法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 10 JUNE 2014

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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

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

3rd Sino-European Environmental Law Conference – 27-28 June 2014 – Ghent

The Center of Environmental Law and Energy Law of Ghent University (Belgium) and the Research Institute of Environmental Law of Wuhan University (China) will jointly organize the 3rd Sino-European Conference on Environmental Law on the topic of “Environmental Justice”. The Conference will take place in Ghent, Faculty of Law, on 27 and 28 June 2014.

Following link provides information for persons who might be interested in attending this conference: http://www.ugent.be/re/publiekrecht/nl/

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.

Download Results Sino Belgian Business Survey 2014 in PDF format

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.

EXPAT CORNER

Requirements for green cards to be lowered

Chinese authorities have drafted regulations on permanent residence for foreigners and will consider more flexible and pragmatic application standards, the Organization Department of the Central Committee of the Communist Party of China said. Launched in 2004, China's green card policy provides permanent residency for foreign experts, and people who have made large investments or outstanding contributions to the country. Some foreigners who have already obtained a green card say it is not very practical as they are still routinely asked to show a passport at banks, hospitals or service agencies. More than 4,700 foreigners managed to get green cards by 2011, a small number compared to the 600,000 foreign inhabitants at that time. China is facing a deficit in the flow of people as more experts are leaving than entering, prompting the relaxation of the policy. A relaxation of the green card policy would also be aimed at attracting overseas Chinese to settle in China. More than 1,000 foreigners in Shanghai have been granted "green cards" since the scheme was introduced 10 years ago. Half are foreign family members of Chinese nationals who have partners and/or children in China, according to the Shanghai Entry-Exit Administration.

- China is to issue more "talent visas" for high-caliber professionals from abroad, authorities said. China began issuing the R-visa last year to attract scarce and urgently needed foreign high-level professionals. Holders of R-visas may enjoy a longer stay and more convenience for their entry and working in China.

FINANCE

PBOC increases yuan reference rate

The People's Bank of China (PBOC) set the yuan's daily reference rate against the U.S. dollar to its biggest single-day rise in 20 months on June 9, after China reported the biggest trade surplus in five years in May. Analysts said it showed the central bank's commitment to promote two-way fluctuation. The daily reference rate, against which the yuan can fluctuate 2% either way, strengthened 0.22% from Friday to 6.1485 a dollar. Under the guidance, the spot rate edged up 0.2% to 6.2352 a dollar, according to data from the China Foreign Exchange Trade System & National Interbank Funding Center. Offshore yuan climbed 0.3% to 6.2278. The trade surplus was USD35.9 billion in May, almost doubling the USD18.5 billion in April, the General Administration of Customs said. Despite continued sizable inflows through trade, the yuan remained soft against the dollar in May, floating between 6.22 to 6.27, suggesting reduced capital inflows from other channels and signs of capital outflows."Looking ahead, we see the currency remaining at the current level with some room for further depreciation if growth continues to disappoint. We think the 3.5% yuan depreciation against the U.S. dollar year-to-date reflects weak economic activity in the first quarter and increasing concerns about downside risks to growth given the property market correction," said Barclays in a research note. Wang Tao, Hong Kong-based China Economist with UBS, expects the yuan exchange rate to be around 6.25 against the U.S. dollar at the end of 2014. Liu Ligang, Hong Kong-based Chief China Economist with Australia and New Zealand Banking Group, expects the year-end U.S. dollar/yuan rate to be around 6.15, the China Daily reports.

