法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 26 MAY 2014

FCCC ACTIVITIES

Meeting with Chinese Business Delegation to Brussels – 12 June 2014 – Brussels

The EU Project Innovation Center (EUPIC) – the leading partner of Enterprise Europe Network (EEN) West China – will lead a 100-person delegation with over 60 Chinese tech-based companies including aviation, ICT, energy saving, environmental protection, life science, modern-agriculture and precision instrument sectors. A matchmaking meeting and seminar will be held on Thursday 12 June in Brussels. The goal of this important business delegation is to help establish partnerships and cooperation opportunities with European counterparts.

The mission is supported by the Chinese Ministry of Science and Technology, the Chengdu municipal government and Chengdu Hi-tech Industrial Zone Administration. This large delegation is also considered a follow-up activity to the Mission for Growth in China last year led by Mr. Tajani, Vice President of the European Commission.

The programme, registration form and the Chinese companies' profile can be downloaded via the following link: https://www.b2match.eu/eu-china-cooperation-fair2014

The Chief Representative of the EU Project Innovation Centre (Europe Office) EEN West China, located in Brussels is Mr André LI: andre_li@eupic.org.cn.

This event is organized in cooperation with the Flanders-China Chamber of Commerce (FCCC) and the EU-China Business Association.

Meeting and reception with the Flemish Trade Commissioners in China – 16 June 2014 – 19h00 – Gent

The Flanders-China Chamber of Commerce (FCCC), Voka Chamber of Commerce East Flanders and the Province of East Flanders are organizing a meeting with the Flemish Trade Commissioners in China. This event will take place on Monday 16 June at 19h00 at the Province of East Flanders, Gouvernementstraat 1 in Gent.

This event is an excellent opportunity to discuss your companies' activities in China with the Flemish Trade Commissioners.

The programme is as follows:

18h30	Registration
19h00	Welcome by Mr. Hedwig De Pauw, Director Economic Affairs and International Relations, Province of East-Flanders
19h05	Introduction Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce and by Stefan Derluyn, Director Region Ghent and Port, Manager Innovation & Internationalisation
19h15	"Challenges and opportunities for Flemish companies in China" Mr Peter Christiaen, Flemish Trade Commissioner in Beijing Mrs Sara Deckmyn,Flemish Trade Commissioner in Shanghai Mr Dirk Schamphelaere, Flemish Trade Commissioner in Guangzhou

20h00	Exchange of views and networking cocktail.

A separate invitation has been sent and is available on the FCCC website. Register here.

The participation fee for members of the FCCC is €65. The fee for non-members is €85.

Shanghai Investment Promotion Conference – 24 June 2014 – Kortrijk

A conference on investment opportunities in Shanghai, Shanghai Fengxian European SME Industry Park and Shanghai Jinshan Zhujing Industry Park, is organized by the Flanders-China Chamber of Commerce (FCCC), VOKA West-Flanders, the Shanghai Foreign Investment Development Board, Shanghai Fengxian European SME Industry Park and the Shanghai Jinshan Zhujing Industry Park.

In this conference you will learn about the current investment environment in Shanghai and preferential policies available for SMEs. You will also get a chance to meet with senior level delegates that can give you practical advice on how to do business in China.

The conference will take place on Tuesday 24 June 2014 at 17h30 at Sandton Hotel Broel, Broelkaai 8, Kortrijk.

The programme:

17h00	Registration
17h30	Welcome: Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce and by Mr Hans Maertens, Managing Director, VOKA – Chamber of Commerce West-Flanders
17h45	• Presentation on the investment environment and policy in Shanghai by Mr Tao Dong, Vice President, Shanghai Foreign Investment Development Board • Presentation on the Shanghai Fengxian European SME Industry Park by Representative Fengxian • Presentation on the Shanghai Jinshan Zhujing Industry Park by Representative Jinshan, Zhujing
19h00	Exchange of views and walking dinner

The meeting is organized with the support of Flanders Investment and Trade.

If you are interested in attending this event, please register online before 17 June 2014. Registration is free of charge.

ACTIVITIES

Recent Developments in Doing Business in China and Hong Kong – 3 June 2014 – Gent

Horsten International, KBC and Tritas Consulting, with the support of the Flanders-China Chamber of Commerce (FCCC), are organizing a seminar on Recent Developments in Doing Business in China and Hong Kong on 3 June 2014 at Seminariecentrum Nieuwgoed, Grotesteenweg Zuid 8 in Gent.

The programme is as follows:

13:30-14:00	Registration
14:00-14:30	Olivier Dubois & Elain Liu, Partners Tritas Consulting (www.tritasconsulting.com) Update on the new Hong Kong company ordinance: challenges and opportunities; Changes to China's new company law: welcoming signs for new investors
14:30 – 15:00	Jo Vander Stuyft, General Manager KBC Hong Kong (www.kbc.be) Financing your business in China and the role of Hong Kong
15:00 – 15:20	Bart Horsten, Managing Director Horsten International (www.horsten.be) Case study BIOBEST: how a manufacturing SME structured its business in China via Hong Kong
15:20 – 15:40	Testimonial: Koen Berghmans, Director Corporate Finance and Controlling,

	Ahlers Group Belgium (www.ahlers.com)
15:40 – 16:00	Q&A
16:00 – 17:00	Networking reception

This seminar will be held in Dutch.

