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

NEWSLETTER | 29 OCTOBER 2012

FCCC ACTIVITIES

Conference: "How and how *not* to do business in China" – Tuesday, 30 October 2012, 3.00 p.m. – Gent

The Flanders-China Chamber of Commerce (FCCC) is organizing a conference on "How and how *not* to do business in China". Highly experienced experts and business leaders will share their knowledge and expertise based on their achievements in China.

The conference will take place at 3 p.m. on 30 October 2012 at the House of the Province of East Flanders, Seminariestraat 2, 9000 Gent.

Programme:

3.00 p.m.	Registration
3.30 p.m.	Introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
3.35 p.m.	Successful sales and marketing strategies in China by Mrs Kristina Koehler, Director Klako Group Shanghai
4.00 p.m.	Entering the China market. 13 years of experience in 5 stories by Mr Dirk Laeremans, General Manager, Orientas Consulting
4.30 p.m.	Experience of the start-up of a wholly foreign owned enterprise by Mr Stefaan Depecker, Commercial Director, Proviron
4.50 p.m.	Question and answer session
5.30 p.m.	Networking drink

If you wish to attend this interesting conference, please register online.

The participation fee for members of the FCCC is €65. The fee for non-members is €95.

Seminar: "Which road ahead for China's economy?" – Monday, 19 November 2012, 12h00 – Barco, Kortrijk

The Flanders-China Chamber of Commerce (FCCC) has the pleasure to invite you to a seminar on China's macro-economic perspectives. This seminar will take place on Monday 19 November at 12h at the offices of Barco, President Kennedypark 35, Kortrijk.

The Economist Intelligence Unit's (EIU) Alexander van Kemenade will present the EIU's long-term macroeconomic forecasts for China and discuss these in light of the new leadership's challenges and reform prospects. He will also touch upon the current downturn in China and recovery prospects.

Mr van Kemenade will also turn to regional growth trends within China. Over the past decade, the changing nature of China's economy has been underscored by a profound geographical shift in growth dynamics. The centers of economic change are no longer found on the coast in Shanghai or Shenzhen, but further inland as historically-sluggish regions begin to benefit from a recent wave of investment.

The programme is as follows :

12h00	Registration and buffet lunch
12h45	Introduction by Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce
12h55	"Which road ahead for China's economy?" by Mr Alexander van Kemenade, Senior Economist and Deputy Director of the Economist Intelligence Unit's

	Access China
13h30	Question and answer session

Mr Alexander van Kemenade's area of expertise is China's macroeconomic and political outlook, with a focus on regional dynamics at the sub-national level. He regularly contributes to the Economist Intelligence Unit's custom research and has co-authored numerous in-house publications. He manages a number of data products, including Access China's province- and city-level demographic forecasting model, as well as the Economist Intelligence Unit's Chinese city competitiveness rankings. He is fluent in Mandarin and has lived in China for over 20 years.

Register for this interesting seminar before 13 November 2012. The participation fee for members of the FCCC is €65. The fee for non-members is €95.

OTHER ACTIVITIES

China Lecture Café "Concrete for tall structures: the Shanghai case" – 20 November 2012 – Ghent

The next China Lecture Café "Concrete for tall structures: the Shanghai case" by Prof. Dr. Ir. Luc Taerwe and Prof. Dr. Ir. Geert De Schutter will take place on November 20th from 12h to 14h, in Het Pand, room "Rector Blancquaert" (Onderbergen 1, Gent). Sandwich lunch will be provided. Subscribing is free, but mandatory, by email to isabelle.decoen@ugent.be.

The city of Shanghai, China, is expanding at an amazing rate. Major structures are being constructed or have recently been completed, including tunnels, bridges, and record-breaking tall structures such as the 'World Financial Center' and 'Shanghai Tower'. For this expansion, concrete as a building material is of the utmost importance. In addition to high volumes of traditional concrete, new types of specialty concrete are being used, such as high-strength concrete and self-compacting concrete. For many years, the Department of Geotechnical Engineering, School of Engineering, Tongji University, Shanghai, and the Magnel Laboratory for Concrete Research, Faculty of Engineering, Ghent University, Belgium, have been coordinating research efforts concerning concrete structures. Several aspects, of high importance for superstructures such as the tall buildings in downtown Shanghai, have been studied, e.g. creep of high-performance concrete, fire resistance of high-performance and self-compacting concrete, … In this session, a general view on the importance of concrete for tall structures will be presented, including innovative types of concrete. Some practical information will be given, linked to some towers constructed in Shanghai.

The program for the coming months is to be found via http://www.ugent.be/china.

Seminar "IP Protection Tools and Technology in China" – 28 November 2012 – Brussels

The China IP Desk of De Wolf & Partners is organizing a seminar on "IP Protection Tools and Technology Transfer in China" on Wednesday 28 November 2012 from 15:00 h. to 17:30 h. at De Wolf & Partners' Brussels office, Place du Champ de Mars/Marsveldplein, 2, 1050 Brussels. The seminar will be followed by an informal networking drink.

Programme:

14:45-15:00	Registration
15:00-15:10	Welcome speech and speakers introduction by De Wolf & Partners Brussels Office
15:10-15:40	IP protection tools in China: How to use the Chinese IP system to protect your intellectual assets in China by Raphael Bailly and Valentin de le Court (De Wolf & Partners Brussels and Shanghai Office)
15:40-16:10	An introduction to technology transfer to China: What European SMEs need to know when transferring their technology to China by Simon Cheetham, China IPR SME Helpdesk Expert
16:10-16:20	Coffee and Tea break
16:20-16:50	Foreign Direct Investment and technology transfer to China in the context of a Sino-foreign Joint-venture: How to mitigate the risks of losing your technology to your Chinese partner by Ava Tu and Valentin de le Court (De

	Wolf & Partners Shanghai Office)
16:50-17:00	Pic-W – Platform for Innovation China-Wallonia (UCL – AWEX) by Silvano D'Agostino (Pic-W)
17:00-17:30	Recent trends in Chinese IP law with a focus on trademark law and technology transfer issues by Pr. Min He (Vice Dean of the IP Institute of the Eastern China University of Political Science and Law – ECUPL)
17:30-17:40	Q&A session with De Wolf & Partners Brussels and Shanghai Office, Pr. Min He of ECUPL and China IPR SME Helpdesk Expert
17:40 -17:50	Concluding remarks: key takeaways by De Wolf & Partners Shanghai Office

Register for this event by sending an email to events@dewolf-law.be or by fax +32-2-5136068 (no subscription fee)

The seminar is organized with the support of the Flanders-China Chamber of Commerce (FCCC), the China IPR SME Helpdesk, AWEX, the Belgian-Chinese Chamber of Commerce (BCECC) and the IP Institute of Eastern China University (Shanghai) and in collaboration with law firms in the Netherlands Ploum Lodder Princen and in France Stehlin & Associés.