Wave of debt rating downgrades expected

Chinese companies suffered a record number of debt-rating cuts this year and brokerage Haitong Securities said the worst is yet to come. It expects a wave of downgrades in June and July. A total of 17 borrowers were downgraded in the first five months, the most since at least 2009, up from 13 a year earlier, data compiled by China Investment Securities shows. Chinese companies have CNY7.1 trillion of bonds maturing in 2014, compared with CNY6.4 trillion last year. In addition to the downgrades, 20 companies' outlooks were cut from January to May, compared with 15 in the same period last year. Most downgrades occurred in the mechanical equipment industry, followed by electrical equipment and non-ferrous metals. The ratio of upgrades to downgrades by China Lianhe Credit Rating this year was 2.14, falling from 2.53 in 2013. Yang Kun, Analyst at brokerage Guotai Junan Securities, said the "downgrade wave" started in April. There were seven rating cuts in that month and May, compared with a total of three in the previous three months, according to China Investment Securities data. "The financial fundamentals of Chinese companies, especially cyclical companies, have been worsening since the first half of 2011," Yang said. Zhu Haibin, Hong Kong-based Chief China Economist at JP Morgan Chase, said credit quality was worst in the property industry and industries with overcapacity, such as mining and steel.

- China and Russia have reached an agreement to create a joint credit rating agency and are working on a series of measures to facilitate trade. The plan for a new agency appears aimed at gradually building a credible alternative to the big three international agencies, which came under fire for failing to anticipate the financial crisis that began in 2007.
- Foreign-exchange trading is rising in Hong Kong. The average daily volume in the spot, forward and swap markets is now more than USD20 billion. Trading has

increased by 5% to 10% since the People's Bank of China (PBOC) doubled the onshore currency's trading band to 2% in March. The yuan has lost 3.1% against the U.S. dollar this year. The yuan will end this year at 6.12 per dollar, implying a 1.1% drop from the end of December, according to the median estimate in a survey. The spot rate gained 2.9% last year.

- The United States ranked third globally for yuan payments in April, following Singapore and the UK, according to the Brussels-based Society for Worldwide Interbank Financial Telecommunication's (SWIFT) latest report. The value of yuan payments soared 327% between April 2013 and April 2014 in the U.S., placing the country third in the world for yuan clearing activities excluding China's mainland and Hong Kong. The yuan stayed as the No 7 global payment currency, taking up 1.43% of global payments in April.
- New lending at China's Big-Four banks surged during the last week of May, but the number of new loans overall in the country may have stayed at a normal level. The Four extended combined new loans of CNY270 billion in May, with more than half of the increase occurring in the last week of the month. UBS Securities estimated aggregate new loans in China may have totaled CNY680 billion last month.
- Yuan interest rates in Hong Kong are rising towards Shanghai levels at the fastest pace in a year as the currency's popularity wanes outside China. The one-month interbank offered rate for yuan in Hong Kong jumped 50 basis points in May to 2.48%, while Shanghai's fell 74 basis points to 3.86% amid monetary easing by the central bank. Deposits in Hong Kong rose CNY15 billion in April, the smallest gain since August, as the yuan fell for a record fourth month versus the U.S. dollar.
- The People's Bank of China (PBOC) announced that it will further cut the reserve requirement ratio (RRR) for targeted banks to support small companies and agriculture. The RRR will be cut 0.5 percentage points for two-thirds of city commercial banks, 80% of rural commercial banks above county level and 90% of rural cooperative banks above county level, effective from June 16. It is the second cut in two months.

FOREIGN TRADE

Exports up 7% in May, imports down 1.6%

China's exports increased in May but imports contracted, according to the General Administration of Customs. Weak domestic demand and the recent strengthened oversight on financial activity, including using commodities as collateral, were among the reasons for imports being weaker than expected, analysts said. Exports rose 7% from a year earlier to USD195.4 billion last month, the pace quickening from the marginal increase of 0.9% in April. However, imports fell 1.6% to USD159.5 billion, reversing the gain of 0.8% a month earlier and against market expectations of a 6% rise. Chinese regulators have been investigating commodity financing at Qingdao Port, including whether companies use the copper, aluminum or iron ore stocks as collateral for multiple loans. China's commercial banks are expected to further tighten the commodity financing business, which will pose a significant pressure on imports. Xue Jun, Economist at CITIC Securities Co, said the sharp deterioration in imports also reflected the fact that domestic demand has yet to stabilize. The real estate market has been experiencing a sharp slowdown in terms of sales in the past few months. China's trade surplus widened substantially to USD35.9 billion in May from USD18.5 billion in April. In the first five months, China's trade edged up 0.2%, trailing the government's 7.5% target, the Shanghai Daily reports.

