



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

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<u>FCCC activities</u>	<u>FCCC New Year Reception – 5 February 2013, 18 h. – Brussels</u>
<u>Finance</u>	<u>Eight companies obtain factoring licenses in Pudong trial</u>
<u>Foreign investment</u>	<u>Shanghai attracts record amount of FDI</u>
<u>Foreign trade</u>	<u>Trade reforms to help China compete</u>
<u>IPR protection</u>	<u>Beijing has the most IP agencies</u>
<u>Macro-economy</u>	<u>Urban residents under increasing financial pressure</u> <u>Only three Chinese CEOs make HBR's Top 100</u>
<u>Mergers & acquisitions</u>	<u>Chinese companies face difficulties sealing M&A deals</u>
<u>Petrochemicals</u>	<u>China Gas to acquire Fortune Oil's natural gas business</u> <u>CAO to set up European office, target the Gulf and India</u>
<u>Real estate</u>	<u>Home prices rise for seventh straight month</u>
<u>Retail</u>	<u>Retail sector shows confidence in fourth quarter</u> <u>Luxury brands reclaim distribution rights</u>
<u>Science & technology</u>	<u>China launches Turkish satellite</u>
<u>Stock markets</u>	<u>Hong Kong loses IPO crown</u>
<u>Travel</u>	<u>More flight connections between Europe and Western China</u> <u>Beijing to Guangzhou high speed train service launched</u>
<u>VIP visits</u>	<u>Chinese delegation holds talks in Washington</u>
<u>One-line news</u>	
<u>Quotes of the week</u>	<u>Wang Qishan</u>
<u>Advertisements</u>	<u>Hainan Airlines, your direct link from Belgium to China</u>

FCCC ACTIVITIES

FCCC New Year Reception – 5 February 2013, 18 h. – Brussels



The Flanders-China Chamber of Commerce (FCCC) is organizing a Chinese New Year reception on February 5, 2013 at 18 h. at the Flemish Parliament, Leuvenseweg 86, 1000 Brussels, with speeches by:

Mr Bert de Graeve, Chairman Flanders-China Chamber of Commerce

His Excellency Mr Liao Liqiang, Ambassador of the People's Republic of China in Belgium

Mr Kris Peeters, Minister President of the Flemish Government, Flemish Minister for Economy, Foreign Policy, Agriculture and Rural Policy

Members: €20

Non-Members: €45

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FINANCE

Eight companies obtain factoring licenses in Pudong trial

Eight companies were given permission to provide factoring services, previously only offered by banks, in a trial program launched in Shanghai's Pudong New Area. Small businesses will be able to sell accounts receivable to the factoring companies, which will provide trade financing for clients, share risks and help manage and collect their receivables. "The factoring business in China is underdeveloped," said Wang Jialin, President and CEO of De Lage Landen (China) Co, which was granted a factoring license. Pudong has set a target of having 30 factoring companies by the end of 2013 and 100 by the end of 2015. Officials said they expect the companies will invest CNY5 billion to CNY8 billion in their clients in the next three years, and help bring CNY25 billion to CNY40 billion in financing to the businesses. Pudong was chosen to pilot the commercial factoring businesses by the Chinese government in June to help small businesses receive financing.

- China will not opt for unrestricted capital account opening even as it gradually makes the yuan convertible over a long period. "We are not saying we will have 100% convertibility or no supervision from the regulator," Zhou Xiaochuan, Governor of the People's Bank of China (PBOC) said. "It is wrong to view capital account opening as equal to the practice of a fully convertible currency, total freedom of cross-border fund transfer and zero supervision," he added.
- China tops the list of developing countries sending illicit money abroad, either to offshore havens or to financial institutions in developed countries, Global Financial Integrity (GFI), a research and advocacy group in Washington DC, said. In 2010, illicit money transferred out of China totaled USD420 billion, the report said, and exceeded USD2.7 trillion for the decade ending in 2010 – nearly half that period's total for all developing countries. Malaysia and Mexico came in second and third place, with more than USD64 billion and USD51 billion in illegal capital exported in 2010.
- China Export & Credit Insurance Corp (CECIC) has received a CNY20 billion capital injection from China Investment Corp, the country's sovereign wealth fund, through Central Huijin Investment. Wang Yi, CECIC Chairman, said the move would strengthen its capital base, improve its underwriting and solvency capacity, and increase its ability to support overseas expansion by Chinese companies.
- The China Banking Regulatory Commission (CBRC) has issued an urgent internal circular requiring banks to check third-party products, mainly insurance, trust products and investment funds, distributed via their branches. Trust firms previously raised funds from individual investors through selling trust products and investing the funds in real estate or private equity to achieve high returns. Trust products are packaged with the fund and attract investors with a yield that is usually higher than deposit rates. Banks should supervise their branches and carry out self-assessment to check if any

problems occur during the sales and approval processes, the CBRC said.

- Sinoma International Engineering, the world's biggest producer of cement equipment, has called in police to investigate the disappearance of bank documents relating to CNY100 million in steel contracts. Last year Chinese banks tightened their supervision of the financing of steel trading companies, resulting in the break-up of the financing chain of some steel traders, Sinoma International said. The company's net profit was CNY1.56 billion on revenue of CNY24.89 billion in 2011.
- The Nansha development zone in Guangzhou is considering to set its income tax rate at the level of Hong Kong. The move has still to be confirmed and approved by the provincial and central governments. Most Hong Kong taxpayers pay no more than a 15% salaries tax, but Hongkongers who work on the mainland for more than 183 days in a 12-month period pay individual income tax at a rate of up to 45%. The Qianhai special zone in Shenzhen has already proposed similar tax cuts to attract Hong Kong investors.
- The Shanghai Futures Exchange aims to transform itself into a corporate entity from a member-owned bourse over the next five years. Chairman Yang Maijun said that separation of the right of trading and equity ownership is more conducive to supervision and could help improve service and encourage innovation. Most global exchanges adopt a modern corporate structure because a member-owned organization could constrain the profit of an exchange.
- The city of Quanzhou in Fujian province has been approved as the third pilot financial reform zone in China. According to a plan jointly released by 12 ministries, the pilot project aims to diversify local financial institutions, explore more innovation in financial products and provide capital backup for small businesses. The other two zones are the city of Wenzhou in Zhejiang province and the Pearl River Delta in Guangdong province. Quanzhou has 130,000 private enterprises, with 77 listed on the stock market. The focus of the pilot zone in Quanzhou is better use of capital from Taiwan and overseas Chinese communities.
- Dagong Global Credit Rating Co put the United States on its Negative Watch List, citing the pending "fiscal cliff" and expanding debt. During the debt ceiling crisis in August 2011, Dagong took the lead in downgrading the local and foreign currency sovereign credit ratings of the U.S. from A+ to A, both with a negative outlook.
- Guangzhou, the capital of Guangdong province, said its local government debt came to CNY241.4 billion at the end of June, the English-language Global Times reported. This is the first time that a local government in China has publicly revealed details of its debt, the newspaper said.
- The Hong Kong Monetary Authority (HMA) announced it has granted a banking license to China Everbright Bank with immediate effect. Hong Kong now has 155 licensed banks.