PAST EVENTS

Meeting with Ningbo (Yuyao city) delegation – 11 October 2012 – Brussels

To mark the visit of the Vice Mayor of Yuyao City (Ningbo) and his delegation, the Flanders-China Chamber of Commerce (FCCC), Flanders Investment & Trade, and Agoria organized an information meeting on 11 October 2012 at the Sheraton Hotel in Brussels.

The Vice Mayor of Yuyao, Mr Lu Jianguo, and representatives of the Yuyao Investment Bureau presented an outline of the investment environment in Yuyao (Zhejiang Province). The Party Secretary was accompanied by leading entrepreneurs from Yuyao, who wished to get acquainted with our business environment and to find potential partners. The composition of the delegation and a description of their activities is available at: info@flanders-china.be.
Yuyao city is under the jurisdiction of Ningbo city and is situated in Zhejiang province. It has attracted a vast amount of foreign investment to focus on developing the industries of automobiles and parts, electronics and information, fire fighting equipment, electromechanical equipment and tools, plastics, mould industry and agriculture.

Speakers included Mr Cen Jie, Director of the Yuyao Investment Promotion Bureau; Mrs Claire Tillekaerts, CEO, Flanders Investment & Trade; Mr Lu Jianguo, Vice Mayor of Yuyao; Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce; Mr Marc Van Gastel, Head of Inward Investment, Flanders Investment & Trade; and Mrs Fang Zhen, Vice Director of the Yuyao Investment Promotion Bureau.

The event was concluded with a cocktail reception and B2B meetings.
An investment guide of Yuyao city can be obtained at: info@flanders-china.be.

FCCC Meeting with high-level Weihai delegation (Shandong Province) – 24 September 2012 – Ghent

To mark the visit of the Party Secretary of Weihai and his delegation, the Flanders-China Chamber of Commerce (FCCC) organized an information meeting on 24 September in Ghent.

The Party Secretary of Weihai, Mr Sun Shutao, and representatives of the Weihai Investment Bureau gave an outline of the investment environment in Weihai, Shandong province, where several Flemish companies such as Bekaert, Beaulieu and Weihai Golden Solar Thermal Industrials have a major investment. The Party Secretary was accompanied by leading entrepreneurs from Weihai, who wished to get acquainted with our business environment and to find potential partners. In May 2012, the FCCC organized a successful visit with Flemish companies to this dynamic city.

The Vice Governor of the Province of East-Flanders, Mr Marc De Buck, welcomed the Weihai delegation. Mrs Gwenn Sonck, Executive Director FCCC, introduced the assets of Flanders to the delegation.

Weihai City is situated in Shandong province and has seen an impressive economic growth over the past two decades. The city has been listed as one of the most dynamic cities with the fastest economic development in China. Weihai is a well-known port city in China and is therefore a lucrative industrial base with key industries. It has attracted a vast amount of foreign investment to focus on developing the industries of shipbuilding, automobiles and parts, electronics and information, electromechanical equipments and tools, textiles and garments, food and pharmaceuticals.

The meeting was organized with the support of Flanders Investment and Trade. The investment guide can be obtained at the FCCC. Letters of intent for further cooperation between members of the delegation and member companies have also been signed.

The Weihai investment guide can be obtained by sending an e-mail to the FCCC.

CHINESE EMBASSY NOTICE

Mr Guo Jianjun new Economic and Commercial Counsellor

Mr Guo Jianjun is the new Commercial Counsellor at the Embassy of the People's Republic of China in Brussels. He graduated from the University of International Business and Economics, LL.M. in Intellectual Property Law (University of Turin); and worked for the Ministry of Commerce of China for 16 years. He also for worked nearly four years for the Chinese Mission to the European Union, in charge of trade and investment affairs, before becoming the Economic and Commercial Counselor of the Chinese Embassy to Belgium.

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

Investment options for insurance companies improved

The China Insurance Regulatory Commission (CIRC) has expanded investment options for insurers to help them improve returns and enhance their operations. Insurers can now invest in stock futures as well as other swaps and forwards contracts to hedge risks from investments. They are also allowed to buy wealth management products and asset-backed securities from domestic banks, and invest in mature commercial properties in main cities of developed countries. Under the new rules, insurance companies can also lend indirectly to infrastructure projects that have stable cash flows. Insurers can invest up to 15% of their total assets overseas, and can buy privately-held shares of foreign companies in the finance and energy sectors, according to the rules. Banks and trust companies are expected to benefit from the measures as they are now allowed to manage insurance assets for the first time. The CIRC is on a comprehensive expansion drive to allow more players to engage more assets in more types of investments, both on- and offshore, Z-Ben Advisors said in a note. The CIRC also lifted a restriction limiting Chinese insurers to invest only on the mainland or in Hong Kong. They will now be able to invest in 45 countries, including 25 developed economies such as the United States, Australia and Japan, as well as 20 developing economies including Brazil, India and Thailand. Approved asset classes have also been expanded from equities and bonds to real estate, currency products and non-bond fixed-income products.

Banks' bad loans ratio on the increase

Commercial banks’ ratio of bad loans increased in the third quarter around 0.97%, up from 0.9% at the end of the second quarter, while the provision coverage ratio for the sour loans declined, according to figures from the China Banking Regulatory Commission (CBRC). The provision that banks set aside as a buffer reached 290.1% of the NPLs at the end of the third quarter, 11 percentage points higher than at the beginning of the year, but 0.1 percentage point lower than three months earlier. NPLs reached CNY456.4 billion by the end of June. Analysts still doubt banks have covered the risks sufficiently. By the end of June, the top 10 lenders’ outstanding overdue loans reached CNY489 billion, up CNY112.9 billion from the start of this year. Analysts had forecast that the third quarter results would show a “double-jump” in both NPLs and the ratio, similar to the fourth quarter of 2011. Although the NPL ratio of Chinese banks seems low, the potential risks are worse than the official data suggest, Xiao Gang, Chairman of the Bank of China (BOC), said in a commentary published in the China Daily. “Many industries have excessive capacity after years of aggressive expansion, and a lot of money has become involved in property speculation. Eventually, indebted companies may fall into default or hit severe cash flow problems.” By the end of September, outstanding loans to small businesses, which bear higher risks, reached CNY14.2 trillion, up by 18.2% year-on-year, 1.8 percentage points higher than the average loan increase. Major banks would probably register net income growth of 11% in the third quarter, down from 13% in the second quarter, said May Yan, Director of Barclays Capital Asia, the China Daily reports.