China seeks to expand imports from CEE

China will continue to seek balanced trade with central and eastern European countries by expanding imports and promoting investment in the region, Minister of Commerce Gao Hucheng said. "We will encourage Chinese enterprises to import agricultural and animal products, especially food products, from Central and Eastern European (CEE) countries, and help them promote their brand recognition in China," he said. "Imports of these products are in line with China's domestic demand," Gao said at the Ministerial Conference of China and Central and Eastern European Countries on Promoting Trade and Economic Cooperation, held in Ningbo. Trade officials from 16 CEE countries including Poland, the Czech Republic and Hungary, have brought 180 enterprises to the three-day event, with products such as milk, honey, canned food and cosmetics. Trade volume between China and CEE countries has grown more than five-fold since 2003, and Gao said the number could exceed USD60 billion by the end of this year, up from USD55.1 billion in 2013. Of the 16 CEE countries, Poland is China's largest trade partner. China is working to reduce the trade surplus with the CEE countries. In the first four months of this year, China's imports from central and eastern European countries surged by 38.5%. The Chinese government will encourage more companies to invest in the processing and production sectors in CEE countries, which could help promote their exports to China and other countries, Gao said. Trade promotion organizations from China and CEE countries agreed to meet in Ningbo every three years and establish a regular mechanism to strengthen economic ties, the China Daily reports.

Alcohol imports down in value, up in volume

Alcohol imports dropped in the first four months as an official crackdown on lavish entertainment and a weaker economy cut corporate and government spending on beverages. In value terms, imports of alcoholic beverages fell about 8% year-on-year to USD847 million from January to April, according to the China Chamber of Commerce of Foodstuffs and Native Produce. But by volume, imports were up 12.9% to 212 million liters as drinkers turned to cheaper beverages such as beer. China's thirst for foreign alcohol, especially fine wines and liquors, has been declining because of the government's campaign against extravagance and weaker economic growth. Imports of wine plummeted about 17.3% to USD461 million during the first four months. Imported wines from France still take the lion's share of the market for foreign wines in China at 43%. Yang Zhengjian, a wine expert and trader in China, said that fine wine imports are down partly because many companies are holding large inventories. He said that China has a total inventory of fine wines worth more than CNY3 billion "so the market needs a long time to 'digest' that stock". Beer is a big beneficiary of this trend to consume cheaper drinks. Imports of beer from countries such as Germany, Belgium and the Netherlands climbed nearly 95% to USD86 million from January to April. By volume, imports more than doubled to 68 million liters, the China Daily reports.

- China has suspended approval of new free trade zones (FTZs) because the central government is "not quite satisfied with" the many proposals submitted by local governments, which sought preferential policies rather than offer institutional innovation. China uses the FTZ as a testing ground for reforms ranging from wider openness of service sectors to financial liberalization. The launch of the first pilot FTZ in Shanghai on September 30 spurred more than 20 local governments to seek to open their own FTZ.
- The local government in Foshan, Guangdong provence, has become the first to hire foreigners on a contract basis for its Foshan Bureau of Foreign Trade and Economic Cooperation. Five foreigners with experience in information technology and international trade will be hired. The team will work to promote investment opportunities to global investors and to help local businesses expand in overseas markets. The Commerce Ministry in Beijing cited Foshan's example as one for other local governments to follow.

IPR PROTECTION

IP protection in exhibition sector to be strengthened

China will enhance government supervision and IP protection to strengthen the exhibition industry. More than 7,000 exhibitions were held nationwide in 2013, nearly six times the number in 1997. The 300 exhibition venues in the country now offer more than 1.2 million square meters in combined space for shows and conferences.

- More than 40 patents were honored at the first Sichuan patent awards on May 30, with the highest prize reaching CNY300,000. Most award winners were innovations in emerging industries such as new energy, environmental protection and IT.

