its total assets in 2005 to 36.6% last year. The company’s profits in overseas markets accounted for 0.2% of the total in 2005, growing to 18.7% in 2011.
- China Petroleum & Chemical Corp posted its lowest half-yearly profit since 2008 after the sale of fuels at state-controlled prices cut earnings. Net income fell 41% to CNY24.5 billion from CNY41.17 billion a year earlier. Sinopec’s profit slide follows a drop in earnings for larger rival PetroChina Co, which said it expects fuel-pricing reforms in the second half to help cut losses from refining. PetroChina’s profit dropped 6% to CNY62 billion, while CNOOC said that net income declined 19%.
- China BlueChemical plans to make a complete switch from natural gas to coal to power its urea plant in Inner Mongolia by 2015, to ensure the plant stays viable amid rising gas costs. Chief Executive Yang Yexin said the plant would have problems making a profit if gas prices rose another 20% to 30% from present levels. Beijing is

under pressure to lift domestic gas prices since more gas has to be imported to meet demand, and international gas prices are much higher than regulated domestic prices. The Tianye plant makes urea and methanol.

- Sinopec topped the annual Top 500 Enterprises List of biggest Chinese companies with CNY2.55 trillion revenues in 2011, followed by China National Petroleum Corp (CNPC).
- Iran and China suspended a contract to build a liquefied natural gas (LNG) plant in the Persian Gulf port of Asaluyeh “until further notice”. The governments halted the €2.6 billion contract because the Chinese partner had difficulties financing the project, it was reported.

REAL ESTATE

Apartment on Hong Kong's Peak goes for HKD61 million

A buyer has paid HKD61 million for an apartment perched on Hong Kong’s Peak, setting another record in a city already known for its sky-high prices. The apartment is part of architect Frank Gehry’s Opus development. It was the highest price per square foot ever paid in Asia and the second-highest in the world, after London’s One Hyde Park. Swire had earlier announced that it intended to lease the dozen apartments that make up the site. One unit was recently leased for HKD850,000 per month. Hong Kong’s Financial Secretary, John Tsang, has warned repeatedly about the risk of a bubble emerging. Since 2011, the cost of renting luxury housing has jumped 15% in Hong Kong, where it now costs over HKD11,800 to rent an unfurnished, three-bedroom apartment in a desirable neighborhood. Hong Kong property prices exceeded 1997 peak levels last year, despite the recent adoption of various government cooling measures, including taxes to try to curb speculation.

New office sales down in Shanghai this year

Sales of new offices in Shanghai dropped in the first eight months of this year amid sluggish demand. As of August 30, 8,277 units, or 851,000 sq m of offices, were sold in the city this year, an annual decline of 23.8% by unit and 35.9% by area, Century 21 China Real Estate said in a report. That was the lowest in four years. The new offices were sold for an average of CNY23,100 per sq m, an annual drop of 12.7%. “The city’s office sales market is kind of risky at the moment with inventories staying rather high,” said Wu Xiaoming, Manager of the Office Department at Century 21. Nearly 37,000 units, or about 4.77 million sq m, of new offices are available for sale in the city, up an annual 29.5% and 18.8% respectively, the report said.

- Property conglomerate Wharf (Holdings) saw its core interim profit jump 49% to a record HKD5.43 billion, but the company remained cautious about the second half of the year. Wharf's annual sales target of CNY10 billion for China had already been met by August and outpaced last year's sales. Wharf's property sales in China hit a quarterly record of more than CNY5 billion between April and June, when the home market began to stir again as buyers returned, drawn by lower prices as a result of competition among developers. Net profit for the first six months grew 65% to HKD23.65 billion, as revenue surged 87% to HKD18.25 billion.
- Developer Evergrande Real Estate Group reported that core profit dived 21% in the first half to CNY3.8 billion because of Beijing's curbs on the property market. The developer's gross profit margin was down 6.5 percentage points to 28.6% during the period. Contracted sales totaled CNY44.3 billion in the first seven months of the year, accomplishing 54% of the planned contracted sales for the entire year.
- Construction work on 80% of buildings in the Kangbashi district of Ordos city, Inner Mongolia, was suspended because real estate developers ran out of money. A total of 22.3 million sq m of land was under construction as a result of an investment boom that began three years ago. Most apartments and office spaces remain empty.
- Premier Wen Jiabao said it was too early to loosen curbs on speculative property investment, as he inspected an affordable housing project. New home prices in 50 out of 70 cities tracked by the government increased in July from June, a doubling from 25 in June. The government has been tightening policies for more than two years. Measures include a ban on buying second homes, an increase in minimum down payments and the introduction of property taxes in certain areas.