FOREIGN INVESTMENT

Shanghai attracts record amount of FDI

Shanghai attracted a record USD15.2 billion in FDI in 2012, up 20.5% from a year earlier, the Shanghai Municipal Commission of Commerce said. That compared to a 3.6% decline in China in the first 11 months of last year from the same period in 2011, according to the National Bureau of Statistics (NBS). Investment in the service industries made up 83.5% of the city's total FDI. Investment in the financial sector in Shanghai surged 70% from the previous year, while investment in headquarters of multinational companies jumped 30% from 2011. By the end of 2012, the city was home to 265 investment companies and 403 regional headquarters of multinational companies (MNCs), leading all other Chinese cities. Shanghai has issued a package of new policies, including subsidies and duty exemptions, to encourage more MNCs to set up corporate headquarters and research and development (R&D) centers. Shanghai ranks first among 25 global financial centers in attracting FDI, both in the number of projects and the amount of capital invested, PricewaterhouseCoopers (PwC) said in a report in November.

- China's outbound direct investment (ODI) in non-financial sectors climbed 25% annually to USD62.53 billion in the first 11 months of 2012. Official figures showed

investments were channelled to 3,596 overseas enterprises in 130 countries and regions during the period. According to the Ministry of Commerce (MOFCOM), the turnover of China's overseas-contracted projects totaled USD102.4 billion in the first 11 months, up 10.7% annually.

- Two Chinese firms have reached a deal to build a 400-kilometer rail line, a steel plant and a sea port in Cambodia worth a combined USD11.2 billion. It would be by far the biggest-ever investment in the country. Cambodia Iron and Steel Mining Industry contracted China Railway Group to build a railway to link a steel plant in Preah Vihear province to a port at Koh Kong. The rail link and port would cost USD9.6 billion to build, and the steel plant USD1.6 billion. Cambodia Iron and Steel is a Chinese firm based in Phnom Penh and established in 2006.

FOREIGN TRADE

Trade reforms to help China compete

China is losing some advantages, such as low labor costs, but future reforms will intensify its competitiveness, Wei Jianguo, Secretary General of the China Center for International Economic Exchanges, told China Daily. "It's expected that overall reform, ranging from the tax and fiscal system to the function of the government, will be accelerated in this year," said Wei. The Ministry of Finance already announced that from January 2013, more than 780 products will enjoy lower import duties. In the first 11 months of 2012, China's exports grew 7.3% from a year earlier, while imports grew 4.1%, according to the Ministry of Commerce (MOFCOM). Increasing imports are helping China raise consumption.

- On January 1, China cut import duties on 784 products. The tax rate is lower than the most-favored nation tariff. "The measures are in line with the call of the new leadership to boost imports and domestic consumption," said Jin Baisong, Deputy Director of the Department of Chinese Trade and Studies at the Chinese Academy of International Trade and Economic Cooperation.
- Foreign direct investment (FDI) in China fell 5.4% from a year earlier in November to USD8.29 billion, widening from October's drop of 0.24%, the Ministry of Commerce (MOFCOM) said. In the first 11 months of last year, foreign investors channeled a total of USD100 billion into China, down 3.6% on an annual basis. MOFCOM Spokesman Shen Danyang expected stable growth in 2013.
- A total of 53 trade remedy cases have been launched against China in 2012, affecting USD24.2 billion of exports, seven times the amount in 2011, according to Ministry of Commerce Spokesman Shen Danyang.
- Trade between China and African countries reached USD163.9 billion in the first 10 months of 2012, up 20% year-on-year, and may have reached a new record. The growth in trade with Africa was 14 percentage points higher than the average level, the Ministry of Commerce (MOFCOM) added. China has exempted tariffs on 60% of goods imported from 30 African countries in order to boost trade. The government is also encouraging enterprises to invest in African countries by raising funds and giving preferential loans. Chinese non-financial direct investment in Africa hit USD1.5 billion between January and October, up 17% annually.
- South Korea's Statistics Korea said in an annual report that North Korea's foreign trade with China reached USD5.63 billion in 2011, up 62% from USD3.47 billion in the previous year. China accounted for 70% of North Korea's annual trade, up from 57% in 2010. The volume of North Korea's foreign trade reached USD8.03 billion in 2011, up 32% from 2010.
- A report by export credit insurer China Export & Credit Insurance Corp (Sinasure), warned that Chinese exporters face growing risks in 17 countries, amid the lingering sovereign debt crisis in the European Union and the global slowdown. 45 countries were upgraded. Sinasure also flagged 40 countries for closer risk watch, including Greece, Ireland, Portugal, Spain, Italy, France, Hungary, Ukraine and Belarus. Sinasure insured goods in the EU worth USD63.3 billion in the first 11 months of last year, up 11.1% from the same period in 2011. Sinasure increased its export credit insurance coverage by 40% in 2012.
- The United States surpassed the European Union in the first 11 months of 2012 to

become the largest importer of Chinese goods. The value of U.S. trade with China increased by 8.2% year-on-year to reach USD438.62 billion. China's trade surplus with the U.S. rose to USD200.3 billion in the period. The EU's trade with China decreased by 4.1% year-on-year, while Japan's trade with China also dropped by 2.9%.

IPR PROTECTION

Beijing has the most IP agencies

Beijing had 249 IP agencies by the end of November, one-fourth of the national total, ranking it first in China. The city's 10 outstanding IP agents were recently honored at a conference.

- A developer in Chongqing, Meiquan 22nd Century, is putting up buildings that share the distinctive round contours and white stripes of a 39-floor shopping and office complex conceived by a British-Iraqi designer and being built in Beijing by SOHO China.

MACRO-ECONOMY

Urban residents under increasing financial pressure

More than half of urban residents in China feel under financial pressure, according to a report by the Chinese Academy of Social Sciences (CASS). The top three causes were housing, the cost of living and children's education. Only 18.3% of respondents said they were under less economic stress compared to the year before. In the first three quarters of last year, the actual income growth of urban residents was 9.8%. Only 6.9% of urban families planned to increase household consumption in 2013. More than 60% of the respondents said they would cut consumption to increase savings, compared to 52.4% in 2011. The report said a general sense of economic pressure was the key reason for people cutting consumption and saving more. Urban residents' worries about pensions also showed a steady rise from 2007.

Only three Chinese CEOs make HBR's Top 100

Only three chief executives from mainland China made it to the top 100 in the latest ranking of corporate leaders' long-term performance – indicating that Chinese companies still have work to do to catch up with global competitors, according to the Financial Times. The ranking is based on growth in shareholder returns and market capitalization achieved during the tenure of chief executives appointed since 1995. The 2013 list, published by Harvard Business Review (HBR), is led by Steve Jobs, the late CEO of Apple, Amazon's Jeff Bezos and Samsung's Yun Jong-yong. The highest ranking mainland Chinese Chief Executive on the list is Li Jiayang, former Chief Executive of Air China, at number 17. However, only two others – Wang Dongming of Citic Securities and Dong Mingzhu of Gree Electric – make the top 100. Chinese business leaders told the study's authors – Morten Hansen of the University of California, Berkeley and Herminia Ibarra and Urs Peyer of Insead – that “as the country's companies become more innovation-focused, their performance will improve”. The study is one of the few to assess the long-term performance of corporate leaders, at a time when shareholders are increasingly focusing on short-term share price and earnings movements. Among the 3,143 CEOs analyzed, the average rank of Chinese executives was 176 places lower than the average rank of U.S. executives. Only three Chinese (mainland) companies' CEOs made the top 100, though 17% of all the executives studied were from China, the compilers added.