More information on the venue is available at www.nieuwgoed.be

Registration fee: €30 (VAT excl.)/person for FCCC members and for non-members €50 (VAT excl.)/person. Register by sending your contact details by e-mail to info@horsten.be before 30 May 2014.

Seminar: Protection of business, economic and national interests – 5 June 2014 – Vilvoorde

Voka Halle-Vilvoorde, Voka Metropolitan and the Brussels Diplomatic Academy of the Free University of Brussels are organizing a seminar on the protection of business, economic and national interests, on company and state secrets and how they are protected.

Thursday 5 June 2014, 14h00 – 18h00 at Voka Chamber of Commerce Halle-Vilvoorde – Medialaan 26 – 1800 Vilvoorde – parking in the business park.

Price: Members Voka Halle-Vilvoorde and Voka Metropolitan: €125, Non-members: €190. An attendance certificate issued by the VUB will be available. Companies based in Flanders can use KMO-Portefeuille.

2014 China National Low-Carbon Day & 2nd Shenzhen International Low-Carbon City Forum – 10-11 June 2014 – Shenzhen

The 2014 China National Low-Carbon Day & 2nd Shenzhen International Low-Carbon City Forum will be held on 10-11 June, 2014 in Shenzhen. The National Low-Carbon Day was initiated by the National Development and Reform Commission (NDRC) in 2013 and is an annual event to promote low-carbon development in China. Together with the event, the 2nd Shenzhen International Low-Carbon City Forum will also be held. The Annual Report of China Emission Exchange will be released during the event.

Themed "Low-Carbon Development: Quality-Based Urbanization", the National Low-Carbon Day and the Forum will provide opportunities to understand China's low-carbon development agenda and the new urbanization roadmap from both responsible policy makers at the central level and mayors at local levels, particular demands from local government leaders on their respective low-carbon development plans, and the opportunity to meet and establish contacts with the multitude of stakeholders in China's billion dollar low-carbon development future. Xie Zhenhua, Vice Chairman of National Development and Reform Commission (NDRC), who is responsible for China's national low-carbon development plan, has confirmed his participation in both events.

Over 500 leaders from government, industry, investors, academia, international organizations, business associations and media from over 40 countries will gather to discuss the new direction of the human-centered, environmentally-friendly and ecological urbanization path set by China's State Council in March 2014 and its far-reaching economic and business implications.

Participants at the 2-day event are expected to have in-depth interactions in different formats over topics of effective approaches of low-carbon development and the new model of urbanization, the imperatives for economy, technology, policy and governance transformation, and the potential collaborative opportunities for cities and industries. Private bilateral meetings will also be arranged for concrete projects match-making purposes.

Both events are by invitation only. After receiving indication of willingness to participate, the registration form and hotel booking form will be sent. Registration is free. For questions or information regarding the events: lowcarbonforum@vip.163.com

China Europa – 16~18 September 2014 – Shenyang

China Europa, the essential business gathering between Europe and China, is a key event focusing on commercial relations between Europe and China in the field of sustainable urban development, and offers European and Chinese companies and territories a unique opportunity to meet and to develop efficient economic links, in optimal conditions. It guarantees fruitful and constructive encounters with a number of qualified and targeted contractors and suppliers. It is also an opportunity to identify new development opportunities in Europe and in China and to benefit from exchanged expertise and good practice via a programme of conferences and themed workshops. The leading Chinese and European economic authorities consider China Europa to be the leading event in Sino-European business relations and exchange in the field of sustainable urban development. By providing extensive support towards the business convention's organization, these bodies assert their will to reinforce productive cooperation that will contribute towards shaping tomorrow's sustainable towns and cities.

More information on the event is available at: http://www.china-europa.org/rendez-vous-incontournable-business-europe-chine-china-europa-2014-en.asp

PAST EVENTS

FCCC Conference: "Doing Business with Belgium" – 24 April 2014 – Qingdao

The Flanders-China Chamber of Commerce (FCCC) and the China Council for the Promotion of International Trade (CCPIT) Qingdao Sub-Council organized a conference: "Doing Business in Belgium: Flanders, the heart of Europe" on 24 April 2014 in Qingdao, Shandong province. This session was organized with the support of Flanders Investment & Trade, the Port of Antwerp, the Province of East Flanders, Ghent University and Dewolf & Partners.

Following a word of welcome by Mr Feng Wenqing, Chairman of the China Council for the Promotion of International Trade – Qingdao, Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce (FCCC), gave an introduction the seminar on Doing Business with Belgium : the heart of Flanders. Following viewing of the movie "Flanders, Small Size, Big Opportunities", Mrs Isabelle Wang, Investment Deputy, Flanders Investment & Trade, gave an address about 'Flanders-Gateway to Europe: Trumps of Flanders' and Mr Luc Arnouts, Chief Operating Officer, Port of Antwerp, talked about "Antwerp, heart of Europe's shipping & logistics Industry and gateway to 250 million consumers". "Study at Ghent University: education and research" was introduced by Mr Domien Proost, Chief Representative Beijing Office, University of Ghent and Province of East-Flanders. Mr Jacky Sun, Associate, Dewolf & Partners, talked about "Investing and doing business in Belgium – Legal aspects". This interesting event was concluded by an exchange of views and a networking reception.