- Yuexiu Property, the property arm of the Guangzhou municipal government, plans to buy a CNY7 billion residential site in the city this year to replenish its land bank. The site on Haizhu district's waterfront covers 500,000 sq m and could yield a total gross floor area of 1 million to 1.5 million sq m, depending on municipal government town planning. The developer has spent CNY406 million so far this year buying three residential sites in Guangzhou, Hangzhou and Hong Kong, with a total gross floor area of 218,300 sq m.
- Hangzhou-based Greentown China Holdings' net income more than doubled to CNY1.8 billion in the first half of this year while revenue rose 12.3% annually to CNY12.6 billion. Its net gearing ratio fell to 93.5% at the end of June from a high of 148.7% at the end of last year, following disposals of a number of projects. Many Chinese developers have been divesting assets to raise cash due to the government's austerity measures.
- China's building materials companies should cash in on the opportunities being presented in Saudi Arabia's booming capital construction market, Xie Zhongmei, Director of the Department of West Asian and African Affairs at the Ministry of Commerce (MOFCOM) said. Saudi Arabia has been China's largest trade partner in the Middle East for 11 consecutive years, while China is also the second-largest source of imports to Saudi Arabia. Trade between the two countries grew nearly 30% year-on-year to USD38 billion in the first half this year.
- In July, property sales in China fell 15% from June to CNY454 billion after a strong rebound in the second quarter. In the first seven months, meanwhile, property sales by value dipped 1.1%.
- Chinese cities have moved to boost local land markets as a persistent economic downturn has undermined the fiscal incomes of local governments. Hangzhou, capital of Zhejiang province, auctioned seven downtown land plots at their initial bidding prices last week after revenues from land sales in its main city areas dropped to a five-year low from January to July. In Wenzhou, a record number of 52 land spots were put up for sale at a local promotional fair. The concentrated sales reflect the intent of local governments, which depend heavily on land sales for fiscal revenues, to boost sales by offering low prices amid a cooling land market.
- Louis Ng, Chief Operating Officer at SJM Holdings, the holding company founded by Hong Kong tycoon Stanley Ho that controls several of Macao's casinos and hotels purchased Château de Gevrey-Chambertin – a 5.7-acre estate and a vineyard in wine region of Burgundy – in May, causing an uproar among French wine markers. He is only the second person from Greater China to buy a castle in the region. Earlier this year, businessman Shi Yi teamed up with a local winemaker to buy two hectares in Vosne-Romané, close to Ng's property.
- Chen Zhuolin, 50, Chairman of Agile Property, was arrested over allegations of indecently assaulting a 28-year-old female employee at his luxury home in Happy Valley, Hong Kong. Agile stressed the incident would not affect the normal business and operations of the Hong Kong-listed firm. Chen was granted police bail but is required to report back next month. No charge has been laid.
- Lend Lease Group, Australia's biggest property developer, plans to create a fund that will invest in property developments in China's biggest cities within the next three years as it reduces its exposure to Europe and the Middle East. It has identified 12 cities for possible developments.

RETAIL

Handbag retailer Milan Station to set up JV

Milan Station, a retailer of second-hand luxury handbags, planned to form a joint venture in Chengdu, Sichuan, leading to a substantial rise in its stock price. Milan Station planned to partner with Star Continent to invest a total of CNY30 million to establish Milan Station Trading (Chengdu) to sell second-hand luxury handbags. The venture will be 70% owned by Milan Station, and Star Continent will hold the rest. The market capitalization of Milan Station recorded a single-day rise of as much as HKD178 million. The retailer, which operated 16 shops in Hong Kong, Macao, Beijing and Shanghai at the end of last year, expects a "substantial drop" in net profit for the six months to June. Its stock, which was listed in May last year, has fallen more than 60% this year, compared with a 9% decline in the benchmark Hang

Seng Index. Luxury sales in Hong Kong have slowed in the first quarters of this year.