- One in three Chinese entrepreneurs with personal assets of more than CNY100 million has emigrated and about half of the total number are considering leaving the country, according to a report by the Chinese Academy of Social Sciences (CASS). In March last year, the number of Chinese entrepreneurs worth more than CNY100 million was 63,500, the report said. Their average age was 41. The three most important reasons to emigrate are seeking better education for their children, ensuring the safety of their assets, and pursuit of a better quality of life.
- Shanghai's advanced manufacturing and service companies will invest CNY12.4 billion in 17 projects in Chengdu as the capital of Sichuan province aims to promote a sustainable and environmentally-friendly economy. The projects involve bio-

pharmaceuticals, information technology, auto manufacturing, logistics and organic agriculture. A delegation led by Mayor Ge Honglin visited Beijing and Shenzhen to sign a total of 50 deals worth CNY42.2 billion. So far, 229 of the Fortune 500 global companies have planned to invest in the city, up from 42 in 2002. Chengdu will host the 2013 Fortune Global Forum.

- Foreign Ministry Spokesperson Hua Chunying called for a more “comprehensive, solid and accurate” assessment of China’s economic outlook after a report by credit ratings agency Fitch said that stable outlook dominated emerging Asian sovereign ratings, with the exception of China and India. Hua said the development of China’s economic fundamentals will be sound in the long term.
- In the first 11 months of last year, 12.02 million new jobs were created in China, surpassing the goal of 9 million, the Ministry of Human Resources and Social Security (MHRSS) said. The urban registered unemployment rate stood at 4.1% at the end of September, below the target of 4.6% for last year.
- China’s electricity consumption, an important barometer of economic activities, reached 413.9 billion kilowatt-hours in November with a 7.6% growth year-on-year, a record high in 2012, according to the State Electricity Regulatory Commission. It was the first time all provinces and autonomous regions realized positive growth in power consumption since April. The country’s electricity consumption increased 5.1% year-on-year in the first 11 months.
- The World Bank has raised its forecast for China’s 2013 economic growth to 8.4% from a previous 8.1%, citing more fiscal stimulus and faster implementation of large investment projects.
- The 2012 China Wealth Market Survey of nearly 2,000 millionaires, in terms of U.S. dollars, across China found that the total value of private investable assets in the country was estimated to reach CNY73 trillion last year with a 14% annual increase. The average growth rate from 2009 to 2011 was 24%. Meanwhile, the number of China’s high-net-worth households with investable assets worth more than CNY6 million rose 17% to 1.74 million, a dramatic slowdown from the average 38% increase over the past three years.
- Improving income distribution will be a priority of the nation’s fiscal targets for 2013, the Ministry of Finance said in a statement. Measures will include tighter controls on salaries in monopoly industries – mainly state-owned companies – and those of high income individuals, regulating subsidies granted to civil servants, and relieving low-income individuals of the pressure of education, medical and housing costs.
- Local governments are encouraged to introduce detailed measures and policies to spur private investment, which took up 62% of total social investment in the first 11 months of last year, 2 percentage points higher than in the same period of 2011. Private investment has been dominant in a majority of industries such as agriculture, manufacturing, retail and wholesale, hotel, and property development, a Chinese government statement said. In 2010, China opened a range of government-run industries to the private sector for investment.
- Agriculture Minister Han Changfu said the government would aim to narrow the gap between rural and urban residents by keeping the annual rate of income growth in the countryside at a minimum of 7.5%. He said urban policies should focus on fostering new sustainable agricultural business models to encourage young migrant workers to return home to farm. Han highlighted a critical “lack of sustainable manpower” in the country’s agriculture sector, with more than 60% of young migrant workers saying they have no plans to return to farming.
- By 2015, individual out-of-pocket medical spending will be reduced to below 30% from the current 34.8%, Vice Minister of Health Zhang Mao said at the launch of the country’s first white paper on medical and health services. Citizens in many developed countries pay about 20% of their medical bills out of pocket, thanks to sound health insurance coverage. The figure in China has declined to its current level from nearly 60% in 2001, said the white paper.
- Vice President Xi Jinping said lifting tens of millions of people out of poverty remains the biggest challenge for the new leadership in its bid to build a moderately prosperous society by 2020. Xi made the remarks during a visit to Luotuowan village and Gujiatai village in Baoding, Hebei province. In his first trip to destitute rural areas since becoming Communist Party General Secretary in October, Xi also blasted

widespread corruption, especially the embezzlement and misuse of funds aimed at reducing poverty.

- The HSBC purchasing managers' index (PMI) for December climbed to 51.5 from 50.5 a month earlier, signaling an accelerated pace of expansion. The latest PMI shows that for the time being, China has been able to rely on domestic demand to compensate for external weakness. The new-orders sub-index in the PMI rose to a 23-month high of 52.9, up from 50.8 in November. At the same time, the new export orders sub-index fell to 49.2 in December from 52.1.
- The National People's Congress Standing Committee amended China's labor law to ensure that workers hired through contracting agents are offered the same conditions as full employees. The amendment takes effect on July 1. Contracted laborers now make up about a third of the workforce at many factories, and in some cases account for well over half.
- The non-manufacturing purchasing managers' index rose to 56.1 last month from 55.6 in November, the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing said. "While modest, the improvement is the third straight gain, which confirms continued recovery of the Chinese economy," Dariusz Kowalczyk, Senior Economist for Asia except Japan at Credit Agricole, said in a research note. The official manufacturing PMI remained above 50 for the third consecutive month in December, while the HSBC manufacturing PMI, which favors private and export-oriented companies, hit a 19-month high in December. China's services sector generated 43% of China's GDP in 2010 and by last year provided nearly 36% of new jobs, exceeding the agricultural sector for the first time.
- Construction on China's biggest planned nuclear plant – the Shidao Bay nuclear plant in Rongcheng, Shandong province – resumed in December. The plant, which will be cooled by high temperature gas, will become "the world's first successfully commercialized fourth-generation nuclear technology demonstration project". There are 15 operational commercial nuclear reactors in China.

MERGERS & ACQUISITIONS

Chinese companies face difficulties sealing M&A deals

Chinese companies are increasingly using overseas mergers and acquisitions (M&As) as a way of acquiring new capabilities as they expand globally. But when it comes to sealing the deal, Chinese acquirers score low compared with buyers from other countries, according to a study by Olga Hawn of North Carolina-based Duke University. Cross-border deals involving Chinese companies are almost twice as likely to break down (15% of the time) as deals involving other BRIC nations Brazil, Russia and India (8%) and three times as likely as those involving Western multinationals – 5%. There are a number of reasons for this. Among them, the relatively recent Chinese entry into the cross-border acquisition market, political suspicion of Chinese firms in many target countries, and political issues at home about which companies are allowed to take advantage of growth opportunities. There are also challenges in completing deal funding, and the fact that many Chinese companies are at the forefront of particularly dynamic global markets. No matter how logical an explanation for cancellations, failed deals damage Chinese companies' ability to expand and adapt. While some are unquestionably becoming more sophisticated in making overseas deals, they need to think about how to reduce cancellations once acquisitions are announced.