Four foreign bank branches in China’s Top 50

The Chinese subsidiaries of four overseas banks have made it to the list of China’s top 50 banks, a Standard and Poor’s (S&P) report said. HSBC China, Bank of East Asia China, Standard Chartered Bank China and Citibank China are listed among China’s top 50 banks by assets after years of expansion and investment in the country. The top 50 banks’ combined net profits sextupled to CNY995.1 billion from 2007 to 2011, accounting for 76.3% of the banking sector’s total profits. The foreign banks’ subsidiaries heavy investment in retail banking has yet to prove positive to their profitability, S&P said. The top four overseas lenders made a combined after-tax net profit of CNY6.9 billion last year — more than double from a year earlier, an earlier KPMG report said. S&P said the rising profits of foreign banks last year mainly reflected their improving cost efficiency, as operating expenses related to network expansion declined.

Chinese banks report quarterly results

The Bank of China’s net profit in the third quarter grew by a surprising 17% to CNY34.8 billion, accelerating from 5.3% in the second quarter. The bank’s net interest income jumped 15% annually to CNY65.4 billion in the third quarter. BOC’s non-performing loans rose to CNY64.1 billion from CNY63.6 billion in the period. The Agricultural Bank of China (ABC) posted a 16% rise in third-quarter net earnings, beating analysts’ estimates. Net profit at the nation’s third-largest lender by assets rose to CNY39.6 billion in the July-September period. The bank tapped the rising demand for credit over the past quarter as a seven-quarter slowdown in China’s economic growth may be ending. Its net interest income rose 8.8% to CNY85.5 billion in the third quarter and net fee and commission income gained 8.4% to CNY19.2 billion. The lender’s net interest margin widened by 2 basis points to 2.82% in the first nine months of this year.

- Approximate 3.35 billion credit cards were issued on the Chinese mainland since 1985. In the first half of 2012 alone, customers in China signed up for 400 million newly issued credit cards, a 17% year-on-year increase, according to the People’s Bank of China (PBOC). Average per capita spending using a bank card in 2011 was CNY3,619. A recent report by China Union Pay said that in 2011, about CNY1 out of every CNY5 spent in China was by credit card.
- Vice Premier Li Keqiang said the government aims to replace the business tax with a value-added tax (VAT) for companies in more industries, including post and telecommunications, railways and construction. He also vowed to expand the program gradually to cover the whole nation, although he did not reveal a time table. “The most important purpose of the reform is to significantly cut the tax burden for the services industry,” said Liu Ligang, Senior Executive at Australia & New Zealand Banking Group. The existing tax system, in place since 1994, allows for both business tax and value-added tax, creating double taxation for enterprises in the services sector.
- Ratings agency Dagong said it was linking up with United States and Russian partners to form an independent group to rival U.S.-based agencies it claims have “proven inadequate”. The Chinese firm would set up the joint venture Universal Credit Rating Group with Egan-Jones Ratings (EJR), based in Pennsylvania, and Russia's RusRating JSC. Dagong Chairman Guan Jianzhong insisted his agency was fully independent and stood by criticism of his rivals, whose ratings were crucial in determining the interest rates at which countries and companies could borrow. He added that more than 20 agencies have expressed interest in joining the group.
- The Peterson Institute for International Economics (PIIE) said in its latest research that

China has moved closer to its long-term goal for the renminbi to become a global reserve currency. Since the global financial crisis, the report said, more and more nations, especially emerging economies, see the yuan as the main reference currency when setting their exchange rate. According to SWIFT, renminbi-denominated trade accounted for 10% of China's total foreign trade in July, up from zero just two years ago. The renminbi had a market share of 0.53% in August and became the 14th highest global payment currency.

- The venture capital and private equity sector has been developing rapidly in China. There were more than 10,000 venture capital and private equity firms at the end of 2011 managing nearly CNY2 trillion in total assets.
- Greater confidence by investors in China's economic prospects helped push the yuan to 6.2419 to the U.S. dollar in Shanghai last week, the highest rate since late 1993. Mizuho Securities said the yuan's strength was partly helped by the U.S. Federal Reserve's third round of quantitative easing (QE3) last month, which sent capital flowing into emerging markets, including China.
- China Life Insurance has posted its first quarterly loss since 2008. The company blamed big impairment losses due to the sluggish domestic stock market. It said it made a third-quarter loss of CNY2.2 billion, compared with a profit of CNY3.75 billion a year earlier. The results, which come after seven consecutive quarters of profit declines, contrast sharply with the stable profit growth at main rival Ping An Insurance (Group), which has benefited from diversifying its business.

FOREIGN INVESTMENT

Japanese firms rethinking China investments

Almost a quarter of Japanese manufacturers are rethinking their investment plans in China and some may shift future production elsewhere according to a Reuters Corporate Survey. The concerns suggest the recent rift between China and Japan over the Diaoyu islands in the East China Sea could mark the end of a boom that has played out over two decades in which Japanese companies have emerged as the most active source of foreign direct investment (FDI) in mainland China after Hong Kong and Taiwan. Since 1990, Japanese companies led by electronics makers like Panasonic and followed by a wave of automakers like Nissan Motor and Toyota Motor and their suppliers have poured almost USD1 trillion into Chinese factories, Japanese government statistics show. The investment by more than 20,000 firms created over 1.6 million jobs as Japanese companies looked to take advantage of low production costs and then China's potential as a surging market for everything from cars to cosmetics. Now, sentiment has turned. When asked if their attitude towards using China as a production hub over the medium term had changed, 37% of Japanese companies surveyed said they had grown more cautious. Almost half of Japanese manufacturers said they expected to see lower sales in the current fiscal year. In response to a separate question, 24% said they were considering delaying or reducing planned investment in China. 18% said they were considering shifting production to other countries. The Reuters survey of 400 Japanese companies took place between October 1 and October 17.