- Consumption of luxury goods in Guangzhou has been declining since February due to an economic slowdown, according to officials with the provincial Chamber of Commerce. Some high-end brands have offered considerable discounts, but sales growth has slowed this year.
- A survey released by Staffers, a magazine of China Business Journal, shows Sprite and Coca Cola holding the first two spots among beverage brands favored by Chinese college students.
- Ikea's Beijing store almost ranked top among all 337 Ikea stores in terms of volume. The company said that it has seen a year-on-year growth of 21% in visitor numbers to more than 45 million during the past fiscal year in China, the highest among all of its global operations. Ikea still expects double-digit growth in China, driven by its new stores. The company has cut the prices of most of its products in China by more than 50% since it first entered the market. For the new fiscal year as of September, Ikea will launch 1,667 new products in China, and lower the prices of 294 existing items.
- Hong Kong’s retail sales grew 3.8% in July, the slowest pace since the global financial crisis as consumer sentiment weakened and Chinese visitors pared spending on luxury goods.
- International fashion labels have turned China into their main battlefield this summer, opening one new store a week. Prominent among the labels expanding their presence are Italy's MaxMara, and Gap, the iconic American fashion brand. But it's not easy to make money in China, where rapid rent rises have forced some global retailers such as Nokia to close their stores. Luigi Maramotti, Chairman of MaxMara, said he believed consumers in China were now better able to afford luxury products, thanks to the country's fast economic growth in the past decade.
- Beijing supermarkets saw their profits slide in the first half of the year, marking the first such decrease in nearly three years. Jingkelong reported revenues of CNY4.5 billion, representing an increase of about 9.6% year-on-year. But its CNY780 million profit was a year-on-year fall of 24.6%. Wu-mart, a competitor of Jingkelong, reported having CNY338 million in net profit in the first half, a slight year-on-year increase of 0.5%. Meanwhile, China Resources Enterprise had CNY1.44 billion in net profit, down 3.6% year-on-year, and the net profit of Fujian-based Yonghui Supermarket was CNY193 million, down 28.57%. CP Lotus reported a loss of CNY790 million in the first half.
- China’s largest electrical appliances and consumer electronics retailer Gome Electrical Appliances Holding reported a loss attributable to shareholders of about CNY501 million in the first half of 2012, compared to the CNY1.25 billion interim profit last year. Gome’s sales revenue tumbled 22.4% to CNY23.12 billion in the same period. Gome’s bigger rival Suning Appliance Co reported a net profit decline of 29% to CNY1.75 billion in the first half of 2012. Suning’s revenue was modestly up 6.7% to CNY47.19 billion. Gome opened 62 new stores and closed 45 existing stores in the first half. It had 1,096 stores in China at the end of June.

SCIENCE & TECHNOLOGY

Medtronic opens innovation center in Shanghai

International medical device producer Medtronic announced the official opening of its innovation center in Shanghai, the company’s first research and development (R&D) facility outside the United States and Europe. Medtronic will hire and train an additional 1,000 skilled staff over the next five years, hundreds of which will work toward the development of new medical technologies.

- Shanghai plans to attract 70,000 foreign students to local universities by 2015, an increase of 45% over this year's 47,700-strong intake. Authorities hope that within three years, 70% of overseas students in the city would have enrolled for long-term degree programs.
- More than 4,000 new companies were established in Beijing’s Zhongguancun National

Innovation Demonstration Zone last year. 223 companies in the Zhongguancun area are listed on stock exchanges and 79 of them are listed overseas.