Panel Discussion with Captains of Industry – Results Sino Belgian Business Survey 2014 – 24 April 2014 – Ghent

Moore Stephens, together with the Flanders-China Chamber of Commerce (FCCC), organized a discussion on the results of this year's survey with a panel of captains of industry and independent pundits in Ghent on April 24. Catherine Vuylsteke, Author, Journalist, Film Maker and China Expert, gave the opening speech, followed by a Captains of Industry panel discussion moderated by Andries Verschelden (Partner, Moore Stephens). Panel members were William Gu, Vice President Global Commercial Management Volvo Construction Equipment; Patrick Van Overloop, KBC General Manager Asia Pacific; Paul Van den Bulcke, Director at Taminco; and Geert Roelens, CEO Beaulieu Group. The event was concluded by a Q&A session and networking drinks.

China Job Market – Gent – 1 April 2014

A job market for Chinese high potentials was organized by Ghent University Doctoral Schools, the Flanders-China Chamber of Commerce (FCCC) and the Province of East Flanders. The fair took place on 1 April at the International Convention Center (ICC) in Ghent, where at the same time the Graduate Fair and Job Market for Young Researchers was held.

Ghent University Association with its four member institutions – Ghent University, University College Ghent, Artevelde University College Ghent and University College West-Flanders –

has approximately 250 Chinese students. Chinese final-year Master students and young researchers (doctoral students and postdoctoral fellows) received a personal invitation to visit the Graduate Fair. The job market was also advertised through the Chinese interuniversity student council. The purpose of the Fair was to help final-year Master students and young researchers find a (first) job and make it easier for employers to network with these young professionals.

NOTICE

Sponsorship opportunities

The Flanders-China Chamber of Commerce (FCCC) offers several sponsorship opportunities to give companies more exposure to potential new clients and collaboration. Opportunities are available in our weekly newsletters, quarterly Chinese newsletters, our new website, our conferences and meetings with Chinese delegations.

If you are interested in obtaining more information about the sponsorship opportunities, you can download the detailed information at the following link :
www.flanders-china.be/sponsorship_opportunities_2014.doc

PUBLICATIONS

FCCC publishes “FCCC Members' Portraits in China Vol.2”

See FCCC Members' Portraits on the FCCC website.

FINANCE

Nomura JV set up in Shanghai FTZ

Nomura Holdings will establish a joint venture in the China (Shanghai) Pilot Free Trade Zone with three local companies. Shanghai Nomura Lujiazui Investment Management Co will be a consolidated subsidiary of Nomura Holdings with registered capital of CNY30 million. The Tokyo-based company will be the first asset management company to set up shop in the 28-square-kilometer FTZ. Nomura will have a 60% stake in the company, while Shanghai Lujiazui Financial Holdings Co and Lujiazui International Trust, two affiliates of the state-owned Shanghai Lujiazui Development (Group) Co, will have a combined 30%. Shanghai Jiu You Equity Investment Fund Management will own the remaining 10%. The joint venture will provide information on financial markets and products to financial institutions in the Shanghai FTZ. According to a report by Guotai Junan Securities, China's personal asset management market ranks third largest worldwide, with an estimated size of USD16.5 trillion and annual growth of 25%. The new Nomura joint venture will not be allowed to directly sell financial products to Chinese clients, but observers say it can help Nomura familiarize itself with the Chinese market so as to promote its sales via partners. By the end of April, a total of 20 foreign banks had filed to set up branches in the FTZ. Among them, 10 banks, including Citibank and HSBC Holdings, have already opened for business. “Financial reform in the Shanghai FTZ advances steadily, and there are more innovations in the pipeline,” said Tu Guangshao, Vice Mayor of Shanghai.

- The Ministry of Finance has allowed 10 local governments to directly sell and repay bonds within an approved annual quota, while the National Development and Reform Commission (NDRC) said it would phase out financing vehicles that have built up trillions of yuan in debt. The 10 local governments are now required to pay their debts on their own and will not be covered by the central government. The Ministry has also extended the maturities for potential municipal bonds to five, seven and 10 years, from three, five and seven years earlier.
- Chinese banks are poised to raise a record USD120 billion in the next two years to shore up their balance sheets in the face of slowing growth and rising bad debts, but the funds could prove expensive and hurt earnings as investors demand a premium. For the first time, banks will raise capital by issuing preferred shares and other so-called hybrid securities, a funding technique that avoids the need for issuing ordinary shares in a badly hit stock market.

- International wealth managers in Hong Kong, especially private banks from Switzerland, are tightening their background checks on potential mainland Chinese clients, particularly those with important political ties. The moves have prevented a number of wealthy mainlanders from opening offshore accounts in Hong Kong, people in the financial industry familiar with the situation told the South China Morning Post. Hugo Williamson, Managing Director of the Risk Resolution Group, a British risk consultancy, said anti-money-laundering and “know your client” regulations had become stricter in Hong Kong.
- The People's Bank of China (PBOC) released detailed rules for the free trade account system in the China (Shanghai) Pilot Free Trade Zone (FTZ). The free trade account system will offer Chinese companies secure, low-cost yuan-denominated funding from offshore sources where financing costs are usually lower than in the Chinese mainland.
- The State Administration of Foreign Exchange (SAFE) has published new rules allowing firms to guarantee their offshore debt without prior regulatory approval. The liberalization introduces the possibility of foreign investors making claims on Chinese firms' domestic assets in the event of a debt default. The new rules will initially benefit state-owned enterprises (SOEs) borrowing offshore to finance cross-border acquisitions.
- The mainland is now Hong Kong's most systemically important exposure in terms of a potential shock to interbank markets, the International Monetary Fund (IMF) said, urging the Hong Kong Monetary Authority (HKMA) to remain focused on mainland lending exposures. Under an extreme scenario presented in the IMF analysis, if the default rate in the mainland banking system's interbank obligations hits 80%, the losses because of Hong Kong banks' exposure to the mainland interbank market would wipe out all the capital in the city's banking system.

