法兰德斯中国商会 FCCC VCKK

FLANDERS-CHINA CHAMBER OF COMMERCE

VLAAMS-CHINESE KAMER VAN KOOPHANDEL

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NOTICE

New website and sponsorship opportunities

We have the pleasure to inform you that the Flanders-China Chamber of Commerce has a new website.

On the new website you will find:

- Video interviews with the experiences of Chinese companies in Belgium
- Interviews with Member companies, sharing their experiences on the Chinese market
- Easy access to FCCC publications
- FCCC Weekly and Sectoral Newsletters (Automotive, Metals & Minerals; Environment & Logistics)
- News from Flanders : Europe's Smart Hub
- Career opportunities : members can post job vacancies
- FCCC activities

Sponsorship Opportunities
Our site is already a reference for companies interested in doing business in China. With our new website ready, we will be promoting it in many ways. This means new contacts and more visitors. If you would like to advertise on our website, newsletters and events, please check out our sponsorship opportunities.

FCCC ACTIVITIES

Flanders Cleantech Mission to China – 25 to 31 October 2014 – Beijing, Shijiazhuang, Tianjin and Shenyang

The Flanders-China Chamber of Commerce (FCCC), the Flanders Cleantech Association (FCA), and the Province of East-Flanders, in cooperation with Flanders Investment & Trade, are organizing the Flanders Cleantech Mission to China from October 25 to 31, 2014. The mission is organized in partnership with the Chinese Association of Environmental Protection Industry and will visit the cities of Beijing, Shijiazhuang, Tianjin and Shenyang. The mission will be led by Mr Geert Versnick, Vice Governor of the Province of East-Flanders in charge of economic affairs and international relations.

The aim of the visit is to introduce innovative Flemish cleantech technologies to Chinese institutions, governments, companies and development zones. Rapid industrialization caused many environmental challenges in China. The Chinese government recognizes the problems and aims at tackling the negative environmental impact, but there is still a long way to go. Clean technologies (cleantech) are part of the solution, ranking from clean energy and energy efficiency, to air treatment, waste management, waste water treatment and soil remediation.

This mission will visit various cities in North and North-East China: Beijing, Shijiazhuang (Hebei province), Tianjin and Shenyang (Liaoning Province). In each city, we will organize a seminar introducing the priorities and opportunities from each side as well as a presentation of the participating companies, followed by ample networking and business opportunities. You will also have the possibility to learn about the specific projects in the cleantech sector.
The organizing parties have set up a long-term cooperation and network with the authorities in these cities and regions. The province of East Flanders has been maintaining cooperation with Hebei province since 1991. In Tianjin, FCA ‘s founding father VITO works together with the Tianjin Academy of Environmental Protection (TAES), and in China, CAEPI, the Chinese Association of Environmental Protection Industry, is FCA’s partner for setting up Flemish-Chinese B2B matches. In Shenyang, the FCCC has already a longstanding cooperation with the different authorities.

The programme of the mission can be obtained by sending an e-mail to gwenn.sonck@flanders-china.be

Participation fee to visit these four cities is: €450 for members of the FCCC and €655 for non-members. (These are the costs for the presentation of your company in the brochure English/Chinese, which will also be available on different websites.) Please subscribe before September 10 via this link:
http://www.flanders-china.be/en/events/upcoming/flanders-cleantech-mission-to-china-/subscribe

ACTIVITIES

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.

On 16th -18th September 2014, the European Chamber will co-organize the sixth edition of China Europa in Shenyang with the theme: Innovative Solutions for Sustainable Energy and Urban Development.

Since 2006 Europe and China have come together nearly every year to host China-Europa, a comprehensive business convention on urban development that has had the highest support from China's Ministry of Commerce and the European Commission.
Why participate in China Europa 2014: five reasons

- Discover major urban projects in European and Chinese cities on China Europa exhibition area
- Update your knowledge about the last technologies and solutions of the Sustainable Urban Development thanks to a dedicated workshops programme
- Promote your expertise and products to private and public decision makers in ideal conditions during pre-arranged business meetings
- Benefit from the presence of numerous major stakeholders in energy and urban development, such as territories highly committed towards sustainable development
- Save time and money in your international prospecting efforts

Organizers expect over 300 businesses to participate in this international convention. Furthermore, this event will be graced by the presence of a Vice Minister from MOFCOM, EU Commissioner Günther Oettinger and over 10 Mayors from China.

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

PUBLICATIONS

FCCC publishes "FCCC Members' Portraits in China Vol.2"

See FCCC Members' Portraits on the FCCC website.

EXPAT CORNER

Shanghai ranked 10th most expensive city for expats

Shanghai soared four places to become the world's 10th most expensive city for expats, according to Mercer's 2014 survey on cost of living. Beijing closely followed at 11th, also with a 4-place jump from last year. At the same time, Shenzhen moved up 12 places to No 17 while Guangzhou leaped 11 spots to No 24. The survey covers 211 cities all over the world and measures the comparative cost of over 200 items in each location. Luanda (Angola) and N'Djamena (Chad) are the two most expensive cities in the world for expats.

FINANCE

BRICS set up New Development Bank

The New Development Bank set up by BRICS nations will be based at the former World Expo site in Shanghai. The USD50 billion lender is intended to provide an alternative to the World Bank and International Monetary Fund (IMF). Brazil, Russia, India, China and South Africa in July signed documents to establish the bank. Its USD50 billion initial capital is divided equally between the five nations. The bank is expected to make its first loans in 2016. In the future, membership of the bank will be open to other countries, but the founding agreement – part of the wider Fortaleza Declaration – states that the capital share of the BRICS nations cannot fall below 55%. A USD100 billion reserve fund will also be set up. India will serve as President for the first five years, with Russia first to chair its Board of Governors and Brazil the first Chair of its Board of Directors. The positions will rotate every five years. The agreement to set up the bank was reached at a BRICS Summit in Fortaleza (Brazil) in July, attended by Chinese President Xi Jinping.

Singapore biggest offshore yuan center outside Hong Kong

Singapore, the U.S., Australia and South Korea are the offshore hubs that saw their shares of the renminbi payments market grow the most in the past year. Singapore overtook London to become the biggest offshore renminbi center outside Hong Kong. Its payments value accounted for 28.4% of the business not conducted in Hong Kong or on the mainland in June, up from 16.5% in June last year, according to global transaction services organization SWIFT. The U.S. replaced Taiwan to become the third-biggest player outside Hong Kong or the mainland, with a market share of 10.8%, while Australia replaced Luxembourg as sixth-biggest. South Korea was the biggest mover, climbing from 15th last year to 8th, on the back of a strong policy push by regulators in Seoul. New SWIFT data showed renminbi settlements rose 563% in South Korea in the year to June. SWIFT said the value of renminbi payments in the U.S. rose 327% between April last year and April this year. Competition for offshore renminbi business, including trade settlement and capital investment, is getting fiercer as more centers seek to grab a share of the pie and capitalize on Beijing's ambition to make the renminbi a global currency. Hong Kong is still the undisputed No 1 renminbi payments center, but its global market share fell from 78% in January 2012 to 71% in June. Overall, the renminbi reinforced its position as the seventh-most-active currency for global payments, accounting for 1.55% of payments worldwide in June.