STOCK MARKETS

Margin trading expanded

The Shanghai and Shenzhen stock exchanges and China Securities Finance published rules governing the trading system which allows brokerages to borrow cash and equities from other institutions to re-lend to their clients. The rules took effect immediately after they were published. Analysts said the regulator approved the liberalization in an apparent move to bolster investor confidence. Margin trading allows investors to borrow cash from brokerages to buy equities but investors lose money if share prices drop. China Securities Journal predicted the expanded margin trading mechanism would result in an additional CNY120 billion of funds.

- The Buddhist Association of China is strongly opposed to a plan for a public offering by Putuo Mountain Tourism Development, a state-owned company that operates tourist facilities around Putuo Mountain in Zhoushan, Zhejiang province. Master Puzheng, the Association's Spokesman, told China Daily that the plan to launch the company on the stock market is trying to turn religious appeal into business and will undermine the development of Buddhism in the long run. Ding Hongbin, Deputy Director of Putuo Mountain's Management Committee, said the IPO plan does not involve any Buddhist entity and has no clear timetable.
- China Everbright Bank has become the latest company to scrap a first-time share sale in Hong Kong because of "continuous sluggish capital markets and relatively low valuations of banking shares". The sale could have raised about USD1.7 billion, based on the price of Everbright Bank shares traded in Shanghai. Everbright Bank had already cut the proposed size of the share sale from USD6 billion last year.
- Shanghai's stock market fell to the lowest level in 43 months, as speculation reignited that policymakers will put off additional easing measures. The Shanghai Composite Index lost 0.96% to settle at 2,053.24 points, the lowest level since February 2, 2009.
- Stock markets will reopen to trust companies to help lift the number of investors, the China Securities Regulatory Commission (CSRC) said. The CSRC did not say when the measure would be implemented.

TRAVEL

China's budget hotel market is segmenting

China's budget hotels are subdividing into different sectors during a rapid expansion that has been ongoing since 2009. Home Inns' market focus is on the middle and high-end business hotel. The company has run its high-end brand, Yitel, since 2008. Yitel, where average prices are about CNY600 to CNY700 a day, has four hotels in three cities now. Yitel will have about 50 hotels by 2015, Home Inns said. Another significant budget hotel company, 7 Days Group Holding, is also expanding its business to middle-end hotels. Its first middle-range hotel will be launched this year. Some companies are going downmarket while some are expanding into the upper market. Jinjiang Inn Co, the fourth largest budget hotel company in China by the number of hotels, has a brand name Bestay Hotel Express targeting the lower end of the market with prices from CNY100 a night. Bestay Hotel Express has had about 60 hotels around China since 2009. Smaller players are also trying to find opportunities. Pod Inns' focus is fashion and younger customers aged between 18 and 35 years. Rooms in Pod's 200 hotels are smaller than in other budget hotels. Pod will expand to more than 500 hotels from its current 200 in the next three years. The number of Pod hotels in Beijing will increase from the current 12 to more than 100 by 2015. Some budget hotel chains' profits have started to shrink. Home Inns suffered a loss in the first quarter of 2012 because of an operating loss by Motel 168. In the second quarter, although net profit was positive, it still decreased by CNY85.69 million compared with the same period of 2011. Home Inns' second quarter occupancy rate decreased by about 5 percentage points compared with the same period in 2011. Home Inns plans to increase the number of its hotels from 1,600 to 5,000 hotels in the next decade, a growth rate 2.5 times the speed of the last decade. Budget hotels only account for a very small share of China's market, the China Daily reports.

Guangzhou to spend CNY230 billion on metro lines

Guangzhou will spend more than CNY230 billion building metro railway links this decade, as the city accelerates its massive infrastructure spending to compensate for flagging exports, analysts say. From 2011 to 2020, the Guangzhou Metro Corp will invest CNY234.6 billion to build 312.6 kilometers of metro lines in Guangzhou. It will invest CNY170 billion from 2011 to 2015, and CNY64.6 billion from 2016 to 2020. Guangzhou Metro plans to issue CNY3.5 billion of five-year bonds to partially finance the program. One of the reasons for the ambitious roll-out is a desire by planners to connect Guangzhou with an intercity railway to create seamless railway transport among Pearl River Delta cities. The goal is to have a unified infrastructure within the delta by this year and economic integration by 2020, the bond prospectus says. On a recent visit to Guangdong, Premier Wen Jiabao called for the expansion of domestic demand to compensate for the province's weak exports in the face of poor U.S. and European demand. Guangzhou Metro has also invested CNY9.44 billion in property around its train stations.