FOREIGN INVESTMENT

Approval process for foreign investment relaxed

China will relax the approval process for foreign companies planning to invest in the country, while strengthening national security reviews, the National Development and Reform Commission (NDRC) announced. From June 17, China will adopt a system of “limited approval” and “general registration” instead of the existing “all-round approval” mechanism. All planned investment projects by foreign firms, excluding those required by the “Foreign Investment Industrial Guidance Catalogue” to have Chinese stakes, need only registration before proceeding. Projects listed among the first to 11^{th} items in the 2013 catalogue still need to obtain government approval, the NDRC said. Under the new regulation, all investment projects exempt from approval can go through the registration process with local authorities, and some of the projects needing NDRC approval can directly apply for approval from local authorities. While relaxing the approval process generally, the Chinese authorities will incorporate national security reviews into the country’s management system for foreign investment projects, the Shanghai Daily reports.

Chinese companies’ overseas investments rising

Chinese companies’ investment in Europe reached USD7.2 billion in the first quarter of this year. Agriculture was the most targeted sector by Chinese investors, led by Cofco’s USD2.9 billion acquisition of 51% of Netherlands-based Nidera. Chinese companies are increasingly pursuing opportunities in higher value-added industries such as manufacturing, automotive, IT and telecommunications. During the first quarter of this year, Chinese investment in Europe exceeded the USD5.5 billion for the whole of last year, according to Mergermarket, an international publisher of information on mergers and acquisitions (M&As). It outpaced the USD5.5 billion of U.S. investments in Europe. China accounted for 11.6% of total investments in Europe in the quarter, a big jump from 2.9% last year. In America, Chinese firms spent USD1.36 billion on 26 deals in the quarter, with the number of acquisitions reaching an all-time quarterly high, according to a report by the Rhodium Group, a U.S. consultancy. The U.S. industries attracting the most Chinese investment were healthcare, real estate and IT. The biggest Chinese deal in the U.S. during the first quarter was the USD290 million acquisition by Chinese medical device firm MicroPort Scientific of Wright Medical Group’s OrthoRecon business. More than USD8 billion worth of Chinese deals in the U.S. are pending, including two potential mergers and acquisitions in IT equipment worth more than USD5 billion. Chinese investments in the U.S. totaled more than USD14 billion last year. Chinese investments in America exceeded U.S. investments in China for the first time in 2012. Chinese firms now employ more than 70,000 Americans, a sharp increase from barely 10,000 in 2007, the South China Morning Post reports.

FOREIGN TRADE

Foreign trade recovery seen in Pearl River Delta

The foreign trade climate index of small and medium-sized exporters in the Pearl River Delta surpassed the satisfaction threshold for the first time this year in April, indicating a recovery in trade. The index, which reflects exporters' confidence in shipping products overseas, was above the satisfaction threshold at 101.7 in April, according to the report by Shenzhen Onetouch Business Service Co, a subsidiary of alibaba.com. The company, which provides Chinese exporters with online services, including customs clearance, trade financing, foreign exchange and logistics, releases the trade report each month. New orders, real export cargo volume and the capacity utilization rate in the Delta region, one of the major manufacturing and trade bases in China, were on the upswing in April. But 2,000 small and medium-sized exporters surveyed in the Delta region reported an export value increase of only 0.87% year-on-year in April, indicating a weak recovery, according to the report. According to the Guangdong customs, the trade value of Guangdong, which accounts for about one-fourth of the country's total trade, was down 18.7% year-on-year in April. To encourage Chinese suppliers to use the company's online export services, Shenzhen Onetouch announced last week that it would pay manufacturers and suppliers up to CNY0.03 for every USD1 in value of export transactions handled through its service.

Meeting 7.5% trade target “very arduous”

It is a “very arduous” task for China to meet the 7.5% trade growth target this year amid weak global demand and tougher international competition. The target can only be achieved if year-on-year trade growth exceeds 11.3% every month after May, Zhang Ji, Director of the Ministry of Commerce’s Foreign Trade Department, said. He added that shipments to emerging markets declined 7.2% in the first four months of this year, compared with double-digit growth in the same period of last year. Emerging markets took 88% of China’s exports last year. China also missed its trade growth target of 8% for 2013 and 10% in 2012. In the first four months, China’s exports declined 4.8% to CNY4.16 trillion and imports fell 1.2% to CNY3.94 trillion, according to the General Administration of Customs. In April, exports increased 0.9% from a year earlier and imports rose 0.8%. Zhang said the Ministry will implement detailed trade stimulation policies in the next two months, including speeding up export-tax rebates and expanding credits to importers and exporters.