- Chinese banks have continued to pool wealth management products despite attempts from the China Banking Regulatory Commission (CBRC) to stop the risky practice. Pooling products hides the true destination of investments from customers and is risky if the products default. Since April last year the CBRC has required the banks to register each product in a separate account, but many banks had not yet complied, analysts said. In July, the CBRC issued a new set of rules that once again barred banks from pooling the products.
- China's central bank will continue with a prudent monetary policy in the second half of 2014 and will use monetary policy tools flexibly to maintain proper liquidity and achieve reasonable growth in total social financing, Sheng Songcheng, Director of the Statistics Department of the People's Bank of China (PBOC) said. We will not tighten monetary policy in the second half, he added.
- Bank of China (BOC) is hiring traders and sales people as it sets up a high-yield bond trading platform to boost market share and cement its position as one of Asia's top 10 debt underwriters. Surging sales of Chinese corporate U.S. dollar debt and dim sum bonds justified the additional headcount, said Tony Wang, Deputy General Manager for Global Markets at Bank of China (Hong Kong). He declined to say how many people the bank intended to recruit.
- The central banks of China and Switzerland inked a bilateral currency swap deal worth CNY150 billion to support trade between the two countries. The Swiss National Bank has been granted a CNY15 billion investment quota, part of which it can invest in forex reserves in the Chinese bond market. The currency deal was announced three weeks after a free trade agreement (FTA) took effect between the two countries. China now has currency swap deals with 25 countries and regions.
- Chinese police have launched an operation to track down corrupt officials and others who have fled abroad with illegally obtained financial assets, the Ministry of Public Security announced. The effort will continue until December. Ministry figures show that at least 500 such fugitives, including corrupt officials, were living overseas last year. Most are hiding in the United States, Canada and some European and Southeast Asian countries. China is facing practical difficulties as it has no bilateral extradition

treaties with countries including the U.S. and Canada.

- E-commerce firm Alibaba, preparing for a high-profile U.S. public offering, announced that its online trading subsidiary Alibaba.com will team up with seven Chinese banks to offer loans to small and medium-sized enterprises (SMEs) based on their online credit record. The maximum credit will be CNY10 million. The lowest interest rate for the loans is 8%, Alibaba said. For every U.S. dollar a firm exports, it can apply for a one yuan loan.
- Construction firm Huatong Road & Bridge paid in full CNY429 million in principal and interest on a bond that matured. The Shanxi provincial government brokered a deal to avoid a default, although the central government had indicated that such defaults should be allowed to proceed as part of efforts to restructure the economy. It would have been China’s second corporate bond default this year.
- The China Banking Regulatory Commission (CBRC) approved the establishment of three private banks: Shenzhen Qianhai WeBank, Wenzhou Civil Commercial Bank and Tianjin Jincheng Bank. Tencent, China’s largest internet company in terms of market value, holds a 30% stake in Shenzhen Qianhai WeBank. Initially, five banks were to take part in the trial program, but the other two banks, one founded by Shanghai-based private-owned conglomerate Fosun Group and the other by Alibaba Group, did not file their applications in time.
- French firms lead in the use of yuan, according to a HSBC report on 1,034 companies in 11 markets. Some 26% of French companies settle their trades in yuan, followed by 23% for Germany, 17% in the U.S., 15% for Singapore and 14% in Britain.
- Five provinces have been authorized by the banking regulator to set up local asset-management companies. The five AMCs in Jiangsu, Zhejiang, Anhui, Guangdong and Shanghai were approved to carry out bulk transfers of non-performing assets. Banks, trusts, finance companies, financial leasing companies and other financial institutions can sell their bad assets to these AMCs. The move will ease the pressure of an increasing bad loan rate. Up to now China only had four national AMCs. Up to the end of June, the balance of non-performing loans of commercial banks reached CNY694.4 billion, up 17% from the beginning of the year. The non-performing loan ratio was 1.08%, the highest in the last six quarters.
- China’s credit card transactions totaled CNY13.1 trillion in 2013, up 30.9% from a year earlier, the China Banking Association said. The transactional value accounted for 55.8% of the total retail sales of consumer goods, making credit cards an important payment tool. The country issued 61 million new credit cards in 2013. The Association also warned of increasing potential credit risks. The number of credit card repayments delayed by more than half a year were up 71.9% year-on-year to CNY25.19 billion in 2013.
- Declines in bank deposits and new loans in July were mainly due to seasonal factors and not a cause for concern, according to financial analysts. The renminbi deposits of the four largest lenders by assets declined by CNY1.5 trillion in July from an increase of CNY2.2 trillion in June. During the same period, the big four state-owned banks' new yuan loans also fell to CNY210 billion from CNY290 billion.
- Beijing is quietly pushing back its loose timetable to make the yuan freely convertible, policy insiders say, as the authorities fear removing capital controls too soon could unleash damaging speculative flows that will make it harder to reshape the economy. There has never been a hard target date for a freely traded yuan, although the central bank had outlined a goal of making it “basically convertible” by next year. Now analysts are looking to 2020.
- China Investment Corp (CIC), the nation’s sovereign wealth fund, reported the return from its overseas investments was 9.33% last year due to complicated global economic conditions. The ratio was down from 10.6% in 2012, according to an annual report of the Beijing-based company which manages the country’s USD653 billion sovereign wealth fund.
- Trust companies' assets under management climbed 6.4% to CNY12.5 trillion as of June 30 from three months earlier, the China Trustee Association said. That is the slowest growth since the first quarter of 2012 and compares with an average annual gain of 50% since 2008.

FOREIGN INVESTMENT

FDI increases 2.2% in first half

Foreign investment amounted to USD14.4 billion in June – up 0.2% from a year earlier, compared to a 6.7% drop in May. In the first half, foreign investment expanded 2.2% to USD63.3 billion with 10,972 new foreign ventures established on the Chinese mainland. Foreign investment flowing into China's service sector gained 14.8% to USD35.2 billion in the first six months, accounting for 56% of the total figure. The manufacturing sector attracted USD22.8 billion, down 13.9% on an annual basis, accounting for 36% of the total. Investment from the United Kingdom surged 76.4% in the January-June period, while that from South Korea jumped 45.6%. However, funds from the United States fell 4.6% while the European Union's investment dropped 11.2%.