Analysts and executives said the shift from China would come first for low-margin businesses where labor costs are crucial, like clothing and household electrical products. For manufacturers that depend on sales in China, like Japanese car and auto parts makers, there is no choice but to slow production and hope the anti-Japanese sentiment subsides and inventories can be sold down, the South China Morning Post reports. Sino-Japanese two-way trade grew 14% to a record USD345 billion last year. For last year, Japanese direct investment in the Southeast Asian region surpassed China by a margin of almost 50%, according to data from Japan's Finance Ministry. But experts and company executives say it will take years before Southeast Asia can compete with China on factors that are harder to measure than payrolls, like a large pool of skilled talent and a developed network of suppliers. Chinese statistics show that by October last year there were 33,400 Japanese companies and affiliates operating in China, up 75% from the already high figure of the year before. Already in 2010, Japanese companies employed three million Chinese and accounted for 16% of all foreign companies in China. Statistics compiled by Reuters show that Japan's investment in China reached almost USD13 billion last year, a rise of 60% from the year before. Total Japanese investment in China over the past 15 years has topped USD80 billion.

China top foreign investment destination in first half

China became the world's top destination for foreign investment in the first half of this year, edging the U.S. out of the top position for the first time since 2003. But the U.S. may reclaim the top spot in the second half, a report by the United Nations Conference on Trade and Development (UNCTAD) said. Even if China's stay at the top of the rankings proves brief, it underlines the shift in foreign investment flows that has occurred since the financial crisis hit developed economies in 2008. Foreign investment in developing economies matched flows to developed economies for the first time, the report said. U.N. data show that U.S. FDI inflows reached USD57.4 billion in the first half of this year, down from USD94.4 billion in last year's period. China attracted USD59.1 billion in foreign investment in the first six months, down from USD60.9 billion in the year-earlier half. Early indications for the third and fourth quarters suggest the U.S. may claim the top position for 2012 as a whole, the U.N. report said, citing the recently announced USD20 billion acquisition of Sprint Nextel by Japan's Softbank. The U.N. report estimates that global FDI flows will "at best" be unchanged at around USD1.6 trillion this year; in July, it had forecast a rise of 5%. Foreign investment in Russia dropped 39%. By contrast, FDI flows to Latin America rose 8% from the first half of 2011, while flows to Africa were up 5%, the Wall Street Journal reports.

- According to a survey by U.S.-based financial consultancy firm Capital Business Credit, 40% of major companies interviewed said they have plans to move factories from China to other locations, including Vietnam, Pakistan, Bangladesh and the Philippines.
- According to the Ministry of Commerce, China's outbound direct investment surged by 39.4% from a year earlier to USD47.68 billion in the first eight months of this year. Outbound direct investment through mergers and acquisitions (M&As) maintained fast growth in the first eight months, reaching USD13.2 billion, accounting for 28% of China's overseas direct investment (ODI) in the period.
- Foreigners carrying out illegal surveys, mapping without permission or marking locations of key facilities without authorization, will face tougher penalties amid measures to enhance security of strategic areas, as authorities draft amendments to the National Surveying and Mapping Law. Legislation is expected to be finished this year and the law will be implemented by 2017. Almost 40 illegal surveying and mapping cases were detected between 2006 and 2011, mostly in border areas. Most of the offenders were Japanese or U.S. citizens.
- Samsung Group, in cooperation with Shandong Ruyi Group, will invest USD21.5 million in Chongqing municipality to build a textile industrial park. Industry experts say Samsung's new investment is aimed at diversifying its production as the core business sector of Samsung Group, Samsung Electronics, is battling to maintain high profits. Zhang Maoye, Industry Analyst at Essence Securities said that the new move by Samsung is a risky investment.

FOREIGN TRADE

Trade with Japan affected by Diaoyu dispute

Japan's exports to China fell sharply last month from a year earlier, highlighting the impact on trade of the territorial dispute over the Diaoyu islands. According to preliminary data from the Ministry of Finance, shipments to China from Japan dropped 14.1% in September from a year earlier, accelerating from a 9.9% fall in August. While Japan's imports from China were up 3.8%, boosted by shipments of iPhone 5s, exports of branded consumer goods such as cars and motorcycles collapsed, dropping by 45% and 31% respectively. Exports of electrical apparatus and photographic supplies also recorded double-digit percentage falls. The biggest contribution to the overall 14.1% fall in exports, however, was made by the industrial machinery sector. Weakness in that area, which is less sensitive to consumer-led boycotts, suggests that the Chinese economy has yet to pull out of a slowdown, which has extended to seven consecutive quarters. According to Kyohei Morita, Chief Japan Economist at Barclays, export figures for the month of November – when China's Communist party is due to hand power to a new generation of leaders – will be critical in determining the outlook for the Japan-China trade relationship.

China calls on EU to scrap anti-dumping duties on bicycles

Representatives of Chinese bicycle manufacturers called on the European Commission to end anti-dumping tariffs imposed on the industry's exports to EU member states. They said the decision to extend anti-dumping tariffs on Chinese bicycle exporters until 2016 had resulted from the "wrong methodologies" that Brussels used to measure China's exports and protect the bicycle industry in the EU. China's bicycle exports to Europe account for just 3% of bicycle imports by EU member states. Zhang Peisheng, a senior official at the China Chamber of Commerce for Import & Export of Machinery and Electronic Products, said the anti-dumping measures, with a current anti-dumping duty rate of 48.5%, have resulted in huge losses for Chinese exporters, but the industry in China has also been streamlining. "Chinese companies are exporting more and more bicycle components to Europe. However, the EU's protectionist measures and anti-dumping tariffs are aimed at whole bicycle imports," said Zhang. "It is not logical for the EU to impose such measures." Zhang expressed the hope that Chinese bicycle manufacturers could be granted fair and equal opportunities after the hearing scheduled by the EU. Song Bo, Director of the Information Department of the China Bicycle Association, said that the high anti-dumping tariff also affected European consumers.

- U.S. President Barack Obama and rival Mitt Romney sparred over China during their third and last debate. Both candidates said they want America to have a positive relationship with China, but Beijing must play by "international trade rules." Romney repeated his threat to designate China a "currency manipulator" on his first day in office for allegedly undervaluing the yuan to help its exporters, which he said would allow the U.S. to apply punitive tariffs. He also accused Chinese of stealing U.S. intellectual property and computer hacking.
- The number of visitors to the ongoing Canton Trade Fair has dropped. Statistics from the organizers confirmed the impressions of vendors and buyers. During the first four days of the fair, the number of buyers fell by 11.4% from the previous session in the spring. Machinery and electronic goods, a mainstay of China's exports, registered a slower growth rate during this session, with transaction values with Europe down 23.1% and even Africa, a traditional booming market, sliding 0.1%. Sales for some sectors were still rising however.
- Chinese companies prefer yuan to settle cross-border transactions due to convenience rather than expecting any appreciation in the currency, an HSBC report said. About 77% of Chinese enterprises said they expect a third of their international trade to be conducted in yuan by 2015 — compared with 10% now — and 30% of the respondents plan to use the local currency for investment-related purposes in the next 12 months. Exchange risk management and operational convenience are the main reasons for choosing yuan for cross-border transactions.