MACRO-ECONOMY

China's services sector grows

China's services sector grew at the fastest pace in six months last month as new orders rebounded, an official survey showed, reinforcing hopes that the economy may be steadying after a tumultuous few months. The official non-manufacturing purchasing managers index (PMI) climbed to 55.5 from April's 54.8, the National Bureau of Statistics (NBS) said. New orders rebounded to an eight-month high of 52.7 from April's 50.8. Business expectations also held their ground at a solid 60.7, compared with April's 61.5. The services purchasing managers index (PMI) compiled by HSBC/Markit slipped to 50.7 from April's 51.4 but remained above the 50-point level demarcating a monthly growth in activity from a contraction. "Growth momentum remains slow and private-sector sentiment is weak," HSBC economist Qu Hongbin said in reference to the "slight disappointment" in the latest PMI poll. He added that the HSBC index eased because business expectations dropped sharply to an 11-month low of 58.1. "Coming after the stronger manufacturing PMI reading for May, the slight disappointment in the HSBC services index suggests that the growth momentum has slowed and the private sector sentiment is weak," Qu said.

The pick-up in the services PMI echoes a rebound in China's factory sector which turned in its best performance in four months last month as export orders improved, although activity still contracted. The HSBC/Markit manufacturing PMI for May rose to 49.4 from 48.1 in April although lower than a preliminary, flash reading of 49.7. The final PMI was weaker than the flash reading because of an upward revision of the inventory of finished goods, HSBC said. The final PMI reading for May confirmed that the economy is stabilizing, but it is too early to say that it has bottomed out, particularly in light of a weaker property sector, Qu Hongbin said. The sub-index for new export orders rose to a four-year high of 53.2 from April's 48.9, but the sub-index for new orders barely stopped contracting, suggesting domestic demand remains sluggish despite the improving global demand. The HSBC/Markit PMI has been below the 50 level that separates growth from contraction since the start of the year.

- Chinese university accounting graduates are most likely to find relevant jobs while those majoring in finance are the best paid overall, a survey by online job portal zhaopin.com showed. Salaries also rise faster after two years of experience in securities, futures and investment positions. Bio-engineering majors are the least likely to find work in their sector. Salaries for fresh graduates across various positions range from CNY2,500 to CNY3,500 a month this year. At least seven provinces and one region did not meet their recruitment goals in 2013, according to the College Enrollment Report.
- Economic growth in Taiyuan, capital off Shanxi province, suffered from a decline in the coal industry. Taiyuan, with a population of 4.3 million, reported growth of 0.1% in the first quarter from a year earlier, compared with an 11.9% pace in the same period last year and 8.1% for the full year. Its industrial production fell 9.3% in the first quarter, while fixed-asset investment rose 25.5%, a sign of efforts to revive expansion.
- The International Monetary Fund (IMF) cut its economic growth forecast for China to about 7% for next year, but urged the authorities to avoid further stimulus measures and to concentrate on curtailing financial risks instead. The IMF also said conditions were right for China to take the next step in freeing its interest rates market.
- More of China's richest people are considering emigration to secure a better future for their children, according to a report by Hurun Report and Visas Consulting Group on the nation's high net worth individuals – those with more than CNY6 million in personal assets. Education, pollution and food safety concerns are the top three reasons for considering emigration. China is said to have around 3 million high net worth individuals with 67,000 of them in the superrich category, having CNY100 million or more. The United States is the top destination for China's high net worth individuals, with 52%, compared with 21% for Canada.
- The World Bank projected that China's economy will grow 7.6% this year, beating the government's target of 7.5%. In the next three to five years, China's growth will continue to ease because of a rebalancing in the economy, the World Bank added. The bank estimated 7.5% growth for next year.
- Premier Li Keqiang pressed local leaders to help the economy achieve its annual growth target, with momentum remaining weak in the middle of the year. It was the

third time in a month he had asked for more action at the local level. Li reminded officials of their “inescapable responsibility” to achieve this year's economic targets. “No delay in action is allowed,” he stressed.