China’s meat imports expected to skyrocket

China's meat imports are predicted to skyrocket over 3,500% to USD150 billion by 2050 as consumption of chicken, pork and beef surges. The massive increase was forecast by the Australian government's agricultural research arm, the Australian Bureau of Agriculture and Resources Economics and Sciences. “The shift from a rice to meat diet has already happened in China. Even small changes in the way China consumes can have a large impact overseas,” said Patrick Vizzone, Asia head of food and agribusiness at National Australia Bank. Between now and 2050, China would represent more than 40% of the increase in world food demand. If China switched just 2% of its pork consumption to imports, this would equal 10% of the U.S. market and three times Australia's pork production, Vizzone said. For now, China produces nearly all of its own meat. Its output of pork, poultry, and beef rose from about 20 million tons in 1986 to more than 70 million tons in 2012, with the fastest growth from the 1980s into the early '90s, a U.S. Department of Agriculture report said. The USDA was projecting an increase in China's pork, poultry, and beef output to 90 million tons by 2023/24, an increase of about 30%. “Since about 3 kg of feed are needed to produce each kilogram of meat, feeding a large and increasing population of animals will be a growing challenge”, it said, with serious implications for the trading of grains such as corn and soya beans used to feed livestock. The USDA report said China's soya bean imports were expected to reach over 70% of the global total by 2023/24, while China's corn imports were projected to rise to 22 million tons by then. China is expected to account for 40% of the rise in the global corn trade over the coming decade, and the report said the USDA expected China to become the leading importer of corn by 2023/24, the South China Morning Post reports.

- Negotiations on an investment treaty between China and the European Union "are still at the beginning stage", Sun Yongfu, General Director for European Affairs of China's Ministry of Commerce (MOFCOM), said, but both sides are committed to surpass the progress of Sino-United States investment treaty talks. A third round of talks at the technical level will take place in Beijing early next month. "The difficulties mainly lie in the degree of opening markets. The EU expects China to open more, and China, vice versa. Meanwhile, departments have different views on the agenda," Sun added.
- Shanghai Vice Mayor Tu Guangshao has heralded further financial liberalization in Shanghai's free-trade zone (FTZ). "The financial reform is about to reach a climax amid a series of new reform measures," Tu told a conference. "The newly established regulatory framework in the zone has laid a solid foundation for further drastic steps."

HEALTH

Corruption crackdown squeezes pharma firms

A crackdown on corruption and pricing in China's fast growing pharmaceutical market has squeezed profits and margins. A Reuters' analysis of more than 60 listed Chinese healthcare firms shows average profit margins declined to around 10% last year from 15% in 2012. Average net profits fell 2.1%, down from close to 20% growth in previous years. China is the largest emerging drugs market and is set to be the global number two overall within three years, according to consultancy IMS Health. "Most companies, local and foreign, have enjoyed an easy growth phase for 5 to 6 years as money was thrown at the healthcare system to improve access," said Alexander Ng, Hong Kong-based Associate Principal at McKinsey & Co. "Now China is more into cost containment mode and the squeeze on pricing and margins is a lot more apparent." Over the past year, China has cracked down on high prices and corruption in the healthcare sector. Executives of GlaxoSmithKline (GSK) were charged with bribery earlier this month. Industry and legal sources said the investigations into the sector were likely to grow more intense, which is likely to lead to declining sales growth, with some doctors saying they are worried to meet pharmaceutical representatives. "Selling through bribing definitely won't work anymore," said a Shanghai-based Sales Executive at a global drugmaker, speaking on condition of anonymity. The Reuters' analysis showed combined revenue growth in the sector fell to 17.9% last year, from 22.6% in 2012 and more than 28.8% in 2011, the Shanghai Daily reports.

IPR PROTECTION

Owners of movie download site sentenced

Zhou Zhiquan, President of Beijing Xintian Yinping Technology Co that operated the website siluhd.com, which offered movies and TV downloads for profit without the permission of copyright holders, was sentenced five years in jail and fined CNY1 million. Six other defendants were given jail sentences ranging from one to three years. It is considered China's largest online copyright infringement case. The company had seven managers and 140 website administrators to maintain the service. Between January 2009 and April 2013, the seven put movies, TV shows and music on the website. Visitors could not directly find the download area on the site's homepage, which mainly provided film-related news and introduced some HD audiovisual products that were legal and clean. But a link to bbs.siluhd that required registration and an invitation code led to hdstar.org, the domain actually offering pirated films and TV programs for download. The website offered some 19,000 unlicensed movies and TV series, more than 3,300 music albums and nearly 210 game software packages. It charged each member CNY50 a month for unlimited downloads. By last year, the website had more than 1.4 million registered members.

- Quality inspection administrations nationwide investigated more than 4,700 intellectual property infringements in the first quarter of this year that had a combined potential retail value of CNY270 million. Enforcement officials checked commodities in a wide range of sectors including garments, electric appliances, toys, shoes and furniture. In March alone, 183 shipments of food and six shipments of cosmetics were proven to be counterfeit, then destroyed or returned to exporters.