MACRO-ECONOMY

Chinese economy slowly recovering

The China HSBC Flash Manufacturing Purchasing Managers Index (PMI) rose to a three-month high of 49.1 in October. The uptick in the headline index, along with rises in new orders and output – its two biggest sub-components – and broad improvement in export orders, inventories and prices charged, all signal a turnaround in the Chinese economy. However, the PMI stayed below the 50-point level separating expansion from contraction. The HSBC flash PMI is published approximately one week before final PMI data are released. The flash PMI findings follow a Reuters poll, taken after last week's GDP data, which showed economists anticipating a modest rebound in growth in the fourth quarter to 7.7% from the third quarter's below target 7.4%. Analysts expect no further cuts to interest rates this year or next after back-to-back cuts in June and July, and only one more 50 basis point cut to banks' required reserve ratios (RRR) in 2012 after three since late 2011 that have freed an estimated CNY1.2 trillion for new lending.

Reforms of SOEs continuing

China will stick to reforming its state-owned enterprises (SOEs) and helping them engage the market, said Wang Yong, Director of the State-Owned Assets Supervision and Administration Commission (SASAC). The country will speed up reforms of the railway, postal and salt industries so that companies in those sectors can relinquish their roles as supervisors and stakeholders, Wang said. So far, more than 90% of SOEs have become corporations and some of them have been restructured to become shareholding companies. About 72% of state-owned enterprises under the central administration have become corporations or shareholding firms, up from 30.4% in 2003. As of the end of last year, the country had 144,700 state-owned or state-controlled enterprises, excluding financial institutions, with total assets worth CNY85.37 trillion. In 2011, the enterprises reported revenues of CNY39.25 trillion, accounting for 35% of total industrial and business revenues, as well as profits of CNY2.58 trillion, accounting for 43% of the total. Wang said a number of problems still needed to be addressed as several flagship state-owned enterprises have been slow to transform into corporations and those that have already been restructured still needed to improve their corporate governance, especially the management of human resources, he added. A study showed that 20,296 SOEs, 17.8% of the total, are still involved in the wholesale trade, retailing and restaurant businesses, although from 1998 to 2003, the SOEs' presence in competitive sectors was downsized under the "grasping the big, letting go of the small" principle. The process has been frozen or even downgraded as the 2008 financial crisis boosted the argument for a strong state presence in the economy. The total assets of the 144,700 SOEs and state-controlled companies are worth CNY85.37 trillion, 3.3 times more than in 2003. Net profits of SOEs saw an average annual growth of 25.2% from 2003 to 2011, increasing from CNY320 billion to CNY1.9 trillion.

Corruption, crime and tax evasion cause massive money loss

China has lost USD3.79 trillion over the past decade in money smuggled out of the country – much of it from corruption, crime or tax evasion – a massive amount that could weaken its economy and create instability, according to a new report. China lost USD472 billion in 2011, equivalent to 8.3 % of its gross domestic product (GDP), up from USD204.7 billion in 2000, Global Financial Integrity (GFI), a research and advocacy group that campaigns to limit illegal flows, said. "The magnitude of illicit money flowing out of China is astonishing," said GFI Director Raymond Baker. "There is no other developing or emerging country that comes even close to suffering as much in illicit financial flows." The lost funds between 2000 and 2011 significantly exceeded the amount of money flowing into China as foreign direct investment (FDI). The International Monetary Fund (IMF) calculated FDI inflows at roughly USD310 billion between 1998 and 2011. Capital flight on this scale can be politically destabilizing by allowing the rich to get richer through tax evasion, GFI said. Trade mispricing was the major method of smuggling money out of China, accounting for 86.2% of lost funds, the GFI report found. This scheme involves importers reporting inflated prices for goods or services purchased. The payments are transferred out and the excess amounts are deposited into overseas bank accounts. Trade mispricing is most common for nuclear reactors, boilers, machinery and electrical equipment, the report said. The bulk of the money ends up in tax havens – on average 52.4% between 2005 and 2011. Much of this money eventually makes its way back to China as foreign direct investment, the South China Morning Post reports.

- A survey, released by Xinhua news agency, suggested that a person's salary should reach at least CNY9,250 to have a decent life in Shanghai, ranking first among all Chinese cities. The figure is more than twice the average monthly income of Shanghai employees last year, which is CNY4,331, and six times the minimum salary in Shanghai, at CNY1,450. For those living in second- and third-tier cities, such as Hangzhou and Suzhou and Chengdu, the survey indicated a salary of at least CNY5,000 for a comfortable living.
- Tax revenues slowed sharply in the first nine months of the year due to the economic downturn, falling prices and structural tax cuts, the Chinese Ministry of Finance said. In the first three quarters, tax revenues nationwide rose 8.6% annually to CNY7.74 trillion, 18.8 percentage points slower than the growth seen in the same period last year. Revenues from value-added taxes grew by 5.8%, down 12.9 percentage points from the same period last year. Revenues from corporate income tax expanded by 14.7%, down 21.1 percentage points. The economy expanded 7.4% annually in the third quarter, slowing for the seventh straight quarter.
- Just under a quarter of China's elderly residents survive on pensions, while more than 40% rely on family members, according to new official figures revealed at a forum hosted by the UN Population Fund and the China National Committee on Aging. About 90% of the public was seriously concerned about their quality of life in old age. According to the sixth national census in 2010, there were 178 million people over 60 living in China, or about 13.3% of the population. The elderly population in China

would increase to 430 million by 2050 and make up more than 30% of the population.