- The State Administration for Industry and Commerce (SAIC) has halted an anti-monopoly probe into Shankai Sports International – the official FIFA 2014 World Cup ticketing agency in China – after the company admitted to abusing its market dominance. The agency was found to have coupled the sale of World Cup tickets with the sale of hotel, transportation and tourism services in Brazil in an expensive package. It had sold 390 package deals as of March.
- Beijing has launched a review into potential anti-competitive behavior in 80 major industries, including cars, pharmaceuticals and alcoholic drinks, a Ministry of Commerce (MOFCOM) official said. The Ministry asked major industry associations to help collect information from their member companies in an anti-monopoly survey. The review is part of a campaign launched in December targeting practices that hinder free market competition, such as setting up protectionist policies against companies from other cities and provinces and granting unfair subsidies.

MERGERS & ACQUISITIONS

PE firms take stake in Cofco unit

Private equity firms KKR & Co, Baring Private Equity Asia, Hopu Investment Management Co, and Boyu Capital Advisory Co will invest in Cofco Meat, a subsidiary of the state-owned Cofco Group, as they seek to cash in on the development of large-scale hog farms in China. The investment amount will be in the “hundreds of millions of dollars”, according to a source. KKR will invest about USD150 million from its second Asia fund. The consortium will invest about USD270 million in total for a stake of up to 70%. The investment will help the Chinese company establish and manage large-scale hog farms and meat-processing facilities in China. “As Chinese consumers develop stronger demand for high-quality meat and the nation's hog-breeding market is fragmented, developing large-scale farms is full of potential,” said the source. China accounts for more than 50% of global pork consumption, but large farms with an annual output of more than 50,000 hogs account for less than 1% of the total domestic supply, according to the United States Department of Agriculture and the China Animal Industry Yearbook. The number of large-scale farms is expected to increase more than six-fold by 2020. “We look forward to fully utilizing our global resources and local expertise to assist Cofco Meat in setting the bar for food safety in China,” said Julian Wolhardt of KKR.

- Minority shareholders of Hong Kong-listed CITIC Pacific have approved a landmark deal to acquire USD36 billion of assets from its state-owned parent CITIC Group Corp. The go-ahead clears the way for the purchase of practically all of the conglomerate’s assets. It gives the listed firm direct exposure to China’s banking sector, although managing such a diversified conglomerate will be challenging. CITIC’s businesses range from real estate and natural resources to engineering, but it derives its income mainly from financial services, which accounted for 87.3% of pretax profit in 2013.
- The total value of venture capital and private equity investments in China plunged nearly 84% in May on a lack of mega deals, according to an industry report by the Zero2IPO Research Center. The total value of 69 deals about which figures have been disclosed was USD1.77 billion, down 83.7% from a month earlier. There were 78 settled deals last month, down from 88 in April.

PETROCHEMICALS

Russia and China consider second gas pipeline

Russia and China could soon sign another major contract for gas pipeline construction following the landmark 30-year gas deal signed in May in Shanghai. The new pipeline would follow a western route that will fully cross the Siberian Federal District. The Altai Natural Gas Pipeline would be less expensive to build than the eastern one. In addition to the 38 billion cubic meters to be delivered through the eastern pipeline, Russia plans to add another 30 billion cu m of gas supply to China using the western pipeline.

REAL ESTATE

Housing prices expected to remain under pressure

Housing prices will remain under pressure for the foreseeable future, and the government isn't expected to take any steps to boost the market, industry analysts said. The average price in 100 cities sampled was CNY10,978 per square meter in May, the first month-on-month drop since June 2012. The average price in 10 key cities, including Beijing and Shanghai, was CNY19,605 per sq m, down 0.18% month-on-month but up almost 14% year-on-year. The average price in the 100 major cities still rose last month, gaining 7.84% year-on-year, although the growth rate was down 1.22 percentage points from the previous month. May was the fifth consecutive month in which the rate of price growth slowed. “Increasing supply and falling transactions are weighing on developers, encouraging more of them to offer favorable prices,” said Huang Yu, Deputy Director of the China Index Academy. Many developers launched innovative sales campaigns during the three-day Dragon Boat Festival in early June. The Chinese government is expected to pursue a neutral policy in the near term, neither tightening nor stimulating the real estate market.