Ralls Corp wins lawsuit on U.S. wind farm investment

Chinese-owned Ralls Corp won its lawsuit against U.S. President Barack Obama's decision to block its wind farm project in Oregon as a national security risk because it was located near a U.S. naval facility. The U.S. Circuit Court of Appeals for the District of Columbia handed down a ruling that said the Committee on Foreign Investments in the United States (CFIUS) failed to provide Ralls with constitutional due process. "If upheld, the Court of Appeals decision in the Ralls case has far-reaching implications for the way CFIUS does business," Washington-based Anne Salladin, the special counsel for national security, CFIUS and compliance practice at the law firm of Stroock & Stroock & Lavan, told the South China Morning Post. It is not known whether the ruling will be appealed or whether the Obama administration will seek a re-hearing. Appellate courts in the U.S. sometimes grant re-hearing of a case before all the judges of a court. It added that the U.S. President retains the authority – immune from judicial review – to approve or disapprove transactions.

- The Shanghai municipal government has announced that preferential policies regarding visa, residence permit, work certificate and foreign expert certificate will now also cover multinational companies which do not have their regional headquarters in Shanghai, provided they have core subsidiaries in the city. Companies must have assets of no less than USD200 million, operate at least three ventures on the Chinese mainland, one of which should be registered in Shanghai, and employ more than 50 manager-level staff on a 500-square-meter-plus office.
- At the closing of the Sixth Annual U.S.-China CEO and Former Senior Officials' Dialogue held in Beijing, China and the United States agreed to strengthen cooperation on infrastructure while calling for an acceleration of talks on a bilateral investment treaty. It is estimated that by 2020, upgrading infrastructure in the U.S. will require USD3.6 trillion, and the shortage of funds will total USD1.6 trillion.
- Chinese investments in the United States fell year-on-year in the first half, but pending deals and the expected completion of the U.S.-China Bilateral Investment Treaty (BIT) mean the figure for the year as a whole may still rise substantially. Chinese companies completed USD3.46 billion worth of deals in the U.S. in the first half, including USD2.1 billion in the second quarter, according to the Rhodium Group. This was down from the USD4.7 billion worth of completed Chinese deals in the U.S. in the first half of last year.
- Officials from the State Administration for Industry & Commerce (SAIC) made unannounced visits to four Microsoft Corp offices across China as part of a nationwide anti-monopoly investigation. Microsoft is being probed because of the dominance of its Windows operating system and Office suite. In May, Chinese government offices were banned from installing Windows 8 on new computers. The SAIC warned Microsoft not to obstruct the anti-trust investigation.
- Prosecuting departments have been handling an increasing number of cases involving bribery offered by multinational companies to government officials or state-owned enterprises (SOEs), according to the Supreme People's Procuratorate. "The worst-hit areas in terms of corruption are pharmaceuticals, the electric power sector and software," Song Hansong, Director of the Procuratorate's Corruption Prevention Department, told China Daily.
- Some foreign companies in China can now use their registered capital to buy stakes in Chinese companies as part of an experiment to further loosen capital controls, the

State Administration of Foreign Exchange (SAIC) said. Under the new rules, companies are free to convert all of their registered capital into yuan if they wish, though they are prohibited from using the funds to buy listed Chinese securities.

- Chinese individuals might be allowed to invest abroad as early as this year. The National Development and Reform Commission (NDRC) said “individual investors will be allowed to conduct outbound investment”, without elaborating when and how that will happen. But since the document covered the agency's key work agenda for the second half of this year, it implied that a specific policy could be announced later this year.
- Peter Humphrey was sentenced to two and half years and fined CNY200,000 and his wife Yu Yingzeng was sentenced to two years and fined CNY150,000. Humphrey will be deported at the end of his sentence. The couple ran the investigation firm ChinaWhys. They were convicted of illegally obtaining and selling personal details of Chinese citizens, a case linked to a bribery investigation into GlaxoSmithKline (GSK).
- In the January-June period, China’s overseas direct investment (ODI) decreased 5% to USD43.34 billion. Asia and Latin America continued to attract the largest amount of about 74.1% of the total. Investment in the European Union surged 221.7% while spending in Russia went up 109.5% and that in Japan expanded 100%.
- Foreign companies are increasing their investment in Shanghai’s pilot free trade zone (FTZ). In the first half of this year, 1,016 foreign-funded projects worth USD5.4 billion were launched in the FTZ. The number accounted for nearly half of all foreign-funded projects in the city and nearly 20% of projects launched in the zone, according to the Shanghai Commission of Commerce.
- The Shanghai Commission of Commerce has unveiled the top-100 foreign companies in the city that produced the biggest trade volume, sales and taxes. Shanghai Volkswagen, Shanghai General Motors and Apple Computer Trading (Shanghai) Co were among the winners.

FOREIGN TRADE

New law on Shanghai FTZ comes into force

The Shanghai People’s Congress unanimously approved a new law that covers regulations on supervision, investment, trade, financial services and taxation in the China (Shanghai) Pilot Free Trade Zone (FTZ). The law, which includes nine chapters and 57 articles, came into force on August 1. The regulation includes items on registering a business in the zone, a negative list for foreign investment, measures to facilitate customs clearance procedures and rules to boost financial liberalization. “It is a significant step toward building a law-oriented market environment in the zone,” said Dai Haibo, Executive Vice Director of the zone’s Management Committee. The law also ensures that all reforms initiated by the zone can be copied and expanded to other areas while leaving room for future changes. It will allow citizens, legal persons and other organizations to explore reform and innovation in the zone in any areas that are not banned by laws and regulations. The law also requires regulators to create a system to manage risks, simplify currency exchange procedures for cross-border investment, boost the use of the yuan, and liberalize interest rates. Up till the end of June, the zone had attracted 10,445 enterprises, including 1,245 foreign-funded, the Shanghai Daily reports.