- China is not suffering from capital flight, even as growth of its foreign-exchange reserves eased "significantly" in the third quarter, the State Administration of Foreign Exchange (SAFE) said. Reserves increased by USD300 million in the third quarter, bringing total gain for the first nine months to USD64 billion. Reports that China has had USD200 billion to USD300 billion of capital flight "aren't true", SAFE said. Recent foreign-exchange assets were earned through current account activities including trade and are held by onshore institutions and individuals rather than the central bank, an official said.
- China said that it is ready to approve new nuclear power plants as part of its ambitious plans to reduce reliance on oil and coal, but only a "small number" of nuclear reactors will get the go-ahead before 2015 to ensure safety. China suspended new project approvals in March last year and ordered a nationwide safety review on existing plants following the nuclear crisis at Japan's Fukushima Daiichi reactor complex. China has 15 nuclear reactors in service with a combined capacity of 12.54 GW and another 26 under construction with a combined capacity of 29.24 GW. Proposals for the construction of nuclear reactors in inland provinces have been dropped for the next three years.
- The Ministry of Agriculture said that total food output this year would reach a new high after eight years of consecutive growth, with more than 80% of autumn crops having been harvested so far. Increased subsidies to farmers, better disease control and disaster relief contributed to a bumper autumn harvest, which makes up of 70% of the whole year's food production, the Ministry said. Droughts, which are most damaging to crops, lasted shorter and their influence was smaller than usual. Food production has been rising steadily, from 469 million tons in 2004 to 571 million tons last year.
- Shanghai's economic growth picked up in the third quarter, signaling that its economy is bottoming out, even though it is still slightly short of the 8% target set for this year. The city's gross domestic product (GDP) rose 7.4% year-on-year to CNY1.4 trillion in the first three quarters. In the January-to-September period, the services sector's output jumped 10.9% from a year earlier to CNY848 billion, equal to 59% of the city's GDP. In comparison, manufacturing gained just 2.6% to CNY583 billion and agriculture lost 0.9% to CNY7 billion.

MERGERS & ACQUISITIONS

Hope remains for CNOOC's Nexen bid

CNOOC's USD15.1 billion bid for Canada's Nexen may still succeed though the risks of politics blocking the deal rose after Ottawa rejected Malaysian oil major Petronas' takeover of another Canadian firm, Progress Energy Resources, analysts said. Only 32% of the Canadian firm's current production is in the country, and CNOOC has agreed to retain Nexen's employees and list shares in Toronto. A final decision by the Canadian government on the CNOOC/Nexen deal is set to be made on November 9.

PETROCHEMICALS

Honghua to invest CNY100 million in shale gas exploration

Honghua Group, China's largest exporter of oil-drilling equipment, plans to invest up to CNY100 million by the end of the year in a project to explore for shale gas. The investment will go to the manufacture of sample equipment and to system tests in both the United States and China. Last year, the company had CNY3.49 billion in revenue. Honghua is based in Chengdu, Sichuan province, which has a rich supply of shale gas. However, Zhang Mi, Chairman and President of Honghua Group, said the company will not bid in the second round of an auction for the right to explore for shale gas organized by the Ministry of Land and Resources. "The development of shale gas in the U.S. will bring greater profits to Honghua," said Liu Shaohua, Senior Vice President of Reignwood Group, an investment firm that is a partner of Honghua. "But it will be a different story with the Chinese market. It really depends on the central government's policies." Paul Chung, Honghua's Financial Controller, said the demand for equipment used to drill for shale gas will support the production of about 1,000 drilling machines a year by the end of China's 12th Five Year-Plan (2011-15), citing the central government's shale gas industry plan. "By then, our company will have a 30% to 40% share of the market for the equipment used in the Chinese shale gas industry, which will be equal to about CNY24 billion in sales," he said. Honghua also plans to invest more in equipment used to drill for oil offshore. Zhang said about 60% of the company's investments will go into the offshore sector.

83 companies have made 152 bids for licenses to explore shale gas in China's second round of tenders. Even more companies have dropped the bid, expressing concern about the high risk of extraction of the gas. The profitability of the projects is uncertain, and the lack of technical expertise poses another challenge, they said. It was the first time China has allowed non-Chinese entities to participate in the auction that had 20 shale gas blocks in eight different provinces on offer, including in Guizhou, Hubei and Henan provinces. Nineteen of the 20 blocks offered in the tender received at least three bids, the minimum required for a block's auction to proceed. A block receiving only two bids was removed from the auction. About one-third of the bidders were private firms. Zhang Mi of Honghua Group said that they did not bid for any project because "no blocks with good potential returns can be seen".

- Prospect Global Resources has signed a USD2 billion supply deal with China's Sichuan Chemical Industry Holding Group to supply potash from its American West Potash project in Holbrook, Arizona. Sichuan Chemical, a state-owned company, will buy at least 500,000 tons of potash a year for 10 years for export to China.
- CNOOC's oil and gas output rose 8.5% in the third quarter to 87.8 million barrels of oil equivalent (BOE). The company said it made eight successful offshore appraisal wells in China. Higher production helped lift CNOOC's oil and gas revenue by 4.7% to CNY48.44 billion in the third quarter despite a 6.5% decrease in its average realized oil price. The company's realized gas price rose 12.5% in the quarter. CNOOC also said 2012 production is set to reach 335-345 million BOE. It has only nine years worth of reserves based on its current production, one of the lowest ratios among global oil majors, giving it added impetus to seek fresh assets abroad.
- China's net exports of diesel rose to the highest level in 18 months in September, as the nation raised its daily oil processing to a record high. Net exports, or overseas sales minus imports, climbed to 167,689 metric tons, the most since March 2011. China processed 9.47 million barrels a day of crude last month, 7% more than a year earlier and the most ever on a daily basis. Diesel exports last month hit 170,227 tons, while imports fell 99% from a year earlier to 2,538 tons.
- China Oilfield Services posted a 10% year-on-year rise in third-quarter net profit to CNY1.43 billion. Revenues jumped 22.4% to CNY6.07 billion.
- Overtaking Canada and Japan for the first time, China has 23 companies in the 2012 Platts Top 250 Global Energy Company Rankings, which was launched in Singapore by Platts, an energy, petrochemicals and metals information provider. Exxon Mobil Corp, Royal Dutch Shell and Chevron Corp make up the top three.

REAL ESTATE

Hong Kong introduces property tax for foreigners

Hong Kong's government announced its first property tax of 15% targeted at foreign buyers. The government also raised a resale tax on property by about 5 percentage points and extended the period during which it will apply to three years from two. Hong Kong is imposing its third set of property curbs in two months after home prices almost doubled over three years to become the world's most expensive. "These measures will be effective in reducing the number of transactions, but ineffective in curbing the property prices," said Cusson Leung, a Hong Kong-based Property Analyst at Credit Suisse Group. Record low mortgage rates, an influx of buyers from other parts of China and a lack of new supply have been underpinning the Hong Kong property market, prompting Chief Executive Leung Chun-ying to accelerate land sales and give preference to local buyers in some projects. Property owners who sell their homes within six months of their purchase will need to pay a 20% special stamp duty, up from 15%. For resale between seven months and 12 months, the duty will increase to 15%, and for transactions between 13 months and 36 months, the duty will be 10%. Prices of small to medium-sized apartments have increased 21% this year, the Shanghai Daily reports.