The study by Duke University presented eight key lessons for successful deal making. It recommended considering other routes such as licenses and collaborative alliances, or even setting up an internal exploratory unit to try out new technology and markets. It recommended reserving M&As for when there is no other way out and to foster in-company due diligence experts, because internal staff members have a more nuanced understanding of the company's needs and M&A opportunities, and hence can better assess a target's strategic value. Before going too far in the negotiating process, it was also important to assess the extent of the likely reaction to the deal. In the face of high resistance, it might be wiser to explore whether comparable opportunities exist in more "friendly" countries, or whether intermediate options such as an initial alliance may be more promising. While some deals are blocked in the target country, others fail because of opposition at home. Devoting substantial effort as early as possible to identifying the major integration milestones, is also recommended in the study, as reported in the South China Morning Post.

- Chinese venture capital and private equity companies will see a record year in 2013 measured by both the number and value of the deals they complete, according to PricewaterhouseCoopers (PwC), but they would still find it difficult to exit from some of their investments. China-focused venture capital and private equity companies raised USD35.8 billion in the first three quarters of 2012, close to the amount for the same period of last year.
- Outbound merger and acquisition deals by Chinese companies are expected to increase, according to a report by Chinese research firm ChinaVenture Group. The main sectors for M&A activity are expected to be energy, engineering machinery and infrastructure, which require significant funds and policy support. "China has a huge demand for energy and is going abroad to seek opportunities," said Wan Ge, author of the report and an Analyst at ChinaVenture.
- Zoomlion Heavy Industry Science and Technology Co, China's second-biggest construction equipment maker by market value, has offered USD236 million to buy the remaining 41% stake in a unit from Goldman Sachs Group and other investors. The unit, Zoomlion CIFA (HK) Holdings Co, was formed after the Chinese equipment maker and investors including Goldman acquired Compagnia Italiana Forme Acciaio (CIFA) in 2008. Goldman owns 12.8% of Zoomlion CIFA, while Chinese private-equity company Hony Capital has 17.8%. Chinese-Italian buyout fund Mandarin Capital Partners holds 8.9%.

PETROCHEMICALS

China Gas to acquire Fortune Oil's natural gas business

Fortune Oil said it would sell its natural gas business to China Gas Holdings for USD400 million, giving it the option to raise its stake in the Chinese firm. Fortune Oil held an 18.4% stake in China Gas as of November 16. China Gas, which sells liquefied petroleum gas (LPG) and piped gas to residential and commercial users in China, will pay Fortune Oil USD200 million in cash on completion of the deal and a further USD200 million as deferred consideration. China is moving to double the share of gas in its overall energy supply to more than 8% by 2015, when consumption is forecast to reach 260 billion cubic meters. China Gas has agreed to pay Fortune USD340 million for its 85% stake in the gas assets, and pay USD60 million for the remaining 15% held by Singapore-listed edible oil and sugar producer Wilmar International. Fortune and China Gas' largest shareholder Liu Minghui have a joint venture that holds 18.4% of China Gas. Fortune's gas assets posted a pre-tax profit of GBP7 million in last year's first half. China Gas Holdings supplies natural gas to 172 Chinese cities. Buying Fortune Oil's gas business will give China Gas pipelines across seven provinces, a coal bed methane block in Shanxi province, and compressed and liquefied natural gas operations.

CAO to set up European office, target the Gulf and India

China Aviation Oil (CAO) plans to focus on setting up its first European trading office in 2013 to meet growing demand from budget airlines, while it also might target the Gulf and Indian markets, Chief Executive Meng Fanqiu said. It will also study the Australian market to identify growth opportunities as the country's imports of oil products increase with the closure of ageing refineries, Meng said. CAO imports most of China's jet fuel needs and its top customers include the nation's three biggest international airports. According to CAO's projections, jet fuel consumption by China will grow by 9% to 10% in 2013, near 2012 levels but lagging average annual growth of 11% from 2011 to 2015. CAO also supplies jet fuel to airlines in Hong Kong and North America, where it made acquisitions last year. CAO hired a marketing agent in India to look at growth opportunities there. It currently supplies jet fuel to Indian airlines in China through its subsidiary China Aviation Oil (Hong Kong). The company has also started supplying at least one cargo of jet fuel to the Middle East through an existing representative office of its parent company, China National Aviation Fuel Group Corp, Meng said. The company has three main aims – to develop from a regional to a global company, to expand its focus from jet fuel trading to include other oil products, and to acquire assets to support its expansion plan, the South China Morning Post reports.

- China Petrochemical Corp, parent of listed Sinopec, agreed to buy a 49% stake in the British subsidiary of Canada's Talisman Energy for USD1.5 billion. The unit has stakes

in 51 oil and gas fields in the North Sea, with proven and probable recoverable oil and gas reserves of 489 million barrels of oil equivalent (BOE).

- BP has agreed to sell its 34.3% stake in China's Yacheng gas field in the South China Sea to the state-owned Kuwait Foreign Petroleum Exploration Co for USD308 million cash.
- The Hong Kong government has approved an agreement by CLP Power Hong Kong, the supplier of electricity to Kowloon, the New Territories and Lantau Island, to buy natural gas from state-backed PetroChina's second west-east pipeline over the next 20 years. Gas supply will start early next year, to gradually replace the depleting supply from a field in the South China Sea near Hainan Island.
- The Sinopec Group said that it will jointly study shale gas development with ConocoPhillips in southwest China's Sichuan Basin over the next two years. ConocoPhillips will carry out two-dimensional seismic surveys and drill two wells. Sinopec said the cooperation would help improve its shale gas development techniques. China is estimated to hold the world's biggest reserves of shale gas, enough to support the country's gas consumption for nearly 200 years, Moody's said in March.
- China's largest land-based oil and gas drilling rigs maker Honghua Group is aiming for sales of at least CNY10 billion this year. Sales hit CNY3.49 billion in 2011 and CNY1.97 billion in the first half of last year.
- PetroChina Daqing Oilfield produced 40 million tons of crude oil in 2012, the China National Petroleum Corp (CNPC) said, the 10th consecutive year for the country's largest oil field to yield more than 40 million tons of crude oil. Previously, the oilfield had seen annual output exceed 50 million tons, but output shrank due to increasing difficulties in oil exploitation.

REAL ESTATE

Home prices rise for seventh straight month

Home prices in China extended their rally for a seventh straight month in December, with 57 of the 100 major cities monitored seeing higher prices. The average price of new residential properties across the 100 cities edged up 0.23% from a month earlier to CNY9,715 per square meter, according to a China Index Academy report. Twenty-six cities registered a gain of more than 1%, compared with 17 cities in November. Harbin in the northeast led the gainers with a 3.68% rise. Forty-three cities, meanwhile, reported price drops, with 21 seeing a fall of more than 1%, compared with 10 in November. The average price for a new home in China's 10 largest cities advanced 0.45% from November to CNY16,157 per sq m. Year-on-year, it rose 1.06%. Transactions of new apartments, excluding subsidized affordable housing, exceeded 1.2 million sq m in Shanghai in December, the highest monthly volume in two years, Shanghai Uwin Real Estate Information Services Co said in a separate report. That represented a rise of 23% from November and a 109% surge year-on-year. The new homes were sold for an average CNY21,943 per sq m across the city, an increase from November of 0.77% and a decrease from December 2011 of 1.06%, Uwin data showed. "Though the monthly volume hit a 24-month high, the minor growth in average price indicated that first-time buyers with limited budgets continued to be the mainstream consumers," said Huang Zhijian, Chief Analyst at Uwin. Last year, Shanghai saw new home sales exceed 9.38 million sq m, up 28.9% on 2011. They cost an average CNY22,461 per sq m, up 2% from 2011, the Shanghai Daily reports.

