法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 26 NOVEMBER 2012

ACTIVITIES BY FCCC STRUCTURAL PARTNERS

Lecture "New Confucianism and the Mandate of Heaven" by Prof Bart Dessein – 11 December 2012 – Ghent

Prof Bart Dessein will hold a lecture on "New Confucianism and the Mandate of Heaven" on December 11, 2012 from 12.00 h till 14.00 h. at the room Rector Blancquaert, Het Pand, Onderbergen 1, Ghent.

Contrary to what is currently customary, this session will not deal with the speed and efficiency with which the "Middle Kingdom" left its Maoist heritage behind, and, in a relatively short period of time, became one of the key actors on the world stage. A closer look at what happens in China shows that intellectual and political leaders are more and more emphasizing the revaluation of, and affiliation with the Confucian tradition. This session will deal with the "Mandate of Heaven" as one of these Confucian concepts, and with the question how the Chinese political and intellectual classes have identified and – so it seems – still identify themselves with this concept. This "Mandate of Heaven" will be addressed chronologically, i.e., in imperial China, the Republican period and the Maoist period, to conclude with a discussion of its current interpretation.

OTHER ACTIVITIES

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

Conference: "How to protect your trade secrets in China?" – Thursday, 22 November 2012 – Kortrijk

The Flanders-China Chamber of Commerce (FCCC), POM West Flanders, the Province of West Flanders, VOKA and Jones Day organized a conference on "How to protect your trade secrets in China?" on 22 November 2012 at Hotel Messeyne in Kortrijk. Highly experienced attorneys from Jones Day's China offices provided concrete guidance and shared their insights. Following a word of welcome and a brief introduction by Mrs Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce and Serge Clerckx, Partner at Jones Day Brussels, Horace Lam and Sébastien Evrard, Partners at Jones Day Beijing, gave some interesting tips to protect trade secrets in China. Their presentation was followed by and Q&A session and a cocktail and networking session.

Seminar: "Which road ahead for China's economy?" – 19 November 2012 – Barco, Kuurne

The Flanders-China Chamber of Commerce (FCCC) organized an interesting seminar on China's macro-economic perspectives on 19 November at the offices of Barco in Kuurne.

Mr Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce (FCCC) started with the introduction of the conference. Mr Alexander van Kemenade, Senior Economist at the Economist Intelligence Unit, presented the EIU's long-term macroeconomic forecasts for China and discussed these in light of the new leadership's challenges and reform prospects. He also touched upon the current downturn in China and recovery prospects.

Mr van Kemenade also turned 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.

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.

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

18th CPC CONGRESS

Promotions in the wake of the Party Congress

Shanghai Mayor Han Zheng, 58, was appointed as the city's Party Secretary after serving as Mayor since 2003. He replaces Yu Zhengsheng, 67, who has been elected one of the seven members of the Standing Committee of the Political Bureau.

Sun Zhengcai, 49, a former Minister of Agriculture before he was named in late 2009 as Jilin province's Party Secretary, has been appointed to the post in Chongqing, succeeding Vice Premier Zhang Dejiang, who was also promoted to the Standing Committee.

Sun Chunlan, until recently Party Secretary of Fujian province, has been appointed Party Secretary of Tianjin Municipality after being inducted into the elite 25-member Politburo. She is the second highest raking woman in the Chinese Communist Party, following Liu Yandong, who is expected to become a Vice Premier in March.

- Li Keqiang, ranked No 2 in the Politburo Standing Committee, is the first senior party leader to hold a PhD in economics and master's and bachelor's degrees in law – all from Peking University. Li, 57, who will succeed Wen Jiabao as Premier in March, will be the best-educated Premier since the founding of the People's Republic in 1949.
- More mergers of ministries are expected in March next year when a new government headed by current Vice Premier Li Keqiang is expected to take over from Wen Jiabao. Analysts said the Ministries of Transport and Railways are expected to be merged.

FINANCE

CCB to expand network abroad

China Construction Bank (CCB) President Zhang Jianguo said that besides building on its network in the United States, Europe and the Asia-Pacific region, the bank would consider expanding through mergers and acquisitions (M&As), with the focus on emerging-markets, where many Chinese companies are going to do business. The bank "would also pay attention to investment opportunities in Europe and North America, in particular if some European and American institutions plan to sell their branches and businesses in emerging markets," Zhang added. In September, Britain's Financial Times quoted CCB Chairman Wang Hongzhang as saying that the bank could spend as much as USD15 billion to acquire a major stake in a European bank or even buy it out. If successful, a deal of that size would become China's largest banking acquisition abroad. CCB later denied it was interested in pursuing such a big investment abroad, citing a "misunderstanding" in the Financial Times article. Zhang told the South China Morning Post that the starting point for the bank's overseas expansion is to follow its clients. "To go with them and provide banking services to them in those new local markets they are expanding into is the key goal for CCB's overseas expansion strategy," he said. Analysts said CCB, which is China's top property lender, has relatively sound capital which gives the bank more room to make significant investments. At the end of September, CCB's tier one capital adequacy ratio stood at 11.35%, the highest among China's Big Four banks.