- China Southern Airlines' first-half profit tumbled 84% to CNY449 million because of the economic slowdown, higher fuel prices and currency fluctuations. Sales rose 13% to CNY48 billion. The airline, China's only operator of Airbus A380s, has also suffered from only flying the super-jumbos on domestic routes. The planes will be introduced on the Guangzhou-Los Angeles route in October. The carrier's passenger yields rose 3% in the first half from a year earlier. Its load factor fell 1.1 percentage points to 79.5%. The carrier flew 41.2 million passengers during the period, up 7.2% annually.
- China Eastern Airlines Co will make China United Airlines Co (CUA) a wholly owned subsidiary after acquiring the CUA shares it doesn't already own. The transfer price of the shares — 20% of the total — will be CNY83.95 million. CUA is a civil and commercial airline based at Beijing Nanyuan Airport. The airline has 12 Boeing 737 aircraft and offers freight and passenger transport between 50 cities in China.
- Hong Kong's doors will be open for regular visits by 4.1 million non-permanent residents of Shenzhen from September – despite the concerns of Chief Executive Leung Chun-ying that the city will struggle to cope with more mainland visitors. Previously, non-permanent residents of Shenzhen had to return to their home provinces to apply for multiple-entry permits, although they have been allowed single-entry passes since 2010. Multiple-entry permits were made available to Shenzhen permanent residents holders in April 2009. On the day the new rules took effect, applicants were told no permits would be issued for the next three weeks.
- Air China flight 981 bound for New York was forced to return to Beijing more than three hours into its journey after a "threatening message" was received, the airline and state media said. Officials confirmed the threat was a hoax and arrested a suspect.
- Air China, China's flagship airline, reported a 77% fall in interim net profit to CNY944.5 million, with analysts warning that operating conditions will remain challenging through the second half. Chinese airlines have been hit by high prices on fuel, which account for about 40% of their operating costs, and a 0.9% depreciation in the yuan against the U.S. dollar in the first half.
- Several provinces have banned the non-stop overnight operation of long-distance buses after a truck-bus collision killed 36 people. Fujian is the fourth region to ban passenger buses from traveling non-stop overnight after Jiangsu, Hainan and Inner Mongolia. The ban, suggested by the Ministry of Transport, came after a double-decker sleeper bus burst into flames after rear-ending a methanol tanker in the city of Yanan in Shaanxi on July 26.
- Construction of a second terminal at Tianjin Binhai International Airport will be completed by June 2014. The new terminal, at a cost of about CNY5 billion, will cover 248,000 square meters and increase annual traveller capacity from 7.55 million at the end of last year to more than 25 million.
- China had issued more than 180 million transport cards and the total deposits were estimated at between CNY1.8 billion and CNY5.4 billion. Lawyers have been calling for more transparency about who is managing the funds, how much interest they earned, and how the interest was spent.
- At least 18 bridges have collapsed in China since 2007, killing 135 people, according to the State Administration of Work Safety. Most had been in use for less than 15

years. The true number of collapses could be higher because some cases are classified under other categories such as natural disasters. Poor-quality construction is seldom singled out for blame. Flooding, overloaded vehicles or cargo ships hitting bridge supports are more often blamed.