- Hong Kong remained the world's most costly business location, according to a survey by CB Richard Ellis. Hong Kong's Central had an overall occupancy cost of USD2,656 per square meter per year, followed by London's West End and Tokyo. Beijing's central business district (CBD) remained unchanged at No 4 at USD1,990.78 per sq m and the capital's Finance Street ended No 6 at USD1,933.09 per sq m. Shanghai's Pudong New Area advanced two spots to No 15 at USD1,252.48 per sq m while Puxi retreated six spots to No 17 at USD1,165.19.
- Among 20,000 residents surveyed in December by the People's Bank of China (PBOC) in 50 cities, 29% of respondents said they expected housing prices to rise in the first quarter, up 11.3 percentage points from the beginning of last year. 15% of people surveyed planned to buy a residential property within three months, 1.5 percentage points more than a year earlier. About 67% of residents said present

housing prices were too high, 6.2 percentage points less than a year earlier.

- A plot of land next to the north Bund area in Shanghai's Hongkou district became the most expensive in China when it sold at auction for CNY5.68 billion. The buyers were the Shanghai International Port (Group) Co and affiliate Wei Wang Property Development Co. The price per square meter was CNY23,330, 21% higher than the starting price. The previous record was CNY5.62 billion, or CNY7,753 per sq m, paid for a land parcel in Nanjing in November.
- China will extend purchase restrictions on housing and maintain its tight credit and tax policy on multi-home buyers, the Ministry of Housing and Urban-Rural Development said. The Ministry will also speed up work to expand property tax trials beyond Shanghai and Chongqing.
- China's property market is expected to bounce back this year, propelled by the new leadership's push to make urbanization its top priority, according to Frank Tang, Chief Executive of FountainVest Partners, a China-dedicated private equity firm partly financed by Singapore's wealth fund Temasek. Tang said the real estate business will "turn warm", particularly in second- and third-tier cities.
- Shanghai International Port (Group) Co and a subsidiary of Sinochem Group jointly bid CNY5.68 billion for a 40,577-square-meter tract in Shanghai. It was sold for CNY23,330 per sq m of gross floor area, the priciest in China's land market this year.
- Soho China Chairman Pan Shiyi has been accused of posting sensitive information on certain listed companies on his micro-blog, causing the companies' stock prices to fluctuate by as much as 8%. Pan has almost 14 million followers on Sina Weibo. On December 6, 2012, Pan congratulated Zhejiang Hangxiao Steel Structure on winning a contract for a Soho project. The company's price rose 6% after the post. In a similar post revealing Beijing's Jiangho Curtain Wall winning a Soho contract last October its stock price rose 1.86% within six minutes of Pan's Weibo message.
- Last year 8.02 million square meters of land were sold for CNY87.58 billion in Shanghai, a plunge of 40% and 26%, respectively, from 2011, Soufun.com, China's largest real estate website operator, said in a report. "The city's land sales hit a three-year low in 2012 in terms of both transaction volume and value," said Soufun Analyst Zhang Wanyu. The sales of land for residential properties, excluding government-funded affordable housing, fell 37% annually to 3.04 million sq m in Shanghai last year, while the sales value fell 16% annually to CNY39.3 billion.
- Developer Country Garden achieved about CNY47.6 billion in contracted sales last year, a 10% increase on the previous year. It sold about 7.64 million square meters in gross floor area in 2012, a year-on-year growth of 11%. The average selling price was about CNY6,231 per sq m, on par with 2011. Guangzhou R&F Properties said it met its 2012 sales target of about CNY34.2 billion.
- Taiwan's first housing project to be built with mainland investment is due to open in 2014, and is attracting buyers from around the world. Two towers, with a hot-spring clubhouse and views of the ocean, are being built in the mountains just north of Taipei. Vantone Capital and its Taiwanese partner, Southern Land Development, expect to open the twin 29-story towers in June 2014. They say the 294 flats are 70% sold.

RETAIL

Retail sector shows confidence in fourth quarter

The China Beige Book survey of more than 2,000 executives revealed that the retail sector had the strongest revenue growth and business expectations in the fourth quarter of 2012. The revenue growth pickup was notable in luxuries and durable goods – furniture and appliances – according to the survey, conducted between October 26 and December 2 by New York-based CBB International. "Retailers' mood remains quite hopeful, with 72% forecasting higher sales in six months, up 4 points on last quarter. A remarkably low 6% foresee declines. 61% of retailers reported higher sales in the fourth-quarter survey than in the third quarter. The biggest increases were seen in Guangdong province, Beijing, the northeast and central regions of China. However, Shanghai and the southwest region recored falls in spending. China's retail sales grew 14.9% year-on-year in November.

Luxury brands reclaim distribution rights

Luxury brands are increasingly reclaiming distribution rights from their Chinese agents to assert tighter control of sales channels and better meet the growing sophistication of shoppers. The latest example is British fashion house Jimmy Choo, which has acquired its China business from partner Kutu. Other big brands, including Montblanc, Burberry and Chloe, also bade farewell to their distributors or agents to run most of their shops on their own. “Chinese luxury fashion consumers are younger, better informed, more exposed globally and ultimately very sophisticated. Having control in the market will allow us to further develop the brand and our business and become closer to our customers in the region,” Jimmy Choo Chief Executive Pierre Denis said. The London-based brand has opened three stores – in Shanghai, Beijing and Nanjing – since it launched in China in 2009. It plans to raise the number to 30 in the coming years. The Chinese market has never been more important for luxury brands. Last year, Chinese shoppers surpassed Americans to become the world’s biggest spenders on high-end bags, apparel and jewelry, according to a study by consultancy Bain & Co. Sales to Chinese consumers accounted for 27% of global luxury consumption, compared with just 1% in 1995. “The competition to grab high-end consumers is getting tougher,” said Bruno Lannes, Bain Partner and author of the “China Luxury Market Study”.