Exports increase while imports fall more than expected

China’s exports accelerated faster than expected in July while imports fell unexpectedly, creating a record high trade surplus that may pressure the yuan to strengthen further. Exports jumped 14.5% from a year earlier to USD212.8 billion in July, much stronger than the pace of 7.2% in the previous month. Imports, however, fell 1.6% to USD165.5 billion, against an increase of 5.5% in June. “Exports rose more than expected thanks to improved external demand,” said Chang Chunhua, Analyst at Nomura. “Imports dropped, and it was largely due to last year’s high base and a recovery that has yet to stabilize.” Zhou Hao, Economist at Australia & New Zealand Banking Group, said the decline in imports was a result of a crackdown on commodity financing after a fraud probe in Qingdao port, while the high base last year also distorted the figures. As growth of exports exceeded that of imports significantly, the trade surplus shot up to USD47.3 billion in July, sharply up from June’s USD31.5 billion and tripling from a year ago. China's exports to the European Union rose 17% in July from a year earlier and shipments to the U.S. jumped 12.3%, the biggest gain since November. Sales to Association of Southeast Asian Nations (ASEAN) member countries gained 11.9%. The trade surplus for the first seven months widened to USD150.6 billion from USD125.9 billion in the same period last year. Part of the drop in imports may be attributable to falling commodity prices. Iron-ore imports in the first seven months of the year rose 18.1% by volume while the average price fell 14.5%. Crude oil imports rose 7.2% by volume, while the average price declined 1%, and the average price of soybeans dropped 3.9% while the volume jumped 20.2%.

- The World Trade Organization (WTO) said that the United States broke WTO rules in imposing hefty duties on Chinese steel products, solar panels and a range of other goods that Washington argued enjoyed government subsidies. Under the 1964 Marrakesh accords, which also set up the WTO, these duties can only be levied when there is clear evidence that state-owned or partially state-owned enterprises passing on the subsidies are "public bodies". The WTO panel found that Washington had produced insufficient evidence for this and was also at fault in its calculations of the value of the subsidies.
- The Ministry of Commerce (MOFCOM) voiced strong opposition to the decision by the U.S. Department of Commerce to launch an investigation into imported Chinese tires. The anti-dumping and anti-subsidy investigation into tires used in passenger vehicles and light trucks "breaches the rules of the World Trade Organization and U.S. laws", MOFCOM said.
- China is under renewed pressure to push for the expansion of tariff cuts on information and communications technology products at the next Asia-Pacific Economic Cooperation (APEC) leaders' meeting, which will be held in Beijing in November. Talks in Geneva were suspended on November 21 after China, the world's biggest exporter and importer of hi-tech goods, refused to pare down the number of products it wanted excluded from an expanded Information Technology Agreement (ITA). China had a "sensitivities" list of about 140 products, which included some 57 items for exclusion and the rest for longer tariff phase-out periods.
- China's Ministry of Commerce (MOFCOM) criticized Washington for approving new penalties on Chinese solar products, saying the move will hurt the industry in both countries. The U.S. Commerce Department levied anti-dumping duties of up to 165% on solar panels and cells from China following a preliminary finding that they were being sold in the U.S. at unfairly low prices. MOFCOM said the U.S. disregarded the facts and applied contradictory "country of origin" trade rules in its decision.
- China's services trade grew steadily in the first half at 15.3% to USD284.7 billion from the same period last year, the Ministry of Commerce (MOFCOM) said. The deficit grew 5.6% to USD58.4 billion. The deficit mainly stemmed from tourism, transport, franchise and outsourcing, and insurance. "The country still lacks competitiveness in high-technology areas such as finance and legal services," Everbright Securities Chief Economist Xu Gao said. "The deficit will last quite a while." The services trade remained small, accounting for 12.3% of the country's total trade in the first half, although the share rose from 10.9% a year earlier.
- The National Development and Reform Commission (NDRC) has completed its investigation into the monopolistic practices of 12 Japanese firms that produce auto parts and bearings in China, and is ready to issue penalties. The firms, which have yet to be named, are the latest to face charges under the government's anti-trust campaign. Audi, Chrysler, Shanghai GM and Mercedes-Benz are also being investigated.
- A new customs regulation requires all enterprises and individuals engaged in cross-border e-commerce to go through the process of customs declaration. The regulation is targeting overseas shopping representatives who sell tax-free foreign goods to Chinese buyers over the internet. The market was estimated to be worth CNY100 billion in 2014. The new regulation came into effect on August 1.

HEALTH

OSI rotten meat scandal affects fast food chains

Fast-food chains McDonalds, Kentucky Fried Chicken and Pizza Hut have suspended orders from Shanghai-based supplier Shanghai Husi Food Co, which is under investigation for allegedly selling rotten meat. Shanghai Husi is a subsidiary of the American OSI group. The company falsified the expiry date on some of the meat it sold to the international fast food chains. Shanghai's food safety administration closed the processing facility and seized suspected raw food items. The Shanghai factory processed 25,000 tons of food annually. OSI, which has close to 60 manufacturing facilities worldwide and had revenue of over USD5 billion in 2012, has been supplying McDonald's in China since 1992 and Yum since 2008. OSI International has now taken over the operations of its Chinese entity and brought in foreign management. The U.S. company's Chairman, CEO and owner Sheldon Lavin said: "We understand that we need to rebuild and again earn respect. We accept that there must be consequences and we take responsibility for the actions of those individuals working for our company." The company said it was cooperating with the Shanghai Food and Drug Administration and was committed to a transparent and swift internal investigation. The company plans to set up a quality control center in Shanghai and would spend CNY10 million on a food safety education campaign.

- Shanghai's quarantine authorities have simplified procedures for the import and export of biological products through the pilot free trade zone (FTZ). Imports and exports of special goods including germs, body tissue, biological products, as well as blood and related products will be approved annually, and a data base will be set up to provide paperless clearance services for biomedical enterprises. The measures will help reduce delivery times of biological products from about a month to four or five days.
- The number of young male workers with no history of health problems who died suddenly in their sleep has risen sharply over the past decade in the manufacturing hub Dongguan. The city's police recorded 893 cases of sudden unexplained nocturnal death syndrome from January 2001 to October last year. It is more than triple the 231 cases recorded from January 1990 to December 1999. More than 90% of the victims in Dongguan were manual laborers.
- German healthcare operator Artemed Group plans to set up a hospital in the China (Shanghai) Pilot Free Trade Zone.The group signed an agreement with investment company Silver Mountain Capital, Shanghai Waigaoqiao FTZ 3U-Development Co and Shanghai Waigaoqiao FTZ Healthcare Center. The hospital will be the first fully foreign funded medical institution to be set up in the FTZ.
- Yumen in Gansu province was sealed off for nine days in July after a man died from pneumonic plague. The patient had chopped up a dead marmot to feed to his dog. One of three main forms of plague, pneumonic plague is a severe type of lung infection. It is the only form of plague that can be spread from person to person, by infectious droplets.
- Genetically modified (GM) rice, which is illegal to sell or grow commercially in China, has been found on sale in a large supermarket in Wuhan. There was also evidence that GM rice had been sold in Hunan, Anhui and Fujian.
- Shao Mingli, Director of the former State Food and Drug Administration from 2005 to 2012, has been accused of changing the name of a traditional Chinese medicine plant to benefit herb sellers in his home province of Shandong. The Administration oversees the Chinese Pharmacopoeia Commission responsible for classifying medicinal plants.