AIG to set up insurance joint venture with PICC Life

American International Group (AIG) plans to form a joint venture with Chinese insurer PICC Life Insurance Co to sell life insurance in China's major cities. AIG said it will subscribe to USD500 million worth of H-shares of PICC Group's initial public offering (IPO) in Hong Kong. It agreed not to sell over 25% of the stake for five years after the IPO, but it may sell the entire stake if the joint venture documents are not signed by the end of May 2013. PICC Group plans to raise USD3.6 billion through the IPO. AIG now owns around 9.9% of PICC Property and Casualty Co, a unit of PICC Group listed in Hong Kong. China had the fifth largest life insurance market in the world last year with USD134.5 billion in total written premium, PICC said in its preliminary IPO prospectus, citing figures from the Sigma Report compiled by Swiss Re. Life insurance penetration in China reached 1.8% at the end of last year, compared with 8.8% in Japan and 3.6% in the United States. PICC Life ranked third among life insurers in China in the six months ended June this year, with CNY57.2 billion in total written premium in the period. It has a life and health insurance distribution network of about 2,200 branches. PICC's life insurance business accounted for about 29% of its gross written premium of CNY149.2 billion in the six months ended June this year. The company had 51.4 million life insurance customers at the end of June, up 18% from six months earlier.

Lower profit prospects for Chinese banks

Rising competition and a squeeze on net interest margins will dampen profit prospects for Chinese banks over the next 12 to 18 months, according to global credit rating agency Moody's. Moody's Vice President and Senior Analyst Hu Bin said that Beijing's plan to liberalize interest rates would continue to put pressure on Chinese banks' net interest margin. Moody's forecast the banks' net interest margin would fall by between 0.06 percentage point and 0.1 percentage point this year from the previous year if 30% of total loans were priced at the floor rate – the lowest lending rate allowed by the People's Bank of China (PBOC). Hu said Chinese banks could no longer rely on net interest income to sustain their strong profit growth.

Haitong Securities forecast that the average profit growth of 16 China-listed banks would slow to 16.4% this year and to 4.9% next year after 37.6% growth in 2011. China's financial reforms and structural changes in the economy would take a toll on bank profits, the brokerage said. “Besides competition among mainland banks, direct financing tools have also put pressure on the banks' lending business,” Hu Bin said. Direct financing tools, such as issuance of stocks and bonds, allow companies to raise funds in the capital markets without going through commercial banks.

- HSBC Holdings is discussing the sale of its stake in Ping An Insurance (Group) Co, China’s second-largest insurer. The stake represents 40% of the insurer’s Hong Kong-traded shares and 15.6% of all Ping An stock. It was worth about USD9.6 billion. The Charoen Pokphand Group, controlled by Thai billionaire Dhanin Chearavanont, is keen in buying the stake, the Hong Kong Economic Journal said.
- The Agricultural Bank of China has received regulatory approval for its purchase of a 51% stake in Jiahe Life Insurance Co for about CNY2.6 billion.
- China will ban executives from state-owned banks and financial companies from spending extravagantly on cars and houses in an effort to clamp down on corruption and official waste. Twelve regulations, issued jointly by the Ministry of Finance, the Ministry of Supervision and the National Audit Office, will take effect next month. Many Chinese banking executives often use luxury cars for official and private use.
- Wenzhou has taken a major step forward in legalizing the underground banking system and liberalizing capital outflows by publishing a guideline for a much-awaited financial reform. The new rule aims to transform Wenzhou, plagued by a series of crises related to shadow banking, into the nation's financial services center. According to the new rule, Wenzhou will create a registration system for private capital and allow privately-owned firms and individuals to participate in the “sunshine private lending” scheme, under which private capital can be lent out to individuals and businesses. Some 30 small loan companies have already registered with the government since March, with total registered capital of more than CNY8 billion.

FOREIGN INVESTMENT

Japanese investment in China falls sharply

Direct investment by Japanese companies totaled USD460 million in October, down almost a third from last year’s levels. The sharp fall reduced Japan’s overall direct investment in China to an annual growth rate of 11%, from 17% in the first nine months. Monthly figures are an imprecise indicator, as investments tend to have long lead-times. But analysts say that the recent escalation of a long-simmering dispute over the Diaoyu islands has given executives cause to rethink the risk of investing in China. Companies are in a “wait-and-see mode”, said a senior official at a government-linked institution in Tokyo. “Their basic investment strategies will not change, but they are looking for a political solution. Many are waiting for signs that their investments in China are safe, and welcome.” Some companies say sales have also been badly hit by disruption to Chinese imports from Japan and unofficial Chinese boycotts of Japanese products. Meanwhile, big Japanese companies with investments in China are experiencing hold-ups in gaining regulatory approvals for deals. Steelmaker JFE Holdings and heavy machinery manufacturer IHI Corp have had to delay a merger of shipbuilding units three times, while trading house Marubeni is still awaiting the go-ahead to buy Gavilon of the U.S. – a deal it had said would be cleared by September. Under a Chinese anti-monopoly law in force since 2008, M&A deals must be cleared with authorities if they would lead to combined sales in China of more than CNY2 billion, or over CNY10 billion worldwide. According to one M&A banker in Tokyo, seeking antitrust approval has become a “painful” process since bilateral relations deteriorated, the Financial Times reports.

- The Committee of Chinese Companies in the United States, an organization to unite Chinese investors if they face disputes when they invest in the U.S., was launched in Shanghai. Initiated by the U.S. China Business Association, a non-profit body registered in Illinois, the Committee will provide professional advice for Chinese investors and lobby the U.S. government to treat Chinese firms fairly. Roel Campos, Partner of Locke Lord and a former Commissioner at the U.S. Securities and Exchange Commission (SEC), is Honorary Chairman of the Committee. He said

Chinese companies should be better prepared when they plan to invest the U.S., while the American public needs to be more educated about Chinese investment.