- The Shanghai government said that 559 people had died in 1,394 road accidents in\ the city so far this year. Traffic authorities said the death toll was declining but the number of accidents and injuries were increasing. The total number of accidents was about 5% up compared with the same period last year, and the number of injured stood at 1,339, almost 10% up year-on-year.
- A draft law on tourism, targeting sharp practices by travel agents and clearly stating the rights of travelers, is under review by the Standing Committee of the National People's Congress (NPC). The draft law prohibits travel agencies from forcing tourists to purchase goods and also targets the operation of scenic spots. Ticket prices should follow government pricing and any change in prices should be announced to the public six months before implementation. Scenic spots should also control the maximum number of tourists, to ensure safety, especially on public holidays.
- Shanghai's two airports have raised security checks to Level-2, or the same as those in place during World Expo 2010 and the Beijing Olympics. No reason for the move was given, but the new measures would be in place for less than a month. Level-2 checks means passengers will be asked to take off shoes and belts and more people will be asked to open carry-on bags for random checks. Airports in Beijing, Guangzhou and Hangzhou also began Level-2 security checks.
- Air China plans to open more routes to Japan this year in the wake of an open skies agreement reached by the Chinese and Japanese governments. Japan is Air China's most profitable international route. The airline plans to launch a new service to Nagoya and add more flights to Osaka this year. Air China will also offer extra flights to Japan from second-tier cities such as Hangzhou, Dalian and other cities in the northeast.
- Shanghai-based China Eastern Airlines posted a sharp fall of 64.6% in net profit in the first half to CNY806.9 million from CNY2.28 billion a year earlier. The company blamed weak domestic and international aviation markets, high and fluctuating crude oil prices and increasing competition from high-speed railways. Revenue was CNY40.2 billion, up from CNY38.1 billion a year earlier. China Eastern carried 34.6 million passengers in the first six months, up 4.12% year on year.
- Britain has launched a GBP8 million tourism campaign, hoping to treble the number of Chinese visitors over the next three years. To attract Chinese tourists, Britain will strengthen marketing in major Chinese cities, increase flight connections to China and look to improve the visa system. The number of overseas trips made by Chinese topped 70 million last year, up 22.42% from a year earlier, and the World Trade Organization (WTO) has predicted the figure will surge to 100 million by the end of the decade. Britain wants to ensure it gets its fair share.
- China's Ministry of Railways (MOR) has posted a first-half net loss of CNY8.8 billion as it struggles with rising operating costs and mounting debts. The loss was revealed in its half-year report posted on Chinabond, a website for bond issuers. The comparative data for a year earlier were not available. The Ministry's total expenses were CNY421.5 billion from January to June, more than half the CNY728.2 billion for 2011.
- Huang Chubiao, a property tycoon in Shenzhen and Chairman of the East Pacific Group, is set to sell his Shenzhen-based private-jet company Donghai Jet to Zhongrong Group's private-jet arm, Zhongrong Aircraft Leasing. Donghai Jet operates five Challenger 300s and manages one Challenger 605.
- French resort operator Club Méditerranée is negotiating with a Chinese developer to form a joint venture to build its third luxury resort on Hainan island. The group is also exploring a potential site in Yunnan and hoped to open five new resorts in China by 2015. Chinese conglomerate Fosun has a 9% stake in Club Med. Next year, Club Med will open its second resort in Guilin.The number of visitors to Club Med's Yabuli ski resort in Heilongjiang rose to 10,000 in the second year of operation, up 20% from 2010.

VIP VISITS

Chancellor Merkel in second China visit this year

German Chancellor Angela Merkel took her first ride on China's high-speed train, joining Premier Wen Jiabao on a visit to his hometown – the northern Chinese port city of Tianjin. Merkel also visited Tianjin's Airbus airliner assembly plant with Wen to witness the rollout of its 100th A320. It is the only Airbus plant outside Europe. China confirmed it would buy 50 A320s at a cost of USD3.5 billion. Merkel also visited the the Forbidden City, which she had not visited before, despite five previous visits to China. Airbus committed to invest USD1.6 billion in the second phase of its aircraft final assembly plant opened in 2008 in Tianjin, while ICBC Leasing Co agreed to buy 50 A320 Airbus planes worth up to USD3.5 billion. Volkswagen signed a deal to invest USD219 million in an "environmentally-friendly production facility" and a vocational training initiative, also in Tianjin. Eurocopter signed an agreement to build a USD12.5 million production facility in China. Officials of the two governments also signed agreements to collaborate in biotechnology, electric vehicles, agriculture, education, labor and the environment. Merkel also met with Chinese President Hu Jintao and Vice President Xi Jinping. The trip is Merkel's sixth to China since she took office in 2005