No pickup in Shanghai real estate expected till September

Shanghai's land market continued to be sluggish this month following an extremely feeble May as a cautious sentiment hangs over real estate developers. “The market is not going to see any notable pickup at least until September or October because the traditional low season for the property market is approaching,” said Lu Qilin, Researcher at Shanghai Deovolente Realty Co. Land sales in Shanghai were at their weakest in 26 months in May as only two parcels totaling 35,000 square meters were sold, a plunge of 90% from a month earlier. The aggregate value of sales, meanwhile, dropped 51% from April to CNY3.24 billion. A 14,045 sq m plot in Luodian, Baoshan district, designated for commercial purposes, was sold at its asking price of CNY124.45 million, or CNY4,430 per sq m last week. Another 45,070 sq m residential plot in Xinchang, the Pudong New Area, fetched CNY762 million, or CNY8,578 per sq m, a premium of 12.3%. The purchases of new homes fell 21.8% month-on-month, or 34.9% year-on-year, to 595,000 sq m last month. Sales in the pre-owned home market fell 12.4% from April, or 27.5% from the same period a year earlier, to 15,100 units in May.

- China’s building materials sector recorded slower growth in the first four months of this year as the housing market cooled down. Cement output grew a mere 4.3% from a year ago to 672 million tons in the January-April period, but the industry posted a 269% upsurge in profits to CNY9.9 billion in the first four months. Investment in the cement sector declined 2.4% to CNY24.73 billion in the first four months.
- Shanghai now requires newly-built multi-floor residential buildings with four, five or six stories to have elevators to make life easier for senior residents.
- China Vanke, the country's biggest developer by sales revenue, announced a strategic partnership agreement with internet search firm Baidu to aggressively use internet technology. Vanke will use location-based service technology in its projects and make extensive use of internet technologies to analyze the activities of its clients to improve services.
- Dalian Wanda Group Corp announced the purchase of a landmark commercial project in Madrid for CNY2.25 billion. Wanda bought the high-rise building from Spanish bank Banco Santander through its Hong Kong subsidiary Wanda Commercial Properties (Hong Kong) Co and its Hong Kong-listed arm Wanda Commercial Properties (Group) Co. The property will be redeveloped into a high-end, mixed-use complex comprising residential, hotel and retail space with a gross floor area of about 83,228 square meters. The complex will feature a 200-room luxury hotel, retail space and about 300 apartments. The Madrid project could be the first of a series of acquisitions in Europe.

RETAIL

Nestlé stops selling Nestea in China

Nestlé has decided to no longer sell its Nestea iced tea beverage in China amid fierce competition from domestic drink producers. Nestlé and Coca-Cola set up a joint venture 13 years ago to introduce Nestea to China. In May, they abandoned the effort, and Nestea vanished from store shelves. In 2008, Nestea's market share was about 2.3%, but it dropped to 1.9% in 2010, according to Euromonitor International. Tea beverage products from two major players – Taiwan-based Uni-President Enterprises Corp and Master Kong from Tingyi (Cayman Islands) Holding Corp – take up almost 40% of the market. Jason Yu, General Manager of Kantar Worldpanel China, said Uni-President, Master Kong and Hangzhou Wahaha Group have the strongest penetration in the tea beverage sector. He added that some international beverage brands had failed to find a place in China because of the intensity of the competition. “If a brand can't stay in the top five, it is hard to find a place anymore,” he said. “Chinese consumers feel close to local brands when it comes to tea or other traditional Chinese products.”

- China continues to be favored by retailers eying expansion in the Asia-Pacific this year while emerging markets in Southeast Asia are also attracting rising attention, global real estate adviser CBRE said in a report. The report’s second annual edition found that 64% of the retailers plan to open a new store in China this year, ahead of Vietnam, Hong Kong and Singapore, which came in joint second with 33% seeking new openings. “Retailers continue to view this market as having significant upside potential as the government plans to further boost domestic consumption and double household income by 2020,” said Jonathan Hsu, Director of CBRE Asia-Pacific.