- Guangzhou is on pace to have just 3,200 hectares of land for development during the next five-year planning period, from 2016 to 2020. Earlier, the central government had authorized the city to develop 177,200 hectares of land by 2020. About 164,900 hectares had already been developed by 2010, and up to 174,000 hectares has been slated for development by 2015, leaving just 3,200 hectares.

- West China Cement is banking on greater spending on infrastructure to lift demand for cement, once the Communist Party's 18th National Congress wraps up next month and the leadership launches new programs. The Hong Kong-listed firm's annual cement production capacity is 23 million tons, of which 21 million tons is in its home province of Shaanxi and two million tons in Xinjiang. The cement producer planned to spend CNY2 billion to raise its annual cement production capacity to more than 30 million tons in 2015.
- China Vanke, the country's largest property developer by sales, said its third-quarter profit more than doubled from a year earlier to CNY1.35 billion, citing a recovery in the property market. Revenue rose 65%.
- Shanghai will allow local governments or state-owned enterprises to buy valuable historic buildings as a new way to protect the structures, many of which are in poor condition. Money will be allocated to relocate residents living inside. The city has 2,138 historic buildings but about 57% are not protected because they are used as homes.
- Data released by the People’s Bank of China (PBOC) showed CNY416.8 billion was lent out to the real estate sector from July to September, a rise of 29% on the second quarter. Total outstanding loans to the sector reached CNY11.74 trillion by the end of September, up 12.2% year-on-year, and 1.9 percentage points higher than at the end of June. The central bank said property loans took up 15.4% of total new loans extended from January to September, up from 12.3% in the first half of this year. Land development lending rose by 7.3% year-on-year to CNY846.1 billion.
- China Overseas Land & Investment, one of China's largest developers, says the worst is not over yet for the real estate market even though liquidity has improved. There would not be any significant relaxation in the tightening policies targeting the country's property market, Chairman Kong Qingping said in the company's statement on its third-quarter financial and business review. The company posted an operating profit of HKD18.38 billion on a turnover of HKD42.13 billion in the first nine months of this year. Both rose more than 10% compared with the same period last year. In the past nine months, China Overseas Land managed to achieve sales of about 5.9 million square meters, generating HKD91.9 billion.
- Shanghai is expected to see the number of residential projects to be released in November fall to the lowest in nine months amid lukewarm sentiment among real estate developers. The developers will release 19 housing developments next month, with 60% located beyond the city’s Outer Ring Road, compared with 34 projects this month, according to real estate website Soufun.com. Last November, 31 residential projects were launched. From May to September, the monthly purchases of new homes in Shanghai stayed above 800,000 square meters, with June’s volume exceeding 1 million sq m, earlier industry data showed.

RETAIL

Walmart to open 100 stores in next three years

Walmart Stores plans to open 100 new stores over the next three years in China. Mike Duke, President and CEO of Walmart, said in Beijing that the company will prioritize large-store formats, such as hypermarkets, and its members-only stores, known as Sam’s Club. He did not reveal the specific locations of the stores. The company, which entered the Chinese mainland in 1996, had 370 stores as of March. The company also said that it will add more distribution centers in the next three years to modernize its supply chain. Duke said that he still sees opportunities for one-stop stores, where customers can get all the products they need and “save money and time”. Considering China’s population, the number of hypermarkets is still much lower than in other countries, Duke said. Walmart’s planned growth in the country will be mainly supported by the emerging middle class, which is the key group of customers the retailer wants to serve, Duke said. With prior development focusing on first-tier cities, the retailer is now heading to second- and third-tier cities, where consumption potential has not yet been fully released and the growth of residents’ incomes has been on the rise in the past few years, said Zhao Ping, Deputy Director of the Economic Research Department of the Chinese Academy of International Trade and Economic Cooperation. In Shanghai, Duke signed an agreement to acquire a majority stake in Yihaodian, a local e-commerce website. Walmart will control 51.3% of the website, which recorded sales of CNY2.7 billion in 2011, the China Daily reports.

- Gome Electrical Appliances Holding forecast a third-quarter loss of CNY100 million to CNY200 million as consumers cut spending and costs rose in its e-commerce business. Gome posted a loss of CNY501 million for the six months ended June from a CNY1.25 billion profit a year ago.
- According to the Ministry of Commerce, from September 30 to October 7, the sales of key retail and catering enterprises monitored totaled about CNY800 billion, an increase of about 15% compared with last year's Golden Week. "The formation of the 'holiday economy' has a positive effect on promoting consumption and accelerating economic growth," said Liang Da, Economist at the National Bureau of Statistics (NBS). Suning's sales revenue in Beijing tripled from the same period last year.
- Consumers will be able to check the manufacturer, production batch number and circulation record of medicines with a smartphone after downloading a free application as a national program to introduce digital supervision of drugs takes shape. The system will cover all medicines by 2015. The source and authenticity of medicines can also be checked at www.drugadmin.com.
- Nike has become involved in a series of quality scandals in Shanghai and other major Chinese cities. Shanghai quality authorities found one women sports shoe design to have soles that were too thin and did not meet standards, while the market watchdog in Beijing fined Nike CNY4.87 million after it was found to use deceptive advertising and double standards for one of its basketball shoes. Nike's Zoom Hyperdunk 2011 was found to be of lower quality than advertised. There was only one Zoom air cushion under each shoe instead of two as advertised.

SCIENCE & TECHNOLOGY

China to conduct fifth manned space mission

China's fifth manned space mission will take place next year, Yang Liwei, China's first "taikonaut" and Deputy Director of the country's manned space program has confirmed. Yang said the Shenzhou-10 manned spacecraft will carry three taikonauts into space, and that the crew will include veterans and perhaps women. Next year's space mission mainly aims to consolidate and improve docking techniques, conduct more scientific experiments and solve problems discovered in the previous missions, said Yang. While visiting Shanghai, he opened an aerospace and aviation exhibition at the Qian Xuesen Library and Museum of Shanghai Jiao Tong University, marking the 20-year anniversary of the launch of China's manned space program. After the Shenzhou-10 space mission, China is scheduled to launch the Tiangong-2 space lab module to research supply transport by cargo spaceships, another milestone for China's space program.

- Shanghai unveiled Asia's biggest radio telescope at suburban Sheshan Hill, to be used in tracking China's lunar probes. The telescope, as large as eight basketball courts with a diameter of 65 meters and a height of 70 meters, is the fourth largest in the world. It will greatly enhance China's ability to position space probes and assist the flights of Chang'e III or the third phase of the country's lunar exploration program.