- Foreigners who live in China for 10 consecutive years may be eligible for a “green card”, according to a proposed draft regulation being considered by the Ministry of Public Security (MPS). Applicants must be employed, have accommodation and a good tax record. China started to grant permanent residency permits to foreigners in 2004, but since then only about 4,700 foreigners have received permits. Until now, the rank of the foreigner’s post was considered, but this would no longer be the case. Green card holders would enjoy equal rights as Chinese citizens, except for the right to elect and be elected.
- Foreign direct investment (FDI) in China fell 0.24% from a year earlier in October to USD8.31 billion, narrowing from September’s 6.8% decrease, the Ministry of Commerce (MOFCOM) said. In the first 10 months, foreign investors channeled USD91.7 billion into China, down 3.45% on an annual basis. Investment in the manufacturing sector fell 7.3% annually to USD40.4 billion, while funds flowing into the service sector dropped 1.8% to USD43.7 billion. Capital from the European Union fell 5% during the January-October period.
- The China Securities Regulatory Commission (CSRC) is soliciting public opinion on draft rules that will allow insurance firms, including insurance carriers, insurance agencies and insurance brokerages, to distribute mutual funds. Currently, mutual funds in China are mainly distributed through commercial banks, with the remainder sold by fund management companies and securities brokerages.
- China is to drop a number of regulatory requirements for foreign investors to make cross-border capital flow easier. Starting December 17, foreign investors, once they’ve finished necessary paperwork, will no longer be required to obtain approval for opening bank accounts, remitting profits abroad and transferring money between different domestic accounts, the State Administration of Foreign Exchange (SAFE) said. Economists said new foreign investment rules may help to encourage long-term capital inflows to China, but foreign investors would remain cautious in the short-term.
- Japanese investment in China slumped 32.4% year-on-year in October, while it rose 10.9% year-on-year in the first 10 months, according to China’s Ministry of Commerce (MOFCOM). The slump was mainly due to security concerns over anti-Japanese protests, and the boycott of Japanese brands.

FOREIGN TRADE

U.S. “fiscal cliff” could impact China’s exports

The outlook for China's exports will largely depend on United States President Barack Obama's success in avoiding the so-called “fiscal cliff”, which could drag the U.S. into another recession, analysts say. Most economists believe Obama will ensure debt is sustainable and the impact on demand for Chinese goods may be limited. Still, uncertainties have increased risk sentiment on global markets. “The fiscal cliff, if it were to occur, would definitely trigger another global recession,” said Shen Jianguang, Mizuho Securities' Chief Economist for greater China. "In that case, China's export growth may turn negative.” China's export slumped 26% in May 2009, when the global financial crisis in the U.S. rapidly cooled demand from the West.The fiscal cliff is estimated to exert a negative shock amounting to as much as USD607 billion, or 4% of the U.S. gross domestic product (GDP), according to Haitong Securities. But the actual impact might be more limited, said Haitong, estimating the size of the shock to be at 1.5% of GDP, as the Obama administration and Congress were expected to find a bipartisan solution. People’s Bank of China Governor Zhou Xiaochuan also sent out a warning about external risks to the economy. He said China needed to stay alert regarding the “great uncertainties” in the West, including the spread of the European debt crisis, the quantitative easing policies adopted by the Federal Reserve and the fiscal cliff. China's exports rose 11.6% last month from October last year, the fastest since May, but the growth remains vulnerable. Commerce Minister Chen Deming said it might be hard for the country to meet the government's goal this year for imports and exports to rise a combined 10% from last year. “Given that about 20% of Chinese exports go to the U.S. market, China's economic performance is sensitive to the U.S. economy,” said Deutsche Bank's Greater China Chief Economist, Ma Jun.

U.S. overtakes EU as China's top export market

The United States has overtaken the European Union as China's biggest export market, as the continent's debt crisis has sent demand slumping. "The biggest is the U.S. and the EU is second," Commerce Ministry Spokesman Shen Danyang told reporters at a regular briefing, without saying when the reversal occurred. "The EU used to be the biggest," he added. Chinese customs figures for the first 10 months of this year showed that China's exports to the United States totaled USD289.3 billion, while shipments to the EU came to USD276.8 billion. Weak demand from both Europe and the U.S. has been a big factor as China's economic growth has slowed over the past seven quarters to the end of September. Economic growth in the United States remains weak but is expanding, while the eurozone's debilitating debt crisis has dragged it back into recession. Shen noted that China will probably miss its full year target of 10% foreign trade growth this year due to sluggish overseas demand, particularly in Europe and Japan. "The international economic situation this year has been severe and complicated. There have been many uncertainties, with slack foreign demand being the most severe one," he said. Chinese customs data showed foreign trade rose by just 6.3% in the first 10 months of the year from the same period last year. Shen also said the Association of Southeast Asian Nations (ASEAN) had moved past Japan as China's third-biggest export market. Japan, which is in the midst of a diplomatic row with China that has hit trade between the two nations, slipped to fourth place. Shen offered no explanation for China's changing trade patterns with ASEAN and Japan. China shipped USD125.3 billion in goods to Japan in the first 10 months of the year, compared with USD163.9 billion dollars to the 10 ASEAN countries, according to customs figures.