SCIENCE & TECHNOLOGY

University entrance exam held nationwide

70,000 students took part in the university entrance exam (gaokao) in Beijing on June 7 and 8 at more than 100 testing centers. For the first time in the exam’s more than 30-year history, the tests in Beijing were conducted under heavy guard, with gun-toting anti-terror police on patrol and the exam papers delivered by armored cars. The extra security was part of the central government’s counter-terrorism operations, launched in the wake of recent bombing attacks. Nationwide, about 9.39 million students took the test, 270,000 more than last year. For most pupils who have completed 12 years of schooling, their academic futures will depend on the results of this final test. The modern gaokao system was established in 1955, suspended from 1966 to 1976 during the Cultural Revolution, and reintroduced in 1977. The number of test-takers has been dropping since it peaked at 10.5 million in 2008. About 6.98 million of the students who take this year's test will be admitted to universities and colleges. China has 879 public universities and colleges, according to a 2013 Ministry of Education list.

- Chinese higher education institutions are facing intense competition as the number of students declines, requiring higher education reform, according to national education portal www.eol.cn. For some public universities in China, tuition fees account for 30% to 40% of their income and failure to enroll enough students could lead to bankruptcy.
- The government has said it plans to refocus more than 600 colleges from academic to vocational and technical education – replacing literature, history and philosophy with technology skills such as how to maintain lathes and build ventilation systems. Course curricula will be tailored to meet employers’ specific needs. After 13 years of an aggressive policy to expand academic colleges, China had almost seven times as many freshmen last year than in 1998. That rapid growth compromised educational quality, especially in local colleges established after 1999, experts say.

STOCK MARKETS

More than 10 companies to launch Hong Kong IPOs

At least 10 companies are gearing up to launch their initial public offerings (IPOs) this month in Hong Kong after a pickup in investor sentiment amid expectations of a policy easing by Beijing to spur economic growth. Heading the listing queue is Ozner Water International Holding, a Shanghai-based maker of purification devices. The company plans to raise up to HKD1.1 billion. The company has secured USD40 million, or about a third of the entire share offering, from United States hedge fund Och-Ziff Capital as a cornerstone investor. Three private equity investors, including Goldman Sachs, have stakes in the company but none of them are selling their shares. Meanwhile, Dynagreen Environmental Protection Group, a Chinese water and sewage treatment company, has also kicked off its HKD1.1 billion flotation. Hung Fook Tong, a maker of bottled herbal tea, is looking to list by the end of the month. It hopes to raise about HKD500 million to expand its retail network. Bankers said the listing market would see some small deals, including those of mattress maker Sinomax Group and restaurant chain operator Tian Hing. Also joining the listing race is Chanjet, a spin-off of Shanghai-listed Yonyou Software, which is looking to raise HKD1 billion by the end of the month.

- The Shanghai Stock Exchange has delisted the first company since the reform of delisting rules in 2012. The removal of Nanjing Tanker Corp under the state-owned China Changjiang National Shipping (Group) Corp from the bourse came after it posted losses for four consecutive years. It is the first delisting ever of a state firm. About 4,500 U.S. companies have been delisted from the New York Stock Exchange (NYSE) since 1962, but only 78 Chinese companies have been ousted from the Shanghai and Shenzhen stock exchanges since 2001 when China introduced the delisting rules.
- Chen Geng, President of Shanghai-based Guotai Junan Securities, has resigned, apparently becoming the latest victim of the “anti-naked official” campaign led by the Communist Party's Organization Department. “Naked officials” are officials whose spouse or children hold foreign passports or have moved abroad, often ahead of the official himself. The central authorities have become increasingly concerned about the reliability of such officials in important positions at major state enterprises.
- The China Securities Regulatory Commission (CSRC) has approved 10 initial public offering (IPO) applications on June 9, marking the official restart of IPOs since mid-February. Five applicants will be listed on the Shanghai Stock Exchange and the rest on the Shenzhen Stock Exchange. The CSRC did not provide the names of the applicants. About 600 companies are now awaiting listing on the two stock exchanges.