STOCK MARKETS

Hopewell Highway choses Hong Kong for yuan-denominated IPO

Hong Kong widened its lead over Singapore in the race to be the leading offshore yuan hub as toll road operator Hopewell Highway Infrastructure chose the city for its yuan-denominated initial public offering (IPO) – the second in Hong Kong – while a real estate investment trust backed by Li Ka-shing paused its planned yuan IPO in Singapore. Dynasty REIT cited poor market conditions for its decision to put the offering on ice. The deal, sponsored by real-estate fund manager ARA Asset, was to raise up to USD1 billion. Had it gone through it would have been the second off-shore yuan offering outside the mainland and the first such IPO in Singapore. The first yuan IPO offering outside the mainland, by Li's Hui Xian REIT last year in

Hong Kong, raised CNY10.5 billion. Hong-Kong-based Hopewell, controlled by local property mogul Gordon Wu, may raise up to USD63.2 million. Hopewell is expected to offer an annual yield of 6% next year, a substantial return in a low-interest environment. Bankers familiar with the deal said they were in talks with the firm to issue up to 120 million shares for the retail market, substantially higher than the originally planned 70 million, as the institutional placement has been oversubscribed more than 10 times. If the company does decide to issue 120 million shares it could raise up to USD63.2 million, or 70% more, than what was originally planned. The deal would make Hopewell the first company to list shares in both Hong Kong dollars and yuan, as Hui Xian is listed as a trust. The two shares would be traded at separate counters but the renminbi shares would be fully convertible to Hong Kong dollar-denominated shares. The issue of the first yuan equity marks a watershed in Hong Kong's efforts to emerge as an offshore yuan hub and caps the local exchange's ambitious drive to launch dual-currency trading, the South China Morning Post reports.

- Hong Kong-listed VST Holdings Chairman Li Jialin was convicted in Hong Kong's District Court of 10 counts of price rigging and 16 counts of failure to disclose his interest in shares of VST, a mainland-based distributor of information-technology products. Sentencing is scheduled for October 31. Li had pleaded not guilty to the price-rigging charges but guilty to failing to disclose his shareholdings in VST.
- Shanghai Fosun Pharmaceutical (Group) Co will raise about USD512 million in Hong Kong's largest public offering in three months after pricing the deal at the bottom of an indicative range, a further sign of tough times for listings in the city. The company is already listed in Shanghai. It plans to use about half of the proceeds for domestic and international acquisitions, the rest for research and development (R&D) and to pay down debt, according to the prospectus. The offer is the biggest in Hong Kong since mining company Inner Mongolia Yitai Coal Co raised about USD900 million in July.

TRAVEL

CSR struggling with unpaid bills

Rail firm CSR struggled with a mounting pile of unpaid accounts in the first nine months, due to funding problems at the cash-strapped Ministry of Railways (MOR). As of September 30, the amount owed to the Hong Kong and Shanghai-listed firm by its customers grew by CNY20.83 billion, or 152.16%, from the beginning of the year, owing to the rise in sales and decline in payments from the company's customers. CSR's long-term receivables leapt 9,853% to CNY1.03 billion in the period, due to growth in the company's financial leasing business. "The main customer is the Ministry of Railways. The Ministry has a lot of debt, and owes its suppliers a lot of money," Mizuho Securities Analyst Ole Hui said. Macquarie Securities Analyst He Saiyi agreed that the surge in CSR's accounts receivable was due to funding problems at the Ministry. She said one sign the Ministry badly needed cash was the high number of bonds it had issued recently. CSR's cash and bank balances fell by 57.19% to CNY10.16 billion from the beginning of the year to September 30, mainly due to the repayments of bank borrowings and cash payments for operating activities. Net profit grew only 1.2% to CNY2.85 billion in the first nine months, while turnover rose 8.3% to CNY63.52 billion. In the third quarter, net profit rose 20.9% to CNY933.81 million.

- Air China has scrapped plans for a private share sale because an "element of uncertainty" meant the timing wasn't ripe, according to a Shanghai stock exchange statement. It never said how much it intended to raise. China Eastern plans to raise CNY3.6 billion selling shares to its parent, based on a September statement, while China Southern announced a sale of as much as CNY2 billion in June. Air China's parent China National Aviation Holding Co separately unveiled plans to sell CNY1 billion of three-year bonds.
- HNA Group Co, parent of China's Hainan Airlines Co, has acquired a 48% stake in France's Aigle Azur Transports Aériens. The purchase makes HNA Group Aigle Azur's second-biggest shareholder and gives the Chinese company the right to appoint two of the five-member Executive Committee and appoint a Vice President and a Deputy Chief Financial Officer. HNA Group, which had USD15.4 billion of revenue last year, has sought to expand beyond the Chinese market with investments in Turkey and Hong Kong. The Paris-based airline operates 12 Airbus 320s to destinations in North and West Africa. It will now extend its service to China. Aigle Azur carried 1.77 million

passengers last year.

- Hainan province will increase travelers' duty-free shopping quota from CNY5,000 to CNY8,000, lower their age limit from 18 to 16 years and expand its duty-free goods catalog next month, China's Ministry of Finance said. The increase of the purchase limit will allow the majority of high-priced goods sold at designated shops to be covered. The province will also add beauty gadgets such as electric shavers and health care equipment, tableware, kitchenware, and toys to the duty free catalog, bringing the number of goods categories to 21 from the current 18.
- Hunan province plans to build 21 general aviation airports from 2012 to 2030, according to the recently released draft of the Plan for the Development of the General Aviation Industry in Hunan.

ONE-LINE NEWS

- Huaneng Power International, the listed unit of China's largest power producer, China Huaneng, posted a 757.3% year-on-year rise in third-quarter net profit to CNY1.99 billion, although revenue fell 8.1%.
- Net profit for the first nine months at China Coal Energy, the listed unit of China's second-largest coal producer, China National Coal, fell 22% year-on-year to CNY6.85 billion as sales rose but prices fell.
- The Chinese government will delay annual China-Japan intellectual property talks in the wake of the diplomatic dispute over the Diaoyu Islands. The fourth Sino-Japanese Intellectual Property Working Group was planned for later this month in Hangzhou to talk about solutions to online IP infringement and cooperation on piracy prevention.

QUOTES OF THE WEEK

"I want a great relationship with China. China can be our partner. But that doesn't mean they can just roll all over us and steal our jobs on an unfair basis. We can be a partner with China. We don't have to be an adversary in any way, shape or form. Well, they (China) sell us about this much stuff every year (indicating large amount). And we sell them about this much stuff every year (indicating small amount). So it's pretty clear who doesn't want a trade war."

U.S. presidential challenger Mitt Romney, quoted in the China Daily, October 24, 2012.

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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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