IPR PROTECTION

Joint Guangdong-Hong Kong IP operation successful

Guangdong and Hong Kong customs officials said that "remarkable achievements" were made in the campaigns against cross-border infringements on intellectual property rights under the Guangdong-Hong Kong joint operation mechanism on IP cases. The collaboration was established in 2003, following the Closer Economic Partnership Arrangement (CEPA), the first free trade agreement concluded by the Chinese mainland and Hong Kong. Both parties have so far carried out more than 150 projects involving protection of patents, trademarks and copyright under the mechanism, 16 of which were done last year. From July 2013 to June this year, Guangdong customs investigated 422 IP infringement cases involving smuggled goods bound for Hong Kong with a potential retail value of more than CNY70 million.

- Australian winemaker Treasury Wine Estates, owner of the popular Penfolds brand, is facing a legal challenge in China over the right to use its Chinese name Ben Fu, which had been registered as a trademark by another company. The two Chinese characters Ben Fu appear in more than 70 registered trademarks, records show. At least four companies use the Australian winery's exact logo to sell marketing services, beverages, and bedding.

- The National Copyright Administration (NCA) approved the establishment of a national-level copyright exchange center in Shaanxi province, the first of its kind in western China. The center is jointly set up by the Shaanxi Cultural Industry Investment Holdings Co and the Xian Television Copyright Exchange Center.

MACRO-ECONOMY

Less areas report double-digit growth

The number of regions that delivered double-digit economic growth in the first half of this year plunged, and growth in some regions was dramatically below the year-earlier level, figures from provincial-level governments showed. Of the 27 provinces, municipalities and autonomous regions that had released first-half GDP data by the end of July, only five managed to expand at a double-digit pace. In 2013, 15 out of the 31 regions posted growth rates above 10%. Tianjin, which grew 12.5% in 2013 and led the nation, slowed to 10.6% in the first half. Chongqing led the nation with 10.9% GDP growth in the first half, but that pace was 1.4 percentage points slower than in 2013. Some provinces experienced a sharp drop in growth. Hebei province grew 5.8% in the first half, compared with 8.2% a year earlier. First-quarter growth was just 4.2%. Shanxi province expanded 6.1% in the first half, while it grew 8.9% in 2013. Heilongjiang province, where just one large oilfield contributed more than half of the province's industrial output, was hit hard by decreased crude production. The province grew just 4.1% in the first quarter. Twenty-one of the 27 regions that had reported first-half GDP figures indicated a pickup in the second quarter, while four regions reported a slowdown Tianjin, Anhui, Xinjiang and Jilin, the China Daily reports.

- Premier Li Keqiang vowed to broaden private firms' market access and cut redundant administrative approvals amid “persistent downward pressure”. “We will further open the door for private capital. We will give private firms more investment options and a bigger stage on which the creativity of all 1.3 billion Chinese people can be fully unleashed,” Li told a group of executives from state-owned and private enterprises in July. Li said the government will curb and reduce surging borrowing costs.
- China's summer grain output hit a record high after 10 straight years of growth. More than 136 million tons of grain, mostly wheat, was harvested, up 3.6% from last year. The yield per hectare increased 3.5% over last year, but productivity was only 5% of that in the United States. Chinese farmers used three times as much fertilizer as U.S. farmers.
- China has selected six companies including COFCO for a trial designed to overhaul state-owned enterprises (SOEs), giving them more freedom to make investment decisions and hire top executives.
- China’s gross domestic product (GDP) grew 7.5% in the second quarter, quickening from the 7.4% rate in the first three months, which was an 18-month low, the National Bureau of Statistics (NBS) said. The pace was on par with the official target of about 7.5% growth for this year, and in line with expectations after Premier Li Keqiang said recently that the economy was doing better in the second quarter than in the previous three months. Fixed-asset investment (FAI) in the first half rose 17.3% from a year earlier.
- Guangdong province will make further cuts in obsolete manufacturing capacity by 2017. Iron and steel capacity will be reduced by 4.5 million metric tons and that of cement by 3.23 million tons as part of a national drive to eliminate excess capacity. With 12.94 million tons of capacity already phased out, provincial iron and steel capacity should be less than 40 million tons by 2017.
- Nearly 30% of Hong Kong-based manufacturers with factories in the Pearl River Delta (PRD) plan to scale back their investment in the area. The Chinese Manufacturers' Association of Hong Kong says nearly 29.6% of Hong Kong-based manufacturers plan to reduce investment in the PRD in the next three years.

- After a slight dip in the Luxury Consumer Price Index (LCPI) last year, it rose by 4% in 2014, according to the Hurun Research Institute. The LCPI was also 1.7 percentage points higher than China's overall CPI. Over the past eight years, the LCPI has risen 70%, while the national consumer price index is up only 29.2%. In 2014, sales of luxury property has increased the most, with its growth rate reaching 12.6%
- More than 200 senior government officials have been ordered to resign from company jobs to root out conflicts of interest and corruption. The orders were made after the Communist Party's Organization Department passed a rule in October last year banning government and party officials from also holding outside jobs.
- Beijing will forbid building new hotels, hospitals, office buildings, school campuses and industrial facilities in its central area, according to a new restriction on industries. Since 2010, Beijing has released a series of guidelines to move some industries out of the city, but until now had not adopted a prohibitive list to prevent industries before they established facilities in the city.
- A survey of 48,000 new graduates showed more favored state-owned enterprises (SOEs), with also a large increase in the number who want to start their own business. 35.9% of respondents prefer to work for SOEs, according to the survey by ChinaHR.com. 18.9% would prefer to start their own business, compared with 2.2% who said so last year. 77% of those surveyed chose the CNY4000-5,999 option as their expected monthly salary, while last year 75% chose CNY2000-3999.
- China will ensure the “orderly” migration of about 100 million rural workers into cities by 2020, supported by expanded social welfare and more job opportunities, the government said. Authorities have pledged to loosen their grip on residence registration, or hukou, which stops migrant workers and their families from getting access to education and social welfare outside their hometowns.
- The International Monetary Fund (IMF) has lowered China’s economic growth forecast for this year to 7.4%, down from 7.5% in April. The projection was based on China’s moderating domestic demand, slower investment and rising risks of a deeper adjustment in real estate activity. The IMF added that a target growth rate of 6.5% to 7% for 2015 “would be consistent with the goal of transitioning to a safer and more sustainable growth path”.
- The official Purchasing Managers’ Index (PMI) rose to 51.7 in July, up from 51 in June and the strongest reading since April 2012, the China Federation of Logistics and Purchasing (CFLP) said. The rising PMI fueled optimism over China’s economy. New orders increased 0.8 points from a month earlier to 53.6 in July, the highest in 26 months. Production also picked up 1.2 points to 54.2, while new export orders increased for the third consecutive month to 50.8. The HSBC Purchasing Managers’ Index also stood at 51.7 in July. The PMI for the non-manufacturing sector slowed to 54.2 in July from June's 55, the weakest reading since January.
- The consumer price index (CPI) for July rose 2.3% year-on-year, unchanged from June, the National Bureau of Statistics (NBS) said. Food costs, which account for about a third of the index’s weighting, increased 3.6% in the period. The producer price index (PPI) fell 0.9% in July. The gauge has been negative for 29 months.
- The central government has allocated CNY2 billion to take stakes in 49 venture capital funds, a move that it hopes will attract additional investors. Local governments will also take stakes in these funds. The funds will focus on startups and small and medium-sized innovative companies. The investment areas will be strategic emerging sectors such as alternative energy, new materials, energy conservation and environmental protection, biomedicine and low-carbon industries.