TRAVEL

First high-speed railway in Xinjiang in trial run

A trial run has been held for the first high-speed railway in Xinjiang, which will start formal operations by the end of the year. A CRH2-061C high-speed train ran through the 300 kilometer Urumqi-Shanshan section at speeds of 160 to 277 kilometers per hour. The line is part of the Lanxin Railway, which links Lanzhou in Gansu province and Urumqi, Xinjiang’s capital. The 1,776 km line, which crosses a vast expanse of the Gobi Desert, will cut the travel time between Lanzhou and Urumqi from the current 21 hours to 8 hours or less. Since the railway passes four major windy areas in China, a 462 km wind shield was built along part of the track.

- The St. Regis Chengdu Hotel recently announced it will start operating in July, making it the sixth hotel from the brand to open in China, after Beijing, Tianjin, Sanya, Lhasa and Shenzhen. Located in Chengdu's central business district, the 29-story hotel is within walking distance from Tianfu Square and the popular Chunxi Road shopping area. The hotel is part of the new Huazhi Plaza, a mixed-use development consisting of four towers that will become a hub for residential, business, shopping and entertainment.

VIP VISITS

China and Arab countries hold annual forum

China and Kuwait inked energy deals ahead of the sixth ministerial meeting of the China-Arab States Cooperation Forum (CASFC) in Beijing last week. Premier Li Keqiang and visiting Kuwaiti Prime Minister Sheikh Jaber al-Mubarak al-Hamad al-Sabah officiated at the signing ceremony. Under the agreements, the National Energy Administration (NEA) and PetroChina Co will deepen cooperation with the Gulf country. China also won support from Kuwait for the establishment of an Asian investment bank. Li Keqiang urged Kuwait to open up its upstream market in oil and gas development to Chinese companies. Bilateral trade between China and Kuwait topped USD12.5 billion in 2013, the Ministry of Commerce said. China is the top trading partner of nine Arab nations. The trade between China and the Arab states has risen from USD25.5 billion to USD239 billion in the past decade, while China's imports of crude oil from Arab countries rose from 40.6 million metric tons to 133 million tons.

- China's Foreign Minister Wang Yi is visiting India this week for the first high-level meeting between the two countries since Indian Prime Minister Narendra Modi assumed office in May. Modi is keen to rebalance relations between New Delhi and Beijing that have long been marked by distrust. India runs a USD40 billion annual trade deficit with China. India hailed the talks as a good step towards stronger ties. Chinese President Xi Jinping accepted an invitation to visit India later this year.

ONE-LINE NEWS

- More than 1,300 rich Chinese have joined a lawsuit against Canada's immigration authorities, which had decided to shut down its millionaire migrant scheme and terminate tens of thousands of applications. A Toronto lawyer is seeking CAD5 million in compensation for each applicant and their dependents unless the government agrees to assess their cases.
- Premier Li Keqiang expressed displeasure at the way local officials execute directives from the top and their inaction over the reform agenda, according to an article on the central government's official website. “Many government officials hold the belief that 'doing nothing is better than doing something wrong'," Li was quoted as saying. “Such mediocre and slothful management is also a type of corruption, because it is irresponsible to the people and the country,” he added.
- Shanghai can accommodate up to 27 million people. By the end of last year, the city had more than 24.15 million dwellers, 40% of them migrants, who mainly live in the suburban areas or the townships. By 2012, only 3.68 million migrants had joined Shanghai’s social security system. By the end of 2013, more than 27% of locals, or 3.88 million Shanghainese, were over the age of 60.
- A total of 866 officials across Guangdong, including nine-bureau level cadres and 134 at the department level, whose spouses and children have emigrated overseas have been penalized with demotions, transferred to other positions, or forced to retire early. They will no longer be considered for promotion in the future. These so-called “naked officials” are considered to be a corruption risk as most have transferred large sums of money abroad.

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