- China's exports are expected to expand 12% each year on average in the next three years despite slowing growth this year due to weak external demand, HSBC said in a report. The slow-down in the growth of foreign trade was only temporary, said Bruce Alter, head of trade at HSBC China. China's exports rose 11.6% in October from a year earlier. From 2013 to 2015, India and Vietnam will be the fastest growing export markets for China with estimated annual growth of 20% and 18%. The Middle East and North Africa, new export destinations for China, are expected to grow 14% each year, according to the report.
- The U.S. International Trade Commission (ITC) has determined it would maintain the existing anti-dumping duty on honey from China. It was the second five-year "sunset review" since December 10, 2001, when the duty was first introduced. The duty margin runs from 25.88% to 183.80%.
- Japanese exports to China continued to decline in October amid tension over the Diaoyu islands. Chinese imports from Japan declined 10.2% in October from a year earlier to USD13.94 billion, compared with a 9.6% drop in September. Bilateral trade in the January to October period dropped 2.1% from a year earlier, according to Chinese Customs statistics. Japanese automakers suffered the most, with Japanese motor-vehicle exports to China slumping 82% year-on-year in October, the largest monthly drop since October 2001, according to Japan's Ministry of Finance.

MACRO-ECONOMY

Shanghai residents' disposable income highest in China

The disposable income of urban residents in Shanghai rose 11.2% from a year earlier to CNY30,205 in the first three quarters. The only city where people earned more than CNY30,000 in the first nine months, Shanghai was followed by Beijing (CNY26,948) and Zhejiang province (CNY26,682). Shanghai's disposable income grew slower than the national average of 13%, and lagged behind Gansu province, which claimed the title of the fastest growth with a rate of 14.7%. Shanghai's economic output expanded 7.4% in the first three quarters, weaker than China's average of 7.7% and the least among 28 provinces and municipalities. Shanghai produced 4.1% of China's total output by the end of September while the city's land area is only 0.06% of the national total. But many people still felt it was still difficult to make ends meet, considering fast-growing inflation and sky-high property prices in major cities such as Shanghai and Beijing.

Study finds high levels of income inequality

A recent study by the China Household Finance Survey at the Southwestern University of Finance and Economics found that the top 10% of Chinese households accounted for 57% of total income and 85% of total assets – a concentration level of income that can only be found in some African countries. “The striking inequality in income levels among Chinese is the fundamental reason behind China’s depressed consumption,” said Gan Li, who led the study. “Action could be taken on medical insurance. Each yuan paid on medical insurance can bring a CNY3 increase in consumption,” said Gan. Justin Lin, a former Chief Economist and Senior Vice President at the World Bank, said at the Financial Street Forum in Beijing that China should give more support to its labor-intensive industries by raising income levels. He said China still has the potential to grow at 8% a year for 20 years, but added: “We need to develop a financial system centered on regional and small and medium-sized financial institutions. “They provide funds and services to companies in labor intensive sectors,” adding that interest rates should be liberalized so that public depositors can gain better returns. Lin also said that removing protection and subsidies for state-owned companies (SOEs) in capital-intensive sectors is vital to improving income distribution, the China Daily reports.

HSBC Flash PMI shows first expansion in a year

The HSBC Flash China Manufacturing Purchasing Managers’ Index (PMI), the earliest available indicator of the industrial sector’s vitality, climbed to a 13-month high of 50.4 for November, up from October’s 49.5 in October. It was the first time in over a year that the index, slanted towards private and export-oriented firms, bounced back into expansionary territory. Qu Hongbin, Chief Economist for China at HSBC, said the index confirmed that economic recovery was continuing to gain momentum towards the end of the year. He expected fourth-quarter economic growth to pick up to around 7.8% from 7.4% in the third quarter. The component indices of the HSBC Flash PMI showed that output expanded to 51.3 in November from 48.2 a month earlier and new export orders rose for the first time since April 2012, while employment contracted at a slower pace.

Chinese contractors make headway in developed countries

Chinese offshore contractors have landed more deals in developed economies as part of efforts to enhance their global presence, the China International Contractors Association (CICA) said. In the first three quarters of this year, Chinese contractors’ share of traditional markets in Asia and Africa has declined, while their growth has picked up in medium- and high-end markets in Europe and the Americas. Contracts signed in Europe reached USD6.56 billion in the first three quarters, up 17.4% year-on-year, while the figure was USD10.9 billion in Latin America, a year-on-year increase of 43.3%. Countries including Germany, Sweden and the United Kingdom have also become more active in inviting Chinese contractors to construct large-scale infrastructure projects. “However, within a short time, Chinese construction enterprises’ market share in developed economies won’t see obvious growth due to fiscal restraints in the U.S. and Europe and protectionism,” Wang Xiaoguang, Director General of the Overseas Department of China Communications Construction Co said. Diao Chunhe, Director of the Association, said at the annual session of its Council that China’s construction contractors are set to face bigger risks in their overseas business next year, as they enter more developed markets. CICA is a government-backed organization under the Ministry of Commerce (MOFCOM). Li Jiqin, General Manager of the Overseas Business Department of China State Construction, added that China’s merger and acquisition activities in the U.S. construction industry are blocked by protectionism. From January to October, China’s overseas construction contracting sector registered revenues of USD87.06 billion, an increase of 14.4% year-on-year, the China Daily reports.