MACRO-ECONOMY

HSBC Flash PMI recovers slightly

The HSBC flash China manufacturing purchasing managers index (PMI) for May recovered to 49.7 from April's final reading of 48.1, but it is still below the 50-point level that separates growth in activity from contraction, indicating that manufacturers actually experienced a slight drop in business. Indices that measure output, domestic, and foreign demand all improved substantially to rise above the 50-point mark. New export orders showed the biggest turnaround, climbing 3.4 points to 52.7, a level not seen in nearly three-and-a-half years. "The improvement was broad-based, with both new orders and new export orders back in expansionary territory," said Qu Hongbin, Chief Economist for China at HSBC. "Disinflationary pressures also eased over the month, and output prices increased for the first time since November 2013." Of the 11 sub-indices in the survey, all but those for employment and stocks of finished goods rose from April. In the case of employment, the index fell over a point to stand well under 50, the 13th consecutive month that jobs have been lost in the manufacturing sector. Any marked weakening in the labor market would raise alarm bells for China's government, which regards healthy employment levels as a top policy priority and an important condition for social stability. Premier Li Keqiang said in March that it is all right if economic growth comes in slightly below the government's 7.5% target, as long as the job market holds up, the South China Morning Post reports.

- The National Development and Reform Commission (NDRC) has invited private capital to invest in 80 projects, including in construction and operation of railways, roads, harbors, wind power stations and oil pipelines. More infrastructure projects will be opened in the future.
- China's economic slowdown is "manageable" as the country is in a stage of development where reforms and environmental protection take precedence in policy considerations, People's Bank of China (PBOC) Governor Zhou Xiaochuan said at a conference in Rwanda. He did not comment on the direction of China's monetary policy, which some analysts predict will be loosened this year by lowering the reserve requirement ratio (RRR) to free up more cash for bank loans and shore up the economy. The economy still faces "relatively big" downward pressures and timely policy fine-tuning is needed, Premier Li Keqiang said during a visit to Inner Mongolia.

MERGERS & ACQUISITIONS

Bright Food Group acquires control of Israel's Tnuva

China's Bright Food Group Co has struck a deal to buy a controlling 56% of Israel's largest food company, dairy firm Tnuva, from private equity house Apax. Bright Food did not disclose the sum, but Israel's Mivtach Shamir Holdings, another major shareholder in Tnuva, said the deal valued all of the dairy company at about USD2.5 billion, up from USD1 billion when Apax and Mivtach took control in 2008. The deal will give the Chinese firm access to new cheese products and the Israeli firm's technological know-how in dairy production. Best known for its cottage cheese, Tel Aviv-based Tnuva had 2013 revenue of USD2.05 billion from the sale of a range of cheeses, as well as milk, yoghurt, meat and eggs. The Chinese cheese market will be worth CNY2.7 billion this year, doubling to CNY5.3 billion by 2018, according to consultancy Euromonitor. Tnuva owns seven of the 10 best-known food brands in Israel's supermarkets, according to Apax. Tnuva was formed more than 80 years ago as an agricultural cooperative of 620 farming communities, which were also the company's suppliers of raw milk and produce. The cooperative sold the stake in Tnuva to Apax in 2007 at a price that valued the company at USD1.03 billion. Bright Food also operates tea, dairy and rice farms. It was established in 2006.

- Sunac China Holdings will pay HKD6.3 billion for a 24.3% stake in luxury home developer Greentown China Holdings. On the completion of the deal, Sunac's stake will be equal to that of Wharf Holdings. Sunac Chairman and CEO Sun Hongbin will become a Non-executive Director and Co-chairman of Greentown.

PETROCHEMICALS

China and Russia sign 30-year gas contract

China signed a 30-year contract with Russia to buy natural gas from eastern Siberia. The deal, said to be worth USD400 billion, was the culmination of more than a decade of negotiations. Russian state gas exporter Gazprom will start supplying gas to China National Petroleum Corp (CNPC) in 2018 via a new eastern pipeline linking the two countries. Annual supply volumes will grow gradually until they reach 38 billion cubic meters, CNPC said. That is equivalent to about a quarter of China's current annual demand. The signing of the deal in Shanghai between the two companies was witnessed by Chinese President Xi Jinping and his Russian counterpart Vladimir Putin. The agreement was clinched just hours before Putin ended a two-day visit to Shanghai, where he attended the CICA regional security summit. "This is the biggest contract in the history of the gas sector of the former USSR," Reuters quoted Putin as saying. "Our Chinese friends are difficult, hard negotiators," Putin said, noting that talks went on until 4 a.m. "Both sides were in the end pleased by the compromise reached on price and other terms," Putin said. Russia will invest USD55 billion in fulfilling the contract while China will invest at least USD20 billion, Putin told Russian reporters in Shanghai. Gazprom CEO Alexei Miller declined to say at what price the deal was struck, but insiders said Gazprom refused to go below USD350 per 1,000 cu m. That compares to a price range of USD350-USD380 most European utilities pay under discounted long-term contracts signed in the last two years. According to Analyst Zhou Xizhou of IHS Energy the price appeared to be closer to the level Russia wanted, but in exchange, a requirement for prepayment was dropped. China's gas consumption rose 13.9% last year to 167.6 billion cubic meters. More than 30% of its gas was imported. The estimated Russian import price is 17% cheaper than liquefied natural gas (LNG) imports bought in Shanghai, said a research note by Nomura head of regional energy research, Gordon Kwan.