- Chinese sportswear group Li Ning projected a “substantial” full-year loss as the firm plans to spend CNY1.4 billion to CNY1.8 billion to lift sales. Li Ning said in a filing to the Hong Kong stock exchange that it plans to cut excess inventory levels and improve its sales network under its latest move to revive the firm after it announced in July the departure of Chief Executive Zhang Zhiyong.
- A CCTV news broadcast in December said some poultry suppliers in Shandong province had been found to be accelerating the growth of chickens by using harmful chemical feed. Food and drug authorities inspected batches of chicken reported to be fed chemicals laced with illegal medicine and 18 kinds of antibiotics to keep them alive and boost their growth. Food safety authorities closed two chicken farms in Qingdao.
- Suning Appliance, China’s biggest electronics retailer by market value, is raising CNY4.5 billion in its first public bond sale as it seeks to challenge e-commerce giants with its own web venture. The store operator offered the five-year notes at 5.2%. The retailer aims to expand its web business to cover at least 99% of the cities in China by 2020.
- Big-name instant noodle producers – including Master Kong Beef Noodle, Uni-President Pickled Cabbage Beef Noodle, Nongshim Spicy Cabbage Instant Noodle and Jinmailang Beef Noodle – have come under fire after they were found to use packaging containing excessive levels of fluorescent agents, suspected of causing cancer, and some packaging is said to be made from waste paper. Only the inner paper packaging is routinely tested.
- The Shenzhen Market Supervision Administration found unacceptable levels of benzoic acid and sorbic acid in 38 of 200 samples collected from hotpot restaurants and supermarkets in the city. The survey found preservatives in beef tendon balls, pork balls, beef balls and mushroom balls. Excessive levels of benzoic acid can affect the liver and kidneys and its use is prohibited in fresh food. Two of 27 hotpot soups sampled were also found to contain either excessive preservatives or the dye rhodamine B, a possible carcinogen that is banned in food production.
- Italian shoemaker Salvatore Ferragamo raised its stake in distribution joint ventures with ImagineX Holdings and ImagineX Overseas to 75% from 50% and renewed distribution agreements until the end of 2019. The move followed a similar deal with Chinese distribution partner Trinity last year. Ferragamo has more than 100 sales points on the mainland, Hong Kong, Macao and Taiwan.
- Hong Kong’s retail sales rose 9.5% to HKD36.5 billion in November. For the first 11 months of last year, retail sales rose 9.9% in value and 7.1% in volume. The items with the biggest rise in sales volume were consumer durable goods, followed by electrical goods and photographic equipment and optical goods.
- Chinese bankcard spending jumped 38% during the three-day New Year holiday from a year earlier, said China UnionPay, the country’s sole bankcard transaction firm. Overseas spending grew 23% with Southeast Asia a popular destination.

SCIENCE & TECHNOLOGY

China launches Turkish satellite

China sent a Turkish Earth observation satellite into orbit in December. It marked the 174th flight of the Long March series of carrier rockets. Twenty-eight satellites and spacecraft were sent into space in 19 launches last year, according to the State Administration of Science, Technology and Industry for National Defense. All were successful. This year, China plans to send about 20 satellites into space and carry out a manned space docking test between Tiangong-1 and the Shenzhou X in June. In the second half of the year, the Chang'e-3 moon probe will be launched to land on the moon.

- The “Blue Book of China’s Society” from the Chinese Academy of Social Sciences (CASS) revealed that only 76% of 2012 graduates had been able to find jobs. Even among those who have found work, job satisfaction has been low, with about two-thirds of 2011 graduates claiming to have worked at least one to two different jobs since graduation. Job hopping has become commonplace, according to the report. Only 1.6% of university graduates felt satisfied with their employment situation. Chinese universities produced 6.8 million university graduates in 2012.
- China is setting up a national cancer registry to fully understand the extent of the disease and to help improve cancer prevention policies. The registry center under the Ministry of Health has so far set up more than 220 surveillance sites, covering some 200 million people. The system will be able to gauge cancer trends and patterns from which it will be possible to better allocate resources, improve research and evaluate and improve cancer control programs. There are 2.8 million new cancer cases in China each year and the number is expected to reach 3.8 million within the next decade.
- Migrant parents expressed disappointment after the cities of Beijing, Shanghai and Guangdong announced only a modest relaxation of residency restrictions for college entrance exams (gaokao). The Beijing municipal government released a “transitional document” that allows migrant pupils to sit for gaokao in Beijing from 2014, provided their parents have contributed to the social security fund for six consecutive years. Even then, exam takers would have access only to tertiary vocational colleges.

STOCK MARKETS

Hong Kong loses IPO crown

Hong Kong is no longer the IPO capital of the world. After three years of topping the global rankings for initial public offerings, last year the city fell to fourth place, only narrowly beating Kuala Lumpur thanks to the listing of the People’s Insurance Company of China (PICC). Although the IPO went through, it was priced at the bottom end of the range and came with 17 book runners – a record for any IPO anywhere in the world. With sentiment weak, Hong Kong has failed to attract any new international listings last year. According to Dealogic, Hong Kong’s overall share of new listings business fell from 18.8% to just 8.7%, below Nasdaq and Tokyo. Hong Kong still has a number of things in its favor. The Shanghai exchange has a backlog of about 800 companies waiting to list, raising concerns among investors that the new issues will leech liquidity from existing shares. Chinese regulators are said to be encouraging companies to look elsewhere. The Chinese market is also largely closed to foreign investors, but for Chinese companies looking to raise money, Hong Kong still represents the most attractive option in the region, say bankers.

- The China Securities Regulatory Commission (CSRC) will lower the benchmarks for Chinese mainland companies that want to go public in Hong Kong. A specific plan will be announced soon. It will help cut the number of companies waiting to list on mainland exchanges, and represents a lower-risk alternative to seeking a listing overseas.
- Midea Group, a large home appliance maker, is restructuring more than CNY90 billion worth of assets. The decision is thought to be a prelude to a possible listing, analysts said. The group, headquartered in Guangdong province, makes large and small appliances and mechanical and electrical equipment, and has about 200 subsidiaries.
- The capital raised through IPOs in China’s A-share market may increase by up to 30%

in 2013 after the amount plunged to a three-year low in 2012, Ernst & Young said. Although IPOs are expected to remain scarce in the first quarter of 2013, the policies of China's new leadership will lead to IPOs becoming more common in the second quarter, said Terence Ho, Greater China strategic growth markets leader for Ernst & Young. "A reasonable estimate would be for the number of IPOs for the whole year to increase by 20% to 30%, which means the total amount of money raised will be around CNY130 billion."