- Wu Yajun is no longer China’s richest woman after transferring about 40% of her stake in Longfor Properties to her ex-husband Cai Kuichao. Wu said that on her road to success, she had sacrificed her husband, who was not among her top two priorities. “Female entrepreneurs always face choices. For me, I place my career first, place my daughter second and the third is my husband”, she said. Wu topped the 2012 Hurun List of Self-Made Women Billionaires with a net worth of CNY38 billion before her divorce. Her current net worth is estimated at USD4.2 billion.
- Ten Chinese companies received awards for service innovation as the country promotes the services sector amid efforts to restructure economic growth. Haier

Group, Alibaba Group Holding and Sany Heavy Industries Co were among the recipients, based on the third survey of satisfaction in the services sector organized by Economy, a magazine affiliated with the Economic Daily.

MERGERS & ACQUISITIONS

Blackstone and New Hope vie for Inghams Enterprises

Blackstone Group and China agribusiness company New Hope Group are in the final round of bidding for Australia's largest poultry producer Inghams Enterprises, a deal that could be worth as much as AUD1.4 billion. It could be the largest private equity buyout in Asia this year. Inghams Enterprises, which owns the Ingham Chicken brand, was founded in 1918 by Walter Ingham and employs 9,000 people across Australia and New Zealand. Bob Ingham, who turned 81 this year, decided to sell the business he inherited in 1953 from his father. Inghams' top customers are Australia's supermarket duopoly of Woolworths and Coles, who have strong market power to pressure suppliers. New Hope Group is one of China's largest suppliers of meat, eggs and dairy products, with annual sales of USD8.8 billion.

- Chengdu Tianqi Industry Group Co, a Chinese maker of battery chemicals, has made an unsolicited USD675 million bid for Australia's Talison Lithium, trumping an offer from Rockwood Holdings of the U.S. Talison is the world's largest producer of lithium.
- Property developer Shanghai Zhongfu Group has won the right to develop a farm project in Australia, pledging to invest AUD700 million over the next six years to establish a sugar industry. Subsidiary Kimberley Agricultural Investment (KAI) will lease and develop 13,400 hectares in the Ord-East Kimberley region into irrigated farmland. The farm would produce about 4 million tons of cane and 500,000 tons of sugar crystal. China's state grain trader COFCO last year won control of Tully Sugar, one of Australia's largest sugar millers.
- China's state-owned CNOOC has accepted management and employment conditions set by the Canadian government to win approval for its USD15.1 billion takeover of Nexen, including guarantees that at least 50% of Nexen's board and management positions be held by Canadians. Canada had extended its review of the case to December 10.

PETROCHEMICALS

Shell to invest USD1 billion annually in China

Royal Dutch Shell said it will invest around USD1 billion annually in its upstream businesses in China. "There is huge potential to come in terms of the natural gas market in China," CEO Peter Voser said in Beijing. Cooperating with China National Petroleum Corp (CNPC), Shell has two gas blocks, Jinqiu and Fushun-Yongchuan, in Sichuan province, an area rich in gas reserves. The company has drilled 13 out of 21 planned wells in Jinqiu, a project with a daily output of 110,000 cubic meters. It will complete the 21 wells by April 2013. The Fushun-Yongchuan Block's 15-well drilling program is due to start by the end of 2012 or early next year. Shell announced that it will invest more than USD20 billion globally in natural gas projects through 2015 as profits from extracting, processing and selling the fuel increase. Voser said the company's integrated-gas earnings have more than tripled in the past five years, reaching USD9 billion in 2011, and its USD20 billion investment will bring more opportunities. China's natural gas output has entered a period of soaring growth driven by growing domestic demand, Yu Baocai, Deputy General Manager of CNPC, said. He estimated that China's natural gas output will reach 200 billion cu m before 2020. Natural gas consumption is expected to reach around 148 billion cu m in 2012, up 13% year-on-year. China's natural gas imports for 2012 are due to reach 42.59 billion cu m, a growth rate of 35.69% year-on-year, according to statistics from energy information consultancy ICIS C1 Energy. China's liquid natural gas output and consumption are growing rapidly. "The average annual growth rate of LNG production in China from 2013 to 2015 will reach 48%," Huang Qing, Senior Analyst at C1 Energy said.

- Total is selling a 20% stake in a Nigerian offshore oil field to Sinopec in a USD2.5 billion deal which will help the French oil group fund its ambitious exploration plans. Total signed a deal to sell the stake in the OML 138 block, which produces 130,000 barrels per day of oil equivalent (BOE) and contains the Usan field, which started production in February. Sinopec has also acquired energy assets in Britain and the U.S. recently to boost foreign earnings, as a slowdown in China hit profits. Other shareholders in the OML 138 oil block, 100 kilometers off Nigeria's coast, include Exxon and Chevron. Sinopec has also approached the French oil firm Etablissements Maurel et Prom, which operates in Gabon, about an acquisition.