Besides the gas deal, CNPC signed a contract with Novatek for LNG purchases and with Rosneft for crude oil supplies for their joint venture refinery in Tianjin. China Petrochemical Corp (Sinopec) entered into a strategic cooperation agreement with Russia's Sibur Holding, a gas processing and petrochemicals company. The two companies will establish a joint venture for a butadiene nitrile rubber plant at the Shanghai Chemical Industry Park. Sinopec's share in the joint venture will be 74.9% and Sibur's will be 25.1%. Russia-based miner En+ Group and Shenhua Group Corp reached an agreement on coal exploration in the Zashulanskoye project near the Russia-China border. China's State Nuclear Power Technology Corp has plans to cooperate with Rosatom State Atomic Energy Corp for establishing floating nuclear power plants, an area where Russia has technology and experience.

REAL ESTATE

Property sector to be managed at the local level

China will increasingly manage its troubled property sector at a local level as it seeks to avoid sparking either an abrupt slowdown that undermines the economy or another surge in prices. After increasing at double-digit rates for most of last year, home prices started cooling in late 2013 as a sustained campaign to clamp down on speculative investment and easy credit gained traction. Annual growth in average new home prices slowed to an 11-month low in April. Existing home prices dropped from a month earlier in 22 of 70 cities in April, compared with 14 in March. Property sales dropped 6.9% in the January-April period from a year earlier in terms of floor space, and fell 7.8% in terms of value. Authorities know a severe property crunch could worsen a build-up of debt, but also that a blanket easing of restrictions could set off another round of credit-fueled house price rises. "There is no sign that the central government will relax property controls on a nationwide scale even though the economy is slowing," said Zhao Xijun, Deputy Dean of the Finance and Securities Institute at Renmin University in Beijing. "The pressure is mainly on local governments, because some of their debts are maturing and they need to repay." The economists expect restrictions on property introduced over the past five years to largely remain in place, particularly in major cities, but with some local authorities relaxing the measures to support the local real estate market. In 2012, the central government forced some local governments to retract plans to ease controls on real estate, but there has been no such response this year, the South China Morning Post reports.

- Moody's Investors Service revised its outlook for China's property market to negative from stable as it expects growth in home sales to slow notably. "We expect a modest

0-5% year-on-year growth over the next 12 months," Franco Leung, Moody's Assistant Vice President and Analyst said. Moody's attributed the weaker sales growth to tighter onshore liquidity, higher mortgage rates, buyers expecting further easing in property prices, high inventory levels and slower economic growth in China.

RETAIL

Value of Chinese brands on the increase

The top-50 Chinese brands posted a 13% rise in their brand value, with healthcare, and food and dairy being the two fastest growing sectors. The total value of brands in the BrandZ Top 100 Most Valuable Chinese Brands 2014 report hit USD379.8 billion, market research firm Millward Brown said. The study found that 45 Chinese state-owned enterprises (SOEs) comprised 71% of the domestic list's total value, though the value of private brands is rising faster. Tencent, China's largest internet company by market capitalization, almost doubled its value to USD54 billion and rose to No 14 globally and No 2 in China. The global Top-100 brands include 11 Chinese companies.

- Home appliance retailer Gome saw its first-quarter profit jump 253% year-on-year to CNY268 million following a restructuring focused on e-commerce. Sales grew 8.21% to 13.35 billion, while the gross profit margin increased by 0.58 percentage point to 18.16%. After suffering a CNY597 million loss in 2012, the company has been diversifying its product mix from electrical appliances to include baby products, cosmetics and health care products, as well as strengthening its supply chain and integrating online sales.
- Walmart plans to open 28 supercenters, including in Shanghai, Changchun and Wuhan, and two Sam's Clubs in Wuhan, Hubei province, and Changzhou in Jiangsu province. In fiscal 2014, which ended on January 31, 12 new warehouse stores opened, with net sales increasing 1.3% to USD57.2 billion. Last October, Walmart announced plans to accelerate development in China by opening up to 110 new facilities between 2014 and 2016, including stores and distribution centers. Walmart also plans to invest CNY580 million in improving the quality of more than 55 existing stores through a robust remodeling program.
- France-based Lactalis Group, the world's largest dairy maker by sales, announced that it would introduce the baby formula Celia brand to the Chinese market. Two Celia products that are entirely made in France will be sold in China, said Jiang Xia, General Manager of China for Lactalis Group. "If we find there are safe and qualified milk sources, we also plan to build a production base in China," he added.

SCIENCE & TECHNOLOGY

Scientists develop coating that keeps knifes sharp

Chinese scientists say they have developed a coating that keeps a knife sharp 100 times longer than one without the material. The anti-wear coating was developed by a team headed by Huang Feng, Professor at the Chinese Academy of Sciences' Ningbo Institute of Material Technology and Engineering. It takes 1,000 grindings, under the force of 10,000 times the atmospheric pressure, to wear off one layer of atoms of the anti-wear coating. "If applied to a kitchen knife, the lifespan of the knife may be extended beyond the life of its user," Huang told the South China Morning Post. The coating is made of various nitrogenized metals such as chrome and vanadium. It is a few micrometers thin and could be applied to the surface of almost any machine, Huang said. The material could have applications in aviation and car making to prolong the life of machines. But Yang Kai, Expert in the field of anti-corrosive materials at the Shanghai Institute of Ceramics under the Chinese Academy of Sciences (CAS), said the coating still needs to be proven in a working environment as many variables could not all be replicated in a laboratory setting. Prof Huang is looking for Chinese factories to use the coatings. Many manufacturers are reluctant to make the investment in coating their machinery as the production lines would have to be suspended during the coating process.