- The China Securities Regulatory Commission (CSRC) has fined three men between CNY300,000 and CNY168 million for manipulating share prices of four companies – Shaanxi Aerospace Power Hi-Tech Co, Ningbo Bird Co, Sichuan Chengfei Integration Technology Corp and United Mechanical & Electrical Co. Last year the CSRC investigated 103 cases, up 27% from a year earlier.
- Taiwan and the mainland will start talks during the next three months aimed at setting a framework for mainland companies to list on the Taipei bourse, Taiwan's regulator, Chen Yuh-chang, Chairman of Taiwan's Financial Supervisory Commission, told the Legislative Council.
- The China Securities Regulatory Commission (CSRC) released new guidelines to allow listed firms to use idle funds raised from the stock market for fixed-income investments such as government bonds and bank financial products. The new rule also extends the period for the idle funds raised to be used as temporary working capital by listed firms from six months to a maximum of one year.
- Some Chinese stock investors are withdrawing from the market. Investors emptied 293,000 accounts in the first three weeks of December. The number of stock accounts containing funds fell to 55.31 million, the lowest level since the week to November 19, 2010. At the end of December, the Shanghai Composite Index was 63% below its peak of 6,092.06 reached in October 2007 after falling for the past two years.
- The China Securities Regulatory Commission (CSRC) will require companies which filed applications for initial public offerings (IPOs) on the Shanghai and Shenzhen exchanges to verify their financial status in the first quarter of 2013. The announcement led to a rise in the stock index. Over 800 firms have applied to launch IPOs on the two bourses, seeking to raise about CNY500 billion.
- The Shenzhen Stock Exchange will delist two loss-making firms, Jiangsu Chinese Online Logistics Co and Powerise Information Technology Co, after they failed to win approval to resume trading. Trading of Jiangsu Chinese Online Logistics was suspended in May 2006 because the company posted losses for three consecutive years from 2003 to 2005. Powerise Information Technology was suspended in May 2007 for losing money for three straight years from 2004 to 2006. Two other companies, Dandong Chemical Fibre Co and Sichuan Direction Photoelectricity Co, were allowed to resume trading. Forty-five companies have been delisted from the Shanghai and Shenzhen bourses since last year.
- Trading in shares of China Vanke Co, the country's largest property developer by market value, was suspended in preparation of a possible plan to move its shares in the B-market to the H-market.
- Former Morgan Stanley Managing Director Du Jun, who was convicted to seven years in jail – later reduced to six years – in Hong Kong's biggest-ever insider trading case, has withdrawn his application to appeal against the decision. Civil proceedings against him under Section 213 of Hong Kong's Securities and Futures Ordinance can now proceed without delay as the criminal procedure has been completed. Du Jun was arrested in 2008 when he came back to Hong Kong briefly after fleeing to the mainland.
- A Chinese property developer and an apparel retailer will be the first two companies to debut on the Hong Kong stock exchange in 2013. Golden Wheel Tiandi, a Nanjing-based real estate developer founded in 1994, is set to raise as much as HKD890 million. With a focus on commercial and retail projects linked to metro stations or transport hubs, the developer had a land bank of about 290,000 square meters. Speedy Global, an apparel retailer that also designs, sources and manages logistics for owners of retail brands such as Giordano, aims to raise up to HKD123 million to expand. Both companies will announce the pricing of their shares on January 8.
- China Galaxy Securities has filed applications with regulators for a USD1.5 billion initial public offering (IPO) in Hong Kong and Shanghai. The offering was expected in

the second quarter, probably in April. However, whether the two listings would happen simultaneously would depend on the securities regulator, which has been maintaining a tight grip on supply owing to concern about the health of the stock market.

TRAVEL

More flight connections between Europe and Western China

British Airways (BA) announced it will launch a non-stop route between London and Chengdu, Sichuan province, in September 2013. The carrier will run three flights weekly on the route, using Boeing 777 airplanes. It took BA over seven years after choosing Shanghai as its third Chinese destination to select Chengdu as the fourth one. Air France-KLM Group has run its Chengdu-Amsterdam route since 2006, and at the end of 2011, Etihad Airways introduced a Chengdu-Abu Dhabi route. Doha, Melbourne and Frankfurt will be the next foreign cities to become connected to Chengdu. Other cities in western China are also welcoming additional international routes from foreign airlines. Qatar Airways selected Chongqing as its fifth Chinese destination in November 2011, while Finnair added Chongqing to its network in May 2012. The market in western areas is still in a preliminary stage, Li Lei, Aviation Analyst at Citic Securities Co said. Chengdu plans to build a new airport in Jiayang city, said Yan Yuhua, Manager of the Aviation Market Department of Chengdu Shuangliu International Airport.

Beijing to Guangzhou high speed train service launched

The Beijing to Guangzhou high speed train service started on December 26. Ticket prices were set at CNY865 in second class to CNY1,383 in first class and CNY2,972 for the VIP lounge – slightly cheaper per kilometer than the Beijing-Shanghai high-speed service. However, the eight-hour journey costs about the same as commonly available discounted airline tickets for flights that complete the journey in only three-and-a-half hours. The 2,298-kilometer track connecting the capital to the Pearl River Delta is the world's longest bullet-train line. It will eventually allow high-speed trips between Beijing and Hong Kong, after the Shenzhen-Hong Kong high-speed link's scheduled completion in 2015. A total of 155 pairs of trains will run on the new line daily, and there will still be 183 pairs of trains running daily on the old Beijing-Guangzhou line that runs parallel to the high-speed line.

- The government of the Tibet autonomous region will invest CNY100 million a year to encourage airlines to operate routes in Tibet. Airlines which launch routes between Tibet and domestic cities will receive CNY10,000 to CNY20,000 for each flight in the first three operating years. Carriers that open new routes within the autonomous region or from Tibet to international destinations also will receive rewards.
- Beijing is expecting at least 2 million more overseas visitors to the capital next year as a result of the decision to ease visa requirements for foreigners from January 1. The new policy, which will permit visitors from 45 countries to spend 72 hours in the city without a visa, is aimed at attracting more airport transit passengers. Last year, 5 million transit passengers passed through Beijing Capital International Airport without entering the city and it is estimated that at least half of them would have liked to tour the city.
- Shanghai's two largest taxi companies – Shanghai Dazhong Taxi Co and Shanghai Qiangsheng Taxi Co – are starting to offer a free, instant taxi-booking app through smartphones' global positioning services. The app transmits a caller's position and sends back the taxi's position and possible arrival time to the cell phone. Currently there is only a Chinese version of the app.
- Shanghai is to become the second region to allow duty-free shopping for individuals traveling domestically, part of the city's efforts to become an international trade center. Hainan province piloted the plan on January 1, 2011, with visitors and local residents able to buy tax-free commodities from designated stores before flying to other destinations on the mainland.
- Smoking on high-speed trains may lead to five to 10 days detention as the previous punishment of a fine of CNY200 did not deter smokers. A series of smoking cases have forced bullet trains to slow down and even stop for safety reasons last year.
- Xiamen Airlines, 51% owned by China Southern Airlines, has sold its 15% stake in Hebei Aviation to Shenzhen-listed Jizhong Energy for CNY1.9 billion. The deal was

approved by the China Southern board.