REAL ESTATE

Railway builders venturing into real estate

The nation's two big railway builders, China Railway Group and China Railway Construction Corp (CRCC), are fast becoming major property developers that are likely to overtake leading Chinese and Hong Kong players in the near future. The real estate business generated revenue of CNY17.14 billion for the China Railway Group in 2011, an increase of 43.4% from the previous year. CRCC's property revenue for 2011 rose by an even more spectacular rate of 160.7% to CNY13.54 billion. At the end of last year, CRCC had property projects under way in 30 cities, including Beijing, with land area for construction of 7.24 million square meters and a planned gross floor area of 3.15 million sq m, according to the Hong Kong and Shanghai-listed firm's annual report. Yet property is a tiny fraction of the business of these two state-controlled companies, which together build most of the country's railways. In 2011, property constituted only 3.9% of China Railway's turnover of CNY442.22 billion, and 3% of CRCC's turnover of CNY457.37 billion. Their property sales still lag behind those of the biggest developers. The turnover of the largest Hong Kong-listed property firm, Sun Hung Kai Properties, was HKD68.4 billion in 2011, while that of China's top developer, Vanke, was CNY64 billion. Nonetheless, the property turnover of China Railway and CRCC, at CNY17.14 billion and CNY13.54 billion respectively, already surpassed that of many leading Hong Kong-listed property firms. For example, the revenue of Swire Properties was HKD9.58 billion, while that of Shui On Land was CNY8.48 billion. Hang Lung Properties achieved HKD5.16 billion in revenue, and Henderson Land Development's was HKD9.48 billion. The railway builders' vast financial resources dwarf those of Hong Kong-listed property firms, giving them a powerful advantage. From 2012 to 2014, CRCC would spend CNY69.6 billion on property projects. Another advantage is that they are able to build and own both the transport infrastructure and associated property developments. By building integrated transport hubs that also include residential property, hotels, restaurants and shops, China Railway and CRCC are able to create lucrative multi-use complexes guaranteed to attract high volumes of shoppers and travelers.

- Several real estate and construction companies are setting up general aviation companies and proposing to build airports and flying clubs that would take up considerable land. Jilin Hanxing plans to invest in 10 general aviation airports and 40 fixed-base aviation services nationwide in the next two to five years. General aviation airports are still underused because not much private flying takes place due to the highly regulated air space. Residential projects could also be part of the airports' development. There are only some 70 airports dedicated to general aviation and 286 airports in total in China, compared with 18,000 airports in the United States.
- So far this year, only three apartments in Shanghai fetched a total price exceeding CNY100 million and two were sold this month, according to a Deovolente Researcher. A 686 sq m apartment at Casa Lakeville, a Shui On development in Xintiandi, was sold for CNY111.78 million, or CNY163,000 per sq m, while a 592 sq m unit at Ocean One, a COFCO development in the heart of Little Lujiazui, fetched CNY101.94 million, or CNY172,000 per sq m. In September, a 619 sq m duplex apartment at Ocean One was sold for CNY116 million, making it the city's most expensive apartment by price.
- Real estate developers will launch 22 residential developments in Shanghai in December, a sharp drop from the 47 projects released this month, real estate website Soufun.com said. 55% will be located beyond the city's Outer Ring Road. From May to October, the monthly sales of new homes in Shanghai stayed above 800,000 square meters, with June's volume exceeding 1 million sq m.
- Broad Sustainable Building (BSB), a unit of the air conditioning maker Broad Group, plans to build the world's tallest skyscraper, Sky City in Changsha in just 90 days. The building will be 838 meters high and have over 220 floors. It took Dubai more than five years to build the world's current tallest building, the 828 m Burj Khalifa. BSB plans to use 95% prefabricated modular technology. Sky City's projected cost is CNY4 billion.

Builders will use 220,000 tons of steel, and the structure will be able to house 31,400 people.

RETAIL

Gome betting on e-commerce

Gome Electrical Appliances is betting on e-commerce to reverse declining sales after reporting a loss in the first nine months of CNY687 million, compared with a profit of CNY1.79 billion for the same period a year earlier. Revenue dropped 18% to CNY36 billion. Despite the falling revenue and profit, Gome had budgeted CNY400 million to advertise its e-commerce business on CCTV, making it one of the biggest spenders on television advertising for the next year. The market softened quickly after the government stopped offering subsidies in December last year to encourage consumers to dump old electrical appliances and buy new ones.

- China drinks and instant noodle maker Tingyi returned to profit growth in the third quarter, as demand for consumer staples climbed. The 19.4% rise for Tingyi (Cayman Islands) Holding Corp's third-quarter net profit was a turnaround from a profit decline in the second quarter, and was also due to greater production efficiency at bottling plants that it operates under a partnership with PepsiCo. Tingyi occupies just over half of China's USD8.8 billion instant noodle market.
- Chinese high-end furniture company Camerich has opened a flagship store in Cologne, Germany, taking the number of its overseas outlets to 43. With an area of 630 square meters, the store is in Hohenstaufenring street, one of the best known furniture commercial areas in the world. Camerich already has outlets in London and Brussels.
- Bosideng International Holdings, a leading Chinese men's fashion retailer, won the "Chinese Investor of the Year Award" at the 2012 British Business Awards. It is the first time a Chinese clothing company has won the award. Bosideng is the first Chinese clothing retailer to set up a flagship store outside the Chinese mainland, opening its multimillion-dollar development just off Oxford Street in central London in July.
- The China Alcoholic Drinks Association admitted that nearly all liquor produced in China contains levels of industrial plasticizers, called phthalates, that exceed national standards for food. Hunan-based Jiugui Liquor's products were alleged by local media to contain phthalates more than three times the allowed level of 0.3 milligrams per kilogram. The contamination is reportedly caused by the use of plastic equipment in the production process.
- Companies in Shanghai will be fined up to CNY50,000 for selling goods with too much packaging, according to a new regulation to take effect in February. The technical standards will include the number of layers of packaging paper, the allowed ratio of empty space inside the whole box of goods, as well as the maximum percentage of the packaging cost to the goods' value.