Egypt's President Morsi visits China

China hosted Egypt's new President Mohammed Morsi, pledging USD200 million in credit for the National Bank of Egypt and leaders signed deals on agriculture, telecommunications, the environment and other areas. Morsi was welcomed by President Hu Jintao at the Great Hall of the People. It is Morsi's first state visit outside the Middle East and Africa since becoming President, underscoring China's importance as a vital source of trade and investment. The visit is also seen as part of a reorientation of Egyptian foreign policy away from a heavy focus on Washington. Hu called for more contacts between the two countries' officials and an expansion in economic ties. Morsi was preceded to Beijing by a delegation of 80 Egyptian business leaders, who discussed investment projects. Total trade between the countries surged to USD8.8 billion in 2011 from around USD6 billion in 2009,

- Chinese Defense Minister Liang Guanglie visited Sri Lanka and India, saying that China had only peaceful intentions in South Asia, while stressing that the Indian Ocean was an important supply route for the fast-developing Chinese economy. He is the first Chinese Defense Minister to visit India in six years, a period that has seen a build-up of weapons in disputed regions on both sides of the border.
- Chinese President Hu Jintao, Japanese Prime Minister Yoshihiko Noda and other leaders will attend the APEC Summit in Vladivostok this week. Noda sent Senior Vice Minister of Foreign Affairs Tsuyoshi Yamaguchi to Beijing with a personal letter for President Hu Jintao to ease tensions over their territorial dispute in the East China Sea. The trip came after Tokyo demanded an investigation into an incident in which a Chinese man ripped the Japanese flag from the Japanese Ambassador's car in Beijing.

ONE-LINE NEWS

- Macao casino operator Galaxy Entertainment posted a nine-fold rise in half-year net profit. Earnings surged to HKD3.45 billion from HKD378.3 million a year earlier while revenue doubled to HKD28.3 billion.
- The death toll from a gas explosion at the Xiaojiawan mine in the city of Panzhihua in Sichuan province has risen to 44. A total of 154 miners were working underground when the blast occurred on August 29. The latest official figures show 1,973 people died in coal mining accidents in China in 2011, a 19% fall on the previous year. The province has decided to close coal mines with an annual output below 60,000 tons. Although the mine was licensed to operate, it had been exceeding its production capacity in violation of safety standards.
- The International Finance Corp, a member of the World Bank Group, has agreed to provide CNY300 million to Fosun Pharma to help the company expand its business. Fosun Pharma produces both generic and innovative medicines, and is also one of the largest suppliers of anti-malaria drugs to developing countries. The loan is the IFC's second to the company. In 2006, it offered CNY320 million through the issuance

of a local-currency bond or “panda bond,” which helped Fosun Pharma expand its manufacturing and distribution businesses.

- China, the world’s biggest cotton user, may sell about 1 million metric tons from stockpiles and release 400,000 tons of import quota to help textile companies cope with increased raw material costs and weak export demand. The government would sell the inventories at a discount to the CNY19,800 a ton price it paid farmers last year. Textile companies in China suffered because they have to compete with producers in other countries where prices are lower.
- China Mengniu Dairy plans to undertake more quality-control measures, after sales were severely hit by quality-related scandals in the first half of the year. The largest Chinese dairy producer saw its net profit plunge 18% to CNY645 million in the first six months while revenue fell 1.2% to CNY18.4 billion. Sales volume plunged nearly 30% after a government check in December found its milk products contained unsafe levels of flavacin M1, a cancer-causing substance.
- The Chinese government announced a decision to expand the coverage of the country’s healthcare insurance system to include the treatment of critical illnesses, aiming to prevent patients from being reduced to poverty by necessary healthcare costs. Though around 1.3 billion people, or more than 95% of China’s population, were covered by the healthcare insurance system by the end of last year, medical expenditure burdens incurred by patients with severe medical conditions remain heavy.

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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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