- Beijing Capital International Airport welcomed its 80 millionth passenger this year on December 26, reaching its designed capacity five years ahead of schedule. It remains the world's second-largest airport in terms of passenger traffic, trailing only Hartsfield-Jackson Atlanta International Airport in the United States, which handles nearly 90 million passengers a year. Beijing's airport estimates that its yearly total will exceed 90 million by 2015.
- Beijing has put one subway line and three extensions into operation as part of the capital's efforts to expand its public urban transport network and ease traffic congestion. The openings bring the number of lines in Beijing to 16 with a total length of 442 kilometers. Beijing's four new subway lines cost about CNY83 billion. The network will extend to 664 km in 2016, connecting all seven newly established districts around the city's main urban area.
- Wuhan transport authorities have begun testing the first subway line to cross the Yangtze river. The No 2 line links Wuchang to Hankou, two major districts on opposite sides of the river. The line is expected to handle half of the city's cross-river traffic, easing bridge congestion and reducing travel time to three minutes.
- Air China launched a new daily flight from Wuhan to Los Angeles via Beijing, the 20th international route to originate from Hubei's provincial capital, China News Service reports. Wuhan Tianhe International Airport handled 14 million passengers last year, a 12% year-on-year increase.
- Hainan tourism authorities have agreed to cap nightly room rates at CNY5,000 during the Lunar New Year next month in an effort to clamp down on profiteering by hotels. The cap is expected to drive down the price of local tour packages by at least 20%, with typical tours costing between CNY8,000 and CNY13,000. More than 1.35 million visitors came to the island during the Spring Festival holiday in 2012.
- China Southern Airlines Co is among four carriers from the mainland and Taiwan to form a regional alliance to challenge Cathay Pacific Airways on cross-Strait direct flights. Frequent travelers of any alliance member can redeem miles for tickets and enjoy rewards such as free use of business lounges from any of the four carriers. The grouping also includes China Eastern Airlines, Taiwan-based China Airlines and Xiamen Airlines. All four carriers belong to the SkyTeam Alliance, one of the big three global airline alliances. Their cooperation is seen as a threat to Cathay Pacific, which partners with British Airways in Oneworld, as transiting passengers to and from Taiwan are a major source of revenue.
- Combined passenger throughput at Shanghai's Pudong and Hongqiao airports rose 5.56% year-on-year to 78.70 million last year, nearly triple that of a decade ago. Passenger throughput is expected to reach 100 million by 2015.
- Hong Kong Airlines announced it will end its services to Tokyo on January 10, after it suspended flights to Osaka last October, to "tighten" its focus on regional routes. A Spokeswoman said the airline had carried 30% more passengers this year than the previous year. The Hong Kong-based airline was established in 2006 and operates 21 aircraft flying to international locations including Bangkok and Brussels, and to various locations in mainland China.
- Heavy fog stranded more than 10,000 passengers in Kunming, Yunnan province, for up to three days last week. Some passengers became impatient, tussling with police and even seizing check-in counters. Yunnan Vice Governor Liu Ping visited the airport in an effort to calm down the crowd as riot police were called in. The chaos subsided on Saturday evening after the last stranded passengers boarded their flights.

VIP VISITS

Chinese delegation holds talks in Washington

A delegation led by Vice Premier Wang Qishan held talks in the U.S. in December with Trade Representative Ron Kirk, acting Commerce Secretary Rebecca Blank and Agriculture Secretary Tom Vilsack. The U.S. officials pushed China to drop restrictions on U.S. livestock and farm products, take stronger action to stop counterfeiting and piracy of American goods, and reduce pressure on U.S. companies to transfer valuable technology to do business in China. The U.S.-China Joint Commission on Commerce and Trade (JCCT) meeting is held

annually.

- Communist Party General Secretary Xi Jinping said the central government would continue its support for Hong Kong Chief Executive Leung Chun-ying's administration, and praised his work as "proactive" and "pragmatic". Xi made the remarks during a meeting with Leung in Beijing, who was on his first duty visit to the Chinese capital as Hong Kong's leader.
- Chinese Communist Party General Secretary Xi Jinping attended the third meeting of the dialogue mechanism between the ruling parties of China and Russia in Beijing. Boris Gryzlov, Chairman of the United Russia Party's Supreme Council led the Russian delegation.

ONE-LINE NEWS

- Dr Jiang Hanping, Director of Shenzhen's Health, Population and Family Planning Commission, was being investigated for "serious discipline violations". He was implicated in the case of 16 hospital executives and doctors in Shenzhen who were taken away by investigators in June for suspected links to commercial bribery, including five hospital heads or deputy heads and four hospital department chiefs. Separately, Mao Yixin, Director of the Land and Resources Bureau in Chengdu's Xindu district, was put under investigation after becoming involved in a big property development project.
- Zhang Xiaoming was appointed Director of the central government's liaison office in Hong Kong and Hu Chunhua was named Party Secretary of Guangdong province. Wang Jun replaces Hu Chunhua as Party Secretary in Inner Mongolia, while Xia Baolong has been appointed Party Secretary of Zhejiang province, where he has served as Governor since January. Wang Rulin and Zhao Zhengyong were promoted to the post of Party Secretary in Jilin and Shaanxi province respectively. You Quan was appointed Party Secretary of Fujian province.
- Shanghai Volkswagen Automotive Co (SVW) was granted the honor of "2013 Top Employer in China" in December, coming first among 36 enterprises appraised by Holland CRF. The company has already won the distinction seven consecutive times. "Our employees are the master key to making high quality products and offering excellent service", said SVW's First Vice President and Commercial Executive Vice President Joern Hasenfuss.
- China scholar Richard Baum, who presided over the online discussion forum Chinapol, died on December 14 at his home in Los Angeles. He was 72. He was Professor at the University of California, Los Angeles, and authored books on Mao Zedong and the period leading up to the Cultural Revolution in the 1960s.
- Yang Xiong has been appointed acting Mayor of Shanghai, after his predecessor Han Zheng became the city's Party Secretary. He was a Vice Mayor since 2003.
- An analysis by The Wall Street Journal, using data from Shanghai research firm Hurun Report, identified 160 of China's 1,024 richest people, with a collective family net worth of USD221 billion, attended the Communist Party Congress in October, or were members of the National People's Congress (NPC) or the Chinese People's Political Consultative Conference (CPPCC).
- The Supreme People's Court and Supreme People's Procuratorate clarified that anyone who offers a payment of CNY10,000 or more to a public servant will be committing a criminal offense and will face prosecution. The National People's Congress Standing Committee session said it would step up efforts to draft relevant anti-corruption laws.
- Casino revenue in Macao rose 19.6% year-on-year last month to an all-time high of MOP28.2 billion (Macao pataca). For the full year of 2012, the casino industry recorded a gross gaming revenue of MOP304.1 billion, up 13.5% from the previous year. Despite being a record, the annual growth rate has slowed from the 42.2% of 2011. Grant Govertsen, Lead Analyst at Macau-based Union Gaming Research said robust growth last month was indicative of two things: a surging mass-market customer base and a long-awaited uptick in high-stakes VIP plays.

- The winter in northern and northeastern China is the coldest in the past 27 years, according to the China Meteorological Administration. Beijing is experiencing one of the coldest New Year's holidays in its meteorological history, the municipal observatory said. The extreme cold has largely been attributed to the shrinking of ice in the Arctic caused by global warming, Zhou Botao at the National Climate Center, said. The average temperature in northeast China dipped to -15.3 degrees Celsius, the coldest in 43 years.
- Increased penalties for drivers running yellow lights have been put on hold by the Ministry of Public Security following nationwide protests after the regulation came into effect on January 1. However, the Ministry said the regulation had been effective. Failure-to-stop cases dropped by 66% year-on-year during the first three days after the law came into force.
- Two people died of swine flu (H1N1) in Beijing in the past two weeks. The city reported 28,567 flu patients last week, reaching the highest level since 2008. The peak flu season in China usually corresponds to the coldest months. Flu cases in Beijing are at their highest level in five years and the H1N1 strain has become the most dominant.
- The largest-ever World University Games held last year in Shenzhen caused a huge loss of CNY12.78 billion. The games brought in income of CNY1.217 billion from ticket sales and promotional activities, but the games' expenses were CNY13.996 billion, according to a report by the city's audit office.

QUOTES OF THE WEEK

“Our two countries [China and the U.S.] have to strengthen our economic relationship. We have to come to terms with the fact that we have become interdependent and inseparable. When we say we are opening up in China, it's not just empty talk.”

Chinese Vice Premier Wang Qishan, speaking after trade talks in Washington, quoted in the Shanghai Daily, December 21, 2012.

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