SCIENCE & TECHNOLOGY

More Chinese enterprises enter global list of innovative companies

Chinese enterprises have increased their investment in research and development (R&D), with PetroChina, for the first time, entering the top 100 of a global innovation list, said global management consulting firm Booz & Co. A total of 47 Chinese companies entered the 2011 Innovation 1,000 list, compared with 40 in 2010's survey, 23 in 2009 and 15 in 2008, according to the latest Global Innovation 1,000 study. "It is noteworthy that although the study only includes listed companies, a few Chinese private companies have invested tremendous innovation spending in recent years," said Steven Veldhoen, Partner at Booz & Co and head of its China Innovation Practice. Huawei Technologies Co, for instance, spent CNY23.7 billion in R&D last year. It is ranked 40th on the Global Innovation 1,000 list, surpassing PetroChina to claim the position of the largest R&D spender among Chinese companies. According to Bill Peng, principal at Booz & Co, Chinese public companies have significantly increased their R&D spending. The total R&D spent by 2011 Innovation 1,000 companies headquartered in China was USD14.8 billion, compared with USD11 billion the previous year, an increase of 34.5% over 2010. The R&D spent by companies headquartered in China represents 2.5% of this year's total, according to the study. A total of 13 Chinese companies were added to the list this year, including China National Chemical Engineering Co, China Shipbuilding Industry Co and Huayu Automotive Systems Co. Analysts said Chinese enterprises' fast growing investment in R&D is an indication of a shift in their business strategy that is aimed at strengthening their core competitiveness. Globally, the innovation spending from the top 1,000 public companies that spent the most on R&D in 2011 increased 9.6% to USD603 billion – an all-time record, according to the survey. Booz & Co also surveyed nearly 700 innovation leaders from companies worldwide to determine which they see as the most innovative companies in the world. Apple, Google and 3M topped the list for the third consecutive year, but the most innovative companies are seldom the biggest spenders, the study confirmed, as the China Daily reports.

Queen's University setting up college in Shenyang

The United Kingdom Queen's University in Belfast is setting up a college in China. About 1,000 Chinese students will study for degrees in pharmaceutical science at the new campus in Shenyang, Liaoning province. The University will establish the China Queen's College in partnership with the China Medical University, one of China's top-ranked universities for health sciences. The new college is set to open next September. About 250 students a year are expected to enroll in the four-year degree programs. Queen's University has also signed collaborative agreements with Shanghai Jiaotong University, Peking University and the Chinese Scholarship Council. Queen's University President and Vice Chancellor Professor Peter Gregson described the establishment of the new China Queen's College as a "red-letter day for Queen's University Belfast, for Northern Ireland and for China".

- The iHuman Institute has been established under the new ShanghaiTech University in the Pudong New Area. It will conduct research mainly on a large family of protein receptors that pass through cell membranes. Cell signaling, a complex form of communication between cells, is the key to how the body functions. The iHuman institute will work on new drug development through studying new signaling molecules and pathways, said Raymond Stevens, an American who is founding Director of the iHuman Institute and a top scientist at the California-based Scripps Research Institute.
- About 1.12 million people took part in the National Public Servant Exam, hoping to obtain one of the 21,000 government jobs to be filled next year. One out of 53 exam takers will be successful in gaining a government post, according to the Civil Service Administration. Most candidates were university graduates. The employment market for college graduates is becoming tougher. The number of college graduates will reach 6.99 million in 2013, 190,000 more than in 2012.

STOCK MARKETS

Future Land Development raises USD265 million

Chinese property company Future Land Development has raised about USD265 million in a Hong Kong initial public offering (IPO), pricing the deal at the bottom of its proposed range in the latest sign of the tough fund-raising environment in the city. Future Land focuses on projects in the Yangtze River Delta. The stock will start trading on November 29. The company became the second real estate developer to price an IPO in Hong Kong at the bottom of its proposed range, following CIFI Holdings Group's USD215 million offering on November 16. The tepid response to the two listings contrasts with the 32% gain in the Hang Seng Property Index so far in 2012. Both companies proceeded with their offerings as they need cash to grow their businesses. Future Land Development plans to use 90% of the proceeds from the IPO to buy new land where it already operates and to expand into other cities, with the remaining 10% set aside for working capital. Future Land's property portfolio includes 28 projects already completed and 46 that are under development, most of them in Changzhou, a city 160 km northwest of Shanghai. Founded in 1996, Future Land is controlled by Wang Zhenhua, who is also the company's Chairman and Chief Executive, with a 72% stake.

New Hong Kong IPOs receive mixed reaction

Shares of bedding maker Casablanca and Chinese property firm CIFI headed in opposite directions on their Hong Kong debut, indicating fresh investor appetite for the domestic consumer sector at the expense of bubbly real estate. Shares of Casablanca soared more than 9% to HKD1.64 on the first trading day, while credit-strapped developer CIFI fell 1.5% below its offer price of HKD1.33. “The lackluster Hong Kong debut of CIFI's offering highlighted investors' wariness over the property market in China, especially the small-sized developers that have been suffering from two years of property curbs and strapped credit conditions,” a Hong Kong-based fund manager said after the market closed. Casablanca raised about HKD100 million and plans to use the bulk of it for expansion on the mainland. The company had wanted to raise about HKD300 million through a dual-currency listing in Hong Kong, but the plan received a tepid reaction. CIFI offered its new shares at a steep 69% discount to net asset value, reflecting its thirst for funding amid heavy debt and sharply declining profitability. Both companies priced their offerings at the bottom of the expected range. The mixed start could bode ill for other listing candidates, such as People's Insurance Company (Group) of China (PICC). Its jumbo USD3.6 billion listing attracted a record 17 cornerstone investors, including AIG and China Life, who will subscribe to USD1.77 billion of its shares.