STOCK MARKETS

100 IPOs expected in second half

China plans to have about 100 initial public offerings (IPOs) in the second half of this year, Xiao Gang, Chairman of the China Securities Regulatory Commission (CSRC) announced. There would be a balanced number of IPOs each month, he added. China has so far allowed 48 IPOs this year after lifting a 14-month ban. 43 companies were listed in January and five in February. No IPOs have taken place since then. The number of planned IPOs this year is less than that of 2012 when 155 companies went public and much lower than the 282 IPOs in 2011 and 349 in 2010. “The number of planned IPOs is less than our estimate,” said, CITIC Securities Analyst Mao Changqing. “The move is aimed at calming market sentiment after the Shanghai market dropped below the 2,000-point level.” The brokerage had expected about 140 companies to get listed on domestic stock markets in the second half of this year. The benchmark Shanghai Composite Index has fallen more than 5% this year amid fears that the comeback of IPOs will lead to a glut of new offerings and divert funds from existing shares. 595 IPO applicants are still awaiting regulatory approval to sell new shares.

- The stock exchange in Hong Kong will introduce yuan-denominated debt and currency products that the onshore market doesn't have, Chief Executive of HK Exchanges and Clearing Charles Li said. These products will offer hedging tools to offshore investors. Li said the Hong Kong Shanghai Stock Connect, a cross-border stock trading program known as the “through train”, could be extended to fixed-income and currency products.
- A Hong Kong court has ordered auditor EY – previously known as Ernst & Young – to hand over documents related to former Chinese mainland client Standard Water in a boost for overseas regulators seeking access to the books of mainland companies listed outside their home territory. EY had argued that Chinese law prohibited the mainland partner of the firm from passing on the documents. China’s Ministry of Finance said that all audit work in China must be done by mainland firms and international auditors will no longer be able to obtain temporary licenses to audit mainland companies.

TRAVEL

Part of military-controlled airspace opened during thunderstorms

Civil aviation flights in northern China will be allowed in military-controlled airspace during thunderstorms in the latest move to reduce flight delays. 25 temporary flight paths and one temporary airspace were opened to civil aviation flights during thunderstorms. Previously, when a thunderstorm lay on a flight route between two cities, the flight had to be delayed because it could not detour through controlled airspace.

- The maiden flight of China's first large commercial passenger jet, the C919, has been delayed until the end of next year, with planes expected to be delivered to buyers in 2018. Commercial Aircraft Corp of China (Comac) Chief Financial Officer Tian Min said assembly work would start in the second half of this year and a test flight was likely to take place at the end of next year.

VIP VISITS

CICA Summit held in Shanghai

The 4th Conference on Interaction and Confidence-Building Measures in Asia (CICA) was held in Shanghai last week, attended by heads of state and Prime Ministers of the 26 member countries, including Russian President Vladimir Putin. Ahead of the Summit, President Xi Jinping met UN Secretary General Ban Ki-moon. He said that using 'external force' to resolve global disputes will only lead to new problems. After more than a decade of negotiations, Russia signed a contract to supply China with natural gas. China and Russia also agreed to expand local currency settlement for bilateral trade and cross-border investment. They aim to increase bilateral trade to USD100 billion by 2015 and USD200 billion by 2020 from nearly USD90 billion last year. A record-breaking 49 agreements were reached between the two countries, covering political, trade and military areas. It was the seventh time Xi and Putin had met since they both became heads of state more than a year ago.

ONE-LINE NEWS

- Liu Zhanbin, Chairman of Harbin Pharma Group Sanjing Pharmaceutical Shareholding Co committed suicide while under investigation on suspicion of taking bribes. He managed to escape from the custody of police officers and jumped out of a third story toilet window. Sanjing Pharmaceutical said this won't have a major impact on business operations.
- Chinese consumers are more receptive of mobile advertising than those in Britain and the United States, according to PricewaterhouseCoopers' (PwC) 2014 Mobile Advertising Report in China. It forecasts China's mobile advertising will reach CNY12.5 billion this year and swell to CNY25.7 billion in 2017, compared with CNY9.3 billion last year – a compound annual growth rate of 27%, the fastest in any advertising category. About 78% of Chinese consumers are likely to click on advertisements if the content is relevant to them, compared with 33% in Britain and 29% in the U.S.
- Shanghai remains the fifth-most economically influential city globally but it has a long way to go in terms of living environment, PricewaterhouseCoopers (PwC) said in a report. London, Beijing, New York and Paris are the top-four cities for economic clout. Shanghai ties with New York in ninth place as an urban gateway, and is first in foreign direct investment (FDI), hotel rooms and science skills attainment, PwC found.
- Liu Han, 49, head of the Hanlong Group and one of China's richest businessmen with a fortune estimated at USD855 million in 2012, and his brother Liu Wei, were sentenced to death by the Xianning Intermediate People's Court in Hubei province after found guilty of "organizing and leading a mafia-style gang." The gang, based in Sichuan, killed eight people and wounded many others over nearly 20 years, the court said. Another 31 gang members were given penalties ranging from three years to suspended death sentences.

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