MERGERS & ACQUISITIONS

M&As down 6% in first half

The appetite of Chinese companies for mergers and acquisitions fell 6% in the first half of 2014, but experts expect a pickup in the coming months due to state reforms and changes in the macro-economic environment, KPMG said. “A well documented anti-graft drive, measures to maintain property prices at affordable levels, and export competitiveness have dampened broad demand and impacted profitability of enterprises,” said Rupert Chamberlain, head of transaction service for KPMG China. “We still maintain a positive near-term outlook for the China M&A market,” he added. KPMG found the hunger for M&As by Chinese companies, as measured by their prediction for earnings from a deal, fell 6% between January and June. On an annual basis, the June reading added 8%, below the average rise of 16% globally. KPMG found the value of Chinese outbound M&As eased 4% year-on-year to USD35.6 billion in the first half of 2014. The value of inbound M&As fell 24% to USD10.8 billion. The outbound M&A deals included several in natural resources in Australia, Canada and Peru, while consumer goods and services led inbound M&A deals in the first half, the Shanghai Daily reports.

- China's Hony Capital has acquired United Kingdom restaurant chain PizzaExpress for GBP900 million in the largest acquisition in five years in the European restaurant sector. PizzaExpress has 436 sites in the UK and 68 sites internationally, with 22 in China, including 12 in Hong Kong, nine in Shanghai and one in Beijing. Outbound mergers and acquisitions in the food and beverage industries accounted for 17% of total M&A deals originating in China as of June.
- Chinese tissue maker Vinda International has acquired the commercial operations in China, Hong Kong and Macao of its biggest shareholder, Swedish hygiene products firm SCA. The deal is worth HKD1.14 billion. Vinda will also obtain the right to use SCA brand Tempo in China on a royalty-free basis and acquire the trademarks of Dr. P and Sealer from SCA for use in China. The brands acquired from SCA are not widely known on the mainland.
- China Huadian Group, one of the big five state-backed power generators, plans to ultimately inject all of its assets into its listed companies as part of reform in state enterprises. The process is expected to take several years.
- State Grid Corp of China has agreed to buy a 35% stake in an Italian energy distributor owned by Cassa Depositi e Prestiti (CDP) for at least €2.1 billion. State Grid has since 2009 spent USD14.8 billion on power assets in Hong Kong, the Philippines, Brazil, Portugal and Australia.
- Australia’s Roc Oil Co accepted a AUD474 million take-over offer from Chinese conglomerate Fosun International, saying it was better than its plan to merge with Horizon Oil. The deal will give Fosun its first oil assets, with stakes in China, Australia, Malaysia and the United Kingdom’s North Sea. Roc produced 2.7 million barrels of oil equivalent (BOE) last year. The Fosun deal is subject to Australian foreign investment approval.

PETROCHEMICALS

China Merchants and Sinotrans set up crude oil tanker JV

China Merchants Energy Shipping and Sinotrans & CSC Holdings have announced a USD1.1 billion crude oil tanker joint venture which seeks to ensure better and safer control over China’s oil imports. The venture aims to boost both companies’ capacity in ferrying China’s oil imports. China Merchants will provide USD566 million in assets, including nine very large crude carriers (VLCCs), for a 51% stake, while Sinotrans & CSC Holdings will offer USD544 million in cash. The deal is due to be finalized by September 30. China Merchants owns 17 large oil tankers that can carry 3.71 million tons in total, while Sinotrans & CSC Holdings has partnerships with more than 400 foreign transport and logistics suppliers.

- A Chinese oil rig has finished exploration in mid-July near the Xisha islands in the South China Sea after finding signs of oil and gas, more than two months after its deployment to waters also claimed by Vietnam hurt ties with Hanoi. Xinhua said the USD1 billion deepwater rig was scheduled to be relocated to the Hainan Lingshui project operations. CNPC would now analyze the data before deciding the next move.
- Brightoil Petroleum (Holdings), China's only privately-owned supplier of fuel to ocean-going vessels, is in talks with several foreign companies to buy their oil production assets in China as they exit after losing operational control. The Shenzhen-based firm's new Chief Executive, Bruce Yung, said in July that some of the talks were preliminary, while one case was more advanced. Former CEO Sit Kwong-lam resigned, but remains Chairman and majority shareholder. “Quite a number of production-sharing agreements signed in the past 20 years are close to expiring and the foreign partners lose their operatorship in advance of that,” Yung said.
- Two executives involved in the Canadian operations of China National Petroleum

Corp (CNPC) have been detained. Song Yiwu, Deputy General Manager of CNPC Exploration and Development Co, and Li Zhiming, General Manager of PetroChina International Investment Corporation (Canada) and the head of CNPC's Canadian operations, are being investigated in suspected Canadian deals.

- PetroChina is reconsidering a plan to auction off its natural gas pipeline unit and could instead sell it to an affiliate. Selling PetroChina Eastern Pipelines Co to the affiliate, which is 50% owned by PetroChina, would enable China's largest energy producer to maintain control over the national gas grid as well as raise cash to fund oil and gas exploration. PetroChina controls more than 80% of China's natural gas grid, and some privately-owned domestic gas companies have complained this monopoly hurts their business.
- China's refineries produced the most fuel on record in June at 10.18 million barrels per day (BPD) and oil consumption reached the highest in 17 months. Implied oil demand reached 10.2 million BPD in June, the highest level since January last year. Strong crude imports in the first half of the year, coupled with modest refinery throughput, supported the view that China was once again filling strategic storage. The breakdown of refinery output shows that petrol output rose 9.5% in the first half from the same period in 2013, while diesel only gained 0.15%.
- Anton Oilfield Services Group, one of China's largest privately controlled oilfield services providers, warned of a substantial profit drop in the year's first half, citing project delays and pricing pressure. The Beijing-based firm, 31% owned by Chairman Luo Lin and 20% by the world's largest oilfield services firm Schlumberger, said it also forecast lower profit margins due to higher staff, capital and equipment costs.
- Sinopec Engineering has been awarded a USD1.33 billion contract to build an oil refining and petrochemical project in Pengerang, Johor state, Malaysia. The contract was awarded by PRPC Refinery and Cracker, a subsidiary of Petronas.
- The wholesale price of natural gas for industrial users will rise 20% on September 1, signaling that China is accelerating market-oriented pricing reform despite a slowing economy. The price will increase by CNY0.4 per cubic meter, resulting in an average price of CNY2.35 to end-users. It will be the first hike since July 2013, when the National Development and Reform Commission (NDRC) announced a 15.4% increase. Industrial and commercial use of natural gas accounted for 80% of the total in 2012.

REAL ESTATE

Home sales drop in value and volume in first half

Home sales in the first half of 2014 fell at a slower pace, by both value and volume. The value of new homes sold dropped 9.2% from the same period a year ago to CNY2.56 trillion during the January-June period. The volume sank 7.8% from a year ago to 256.3 million square meters. “Robust performance in the first half of 2013 actually led to the year-on-year retreat, meaning it was a normal correction of the market which should be good for both the healthy development of the property market as well as a sustainable national economy,” National Bureau of Statistics Spokesman Sheng Laiyun said. Tightened credit at banks coupled with continuously high property prices discouraged home buyers. Investment in housing developments rose 13.7% year-on-year to CNY2.87 trillion across the country in the first half. The housing market has entered a correction period with new home inventories in most cities reaching record levels, the Shanghai Daily reports.

Overall property sales in Beijing slumped by 34.8% in the first half of this year compared with the first half of last year amid a stagnant real estate market nationwide. Xia Qinfang, Deputy Director of the Beijing Bureau of Statistics, also attributed the year-on-year drop to the launching of a subsidized housing program for first-time buyers, the data for which was not included in the overall residential sales figures. In the first half of last year, sales of residential units had grown by 30% over the first half of 2012, which “exerted quite a big challenge” to match this year, Xia added.

More than 40 cities across the mainland have introduced home-buying restrictions since early 2010, as central authorities ordered local governments to curb real estate speculation and rein in the bubbling property market. A number of them – including Wenzhou, Zhejiang and Haikou – have eased restrictions since the middle of last year as local authorities faced pressure from sliding economic growth, which relies heavily on the property market.

Over three-fourths of cities monitored registered month-on-month declines in residential property prices. The average price of new homes in 100 cities fell 0.81% from June to CNY10,835 per square meter in July, according to the China Index Academy. 39 cities posted drops of over 1%, an increase of four from a month earlier. In the 10 largest cities, the average price of a new home fell 0.97% to CNY19,328 per square meter in July. Guangzhou led all with a 1.77% month-over-month loss, while prices in Shanghai registered a milder retreat of 0.45%. Year-on-year, 52 cities recorded price decreases last month, compared with 37 in June. Wenzhou continued to lead decliners with a drop of 12.4%.

Chinese invest more in real estate abroad

Chinese investment in overseas commercial and residential markets increased in the first half of 2014, with London the most popular location, real estate services firm Jones Lang LaSalle said. Overall Chinese outbound investment climbed to USD5.4 billion in the first half, 17% above the same period in 2013. While commercial investment took the largest share, almost USD4 billion, the real growth was in residential investment, USD1.5 billion, 84% higher compared with last year. London proved to be the top location for Chinese investors, attracting USD2.3 billion in its commercial and residential property markets, a side effect of the city encouraging more Chinese capital for major infrastructure projects. Institutional investors targeting London include China Construction Bank, China Overseas Holdings and China Life Insurance Co, which bought core central business district office assets. San Francisco and Chicago followed behind London with USD548 million and USD365 million, respectively. Darren Xia, Director at JLL China, said developers and insurance companies remain the most active investors, with a notable increase in interest in hotel and hospitality products at popular Chinese tourist destinations, such as New York and Sydney. Dalian Wanda Group Corp became one of the first Chinese investors to enter the Spanish market with a purchase of an office building in Madrid from the Santander Banking Group. The slowing real estate sector at home is one of the reasons why investors are switching to overseas markets, the China Daily reports.

- By 2020, China may be home to six of the world's 10 highest skyscrapers, including Suzhou's 700-meter Zhongnan Center. Developers finished 37 structures higher than 200 meters, or about 50 stories, in China last year, the most in the world, according to the Chicago-based Council on Tall Buildings and Urban Habitat.
- Dalian Wanda Commercial Properties Co is aiming to become the largest real estate company in the world by 2014, Chairman and founder Wang Jianlin said. The company also aims to increase acquisitions in the culture, entertainment, retail and luxury hotel sectors. The company already owns 88 Wanda Plaza shopping malls as well as hotels and cinemas. In 2013, the company's revenue surged 31% year-on-year to reach CNY186 billion.
- The Shanghai Tower reached its full height of 632 meters. The CNY15 billion tower in the Lujiazui financial hub in Shanghai's Pudong New Area is the world's second-tallest building – surpassed only by Dubai's Burj Khalifa, which soars to 829.8 m. No more high-rises on this scale are planned in Shanghai. The Shanghai Tower is expected to drop to third-tallest in 2016, with the completion of the 660-meter Ping'an International Financial Center in Shenzhen.
- The Central Commission for Discipline Inspection (CCDI) has uncovered corruption in the property sector in 20 of 21 provincial areas inspected so far. Officials intervened in the public bidding for urban construction projects to ensure the people who had given them huge bribes got the contracts. Some gave contracts to relatives or friends ahead of the bidding process and some illegally obtained several state-distributed houses.
- China Vast Industrial Urban Development filed a prospectus for an initial public offering (IPO) with the Hong Kong exchange, seeking to raise gross proceeds of up to HKD1.23 billion. The firm is one of the first developers of large industrial towns, or cities, built around industrial parks. China Vast built its first industrial park in 2005 in Langfang, Hebei province.
- Hong Kong-listed developer Beijing Capital Land said that it could hit a full-year sales target of CNY28 billion without cutting prices despite slow sales in the first half, but added that its gross profit margin would suffer. The company reported an 18% year-

on-year jump in first-half net profit attributable to shareholders to CNY661.13 million. Gross margin fell 3 percentage points from six months earlier to 23% at the end of June. Revenue dropped 8% to CNY4.52 billion.

RETAIL

Duty-free shopping on the rise

Duty-free shopping in China is on the rise. In September, the world's largest duty-free shopping center will open its doors in Sanya's Haitang Bay in Hainan, one of China's most popular holiday destinations. Covering a gross floor area of 120,000 square meters, the super-large mall will use more than a third of its total area to sell top-brand duty-free goods, ranging from perfume, skincare products, jewelry, and fashion to leather goods. Revenue from China's duty-free market is expected to exceed CNY30 billion in 2015, making the nation the second-largest global market after South Korea.

- 85% of Chinese consumers said they have given up shark fin soup in the past years, according to a new report by the NGO WildAid. Two-thirds of respondents cited awareness campaigns as the reason for ending their shark fin consumption. WildAid conducted an online poll of 1,568 people from Beijing, Shanghai, Guangzhou and Chengdu. Falling demand has led to a drop in prices of 47% over the past two years. According to WildAid, around 73 million sharks are killed every year for their fins, primarily to supply the Chinese market.
- Anta Sports, China's largest sportswear company by market share, reported a 28.3% year-on-year surge in first-half net profit. Earnings increased to CNY802.8 million on a 22% jump in turnover to CNY4.12 billion. Online sales grew substantially. At the end of June, the group counted 7,701 Anta stores, down from 7,757 last December.

SCIENCE & TECHNOLOGY

China to launch recoverable moon orbiter

China is set to launch an experimental, recoverable moon orbiter before the end of the year, the State Administration of Science, Technology and Industry for National Defense announced. The orbiter is one of the test models for China's new lunar probe Chang'e-5, whose mission will be to land on the moon, collect samples and return to earth. The Chang'e-5 probe is set to be launched around 2018, and will be taken to space by the nation's first heavy-lift rocket, the Long March-5, at the new launch center in Wenchang in Hainan.

- The first of three experimental modules for China's planned space station is expected to be launched in 2018, with the other two set for launch in 2020 and 2022. The modules will help form a 60-ton space station. Previous media reports had set the launch date for the modules at around 2020. Since the International Space Station (ISS) is expected to be retired in about 2024, China's station may be the only remaining base for mankind in space.
- The first-ever university jointly founded by Russia and China will start accepting students next year at its planned 20-hectare campus in Shenzhen. The Russo-Chinese University will be jointly set up by the Beijing Institute of Technology (BIT) and Moscow State University (MSU). The university expects to enroll 5,000 students in its first year. Students would spend the first two years of their course in their home country and the last two years abroad.
- A donation of USD15 million to set up a “Soho China Scholarship” to help Chinese students study at Harvard by Zhang Xin, Chief Executive of Soho China and her husband Pan Shiyi, the Chairman, has been criticized. Some say the donation should have gone to Chinese universities. Zhang countered that the couple’s intention was to help more impoverished Chinese students go to top universities in the U.S.
- Many Chinese universities will give more scholarships to students after tuition fees were raised in the upcoming academic year for the first time in more than 10 years. Tuition fees for some majors, including medicine, engineering and liberal arts, will increase by up to 17.2%, from about CNY4,600 to CNY5,500 a year.

STOCK MARKETS

Pilot of Shanghai-Hong Kong cross-investment launched

The Shanghai Stock Exchange started testing a pilot program allowing cross-market equity investment between the Shanghai and Hong Kong bourses. The testing of the overall process of the Shanghai-Hong Kong Stock Connect will last through the end of September. The testing of registration and settlement services will be done on August 30 and 31, followed by testing of the stability and capacity of the system on September 13. 40 to 50 Chinese mainland brokerages will participate in the test. The program, set to launch in October, will for the first time enable individual investors on the mainland to trade Hong Kong shares without going through the qualified domestic institutional investor (QDII) scheme. It will also open the A-share market to Hong Kong investors. The China Securities Regulatory Commission (CSRC) said earlier that Hong Kong investment in the mainland market will be limited to an aggregate quota of CNY300 billion and a daily quota of CNY13 billion. Mainland investment in Hong Kong stocks will be limited to an aggregate quota of CNY250 billion and a daily quota of CNY10.5 billion. Charles Li, Chief Executive of HKEx, said that “the quota system is a key component of the scheme designed to minimize any potential unforeseen risk of excessive capital flows.”

- China’s qualified domestic institutional investor (QDII) scheme is facing a setback as only CNY52 billion was held in QDII funds at the end of June, the lowest level since 2011, according to research by Shanghai-based Z-Ben Advisors. Under the QDII scheme, Chinese can invest a limited amount in overseas equities and fixed-income products. There are around 70 QDII funds, but fewer than 10 have been marketed since the 2008 global financial crisis.
- Securities firms are increasing their share of the shadow-banking business. The value of assets managed by brokerages surged 43 times in the last two years to CNY5.2 trillion, compared with a two-fold increase for trusts and a 41% gain for mutual funds, a Securities Association of China report showed. Securities firms' advance into off-balance-sheet lending reflects the difficulty of policing the shadow-banking industry, which is estimated by Barclays to be worth CNY38.8 trillion.
- Shares from 18 companies came out of a regulatory lock-up period in early August, including more than CNY33.6 billion of Ping An Bank's Shenzhen-listed shares. About CNY10 billion worth of shares from Shenzhen-traded Enlight Media also began trading on the market.

TRAVEL

China’s railway track to expand to 200,000 km by 2020

China's railway track should total 150,000 kilometers in 2020 and 200,000 km by 2030, in line with the nation's economic goals, and at least 10% of it will be for high-speed rail, Zhao Xiaogang, former Chairman of China South Locomotive and Rolling Stock Co said. In 2013, the country had 103,144 km of track, including 11,028 km for high-speed rail, the longest such network in the world. The railway network in border areas will also be expanded. China plans to extend a railway line linking Tibet with the rest of the country to the borders of India, Nepal and Bhutan by 2020. “Further developing domestic rail can promote urbanization construction and decrease the logistics cost of commodities,” said Zhao. Domestic railway investment between 2013 and 2015 will come to CNY3.2 trillion. From 2016 to 2020, it will reach CNY4.8 trillion, and from 2020 to 2030, CNY8 trillion will be spent. China Railway Corp, the State-owned rail operator, introduced a new service schedule on July 1 to meet booming demand, marking the most significant changes since 2007. The number of passenger trains in service is raised to 4,894, of which 2,660 are high-speed bullet trains running at speeds of more than 200 km per hour. China is also exporting its rail technology. CSR signed a contract in June with the national railway of Macedonia to sell six bullet trains to the European country, the first time it has made sales in Europe, the South China Morning Post reports.

- Passengers on a train in southern China recently found it had been named for China Unicom, one of the country’s three telecom service providers. The Bank of China (BOC) and food company