- The China Securities Regulatory Commission (CSRC) said the minimum reserve ratios for asset management businesses of brokerages have been cut from 2% to 4% to 1% to 2%. The regulator also allowed brokerages to buy bonds on the interbank market.

TRAVEL

China Eastern to buy 60 Airbus A320 planes

China Eastern Airlines has agreed to buy 60 Airbus 320 aircraft for about USD5.4 billion, likely to be delivered in stages from 2014 to 2017. The deal is subject to approval by regulators and the airline’s shareholders. The airline said it did not expect the deal to have a substantial impact on its cash flow position or its business operation. China Eastern said it also sealed a disposal agreement with Airbus for eight of its Canadair Regional Jets and 10 Embraer Regional Jets that have a combined book value of CNY1.5 billion. These 18 aircraft are expected to be delivered to Airbus in stages from 2014 to 2016. China Eastern received a “substantive” discount to the list price of USD5.4 billion for the single-aisle planes, it said in a statement. The A320s will be used mainly on domestic routes, according to China Eastern, which last year switched an order for 24 Boeing 787 wide-body planes to 45 smaller 737s because of waning long-haul demand.

- The first test runs on a high-speed railway that will reduce train trips between Shenzhen and Beijing from 24 hours to nine could begin next month. Once in service, the CNY294 billion railway will connect 28 cities in five provinces – including Henan, Hubei, Hunan, Hebei and Guangdong. It will eventually terminate in Hong Kong, after the Shenzhen-Hong Kong high-speed railway opens in 2015.
- A high-speed rail line linking the northeastern city of Harbin and port city of Dalian will start service on December 1, the Ministry of Railways (MOR) said. The 921-kilometer railway is expected to cut the traveling time between the two cities from nine hours to just around four hours. The line, which has 23 stops, will pass through the provinces of Heilongjiang, Jilin and Liaoning. The trains' speed during the winter was set at around 200 km/h, accelerating to 300 km/h during the summer.
- Hangzhou overcame numerous engineering challenges to officially open its first subway line. The Y-shaped Metro Line 1 connects 31 stations over 48 kilometers, and will carry passengers between the northern and southern ends of the city in less than 70 minutes. Work on the line, which passes under several bodies of water, began in 2007 and cost about CNY22 billion. The subway trains make 100 round-trips a day, and the capacity is 287,000 passengers per day. Fares range from CNY2 to CNY8. By 2020, Hangzhou is expected to have 10 subway lines.

VIP VISITS

Premier Wen attends East Asia and China-ASEAN summits in Cambodia

Chinese Premier Wen Jiabao attended the 7th East Asia Summit and the 15th China- ASEAN Summit in the Cambodian capital Phnom Penh. He said seeking consensus through consultation and accommodating each other’s concerns were the core principles of the

ASEAN way. East Asian countries should follow such spirit when dealing with various issues including territorial or maritime disputes, he added. Ten years ago, China and the ASEAN countries signed the Declaration on the Conduct of Parties in the South China Sea and reached a series of important principles and consensus, Wen said, including maintaining and enhancing peace and stability in the South China Sea. Premier Wen Jiabao and U.S. President Barack Obama discussed economic and security issues, including the growing territorial disputes between China and its neighbors. Wen, who will be stepping down from the post of Premier next March, spoke of the global importance of the Sino-U.S. relationship, urging continuing efforts to build new relations. China, Japan and South Korea also announced the start of trade talks next year. During his visit to Thailand, Wen said that China would buy some 14 million tons of rice Thailand has stockpiled as part of an agreement to expand economic ties between the two countries. Thailand invited Chinese investors to participate in projects, including the Dawei deep-sea port being jointly developed with Myanmar, as well as in areas such as rubber processing, flood prevention and high-speed rail.

ONE-LINE NEWS

- China will continue to face a great shortage of highly skilled management talents in the next decade despite its fast growing economy, Eric Salmon & Partners, a leading executive search firm, said at a briefing in Shanghai. “It’s a very big gap. As Chinese companies go global, the problem will only get worse,” said Derek Hu, Managing Director of the firm in China.
- Shanghai plans to expand its smoking ban to all indoor public spaces, including office buildings, with tougher standards for violations, to improve compliance with the city's smoke-control law. Under current legislation, larger restaurants can still provide designated smoking areas. Smokers now can be fined up to CNY200, but only after they refuse to put out their cigarettes. Under the new draft measure, smokers could be fined without a warning.
- At least 14 people were killed and 47 injured when a huge explosion torn through a busy hotpot restaurant in Jinzgong, Shanxi province on November 23. Local authorities said the explosion might have been caused by liquefied petroleum gas tanks used for cooking.
- Taking bribes of CNY500,000 or more will constitute a major offense, according to an updated set of criminal procedural rules for procuratorates.

QUOTES OF THE WEEK

“For the ideal that I hold dear to my heart, I'd not regret a thousand times to die. For the pursuit of my innocence, I would die with honesty and integrity. I want to tell everyone that I am going to retire in just a few months' time and lead a life in seclusion.”

Chinese Premier Wen Jiabao, in remarks to the Chinese community in Bangkok, partly based on the ancient Chinese poem Li Sao (Words of Departure) by Qu Yuan, quoted in the South China Morning Post, November 23, 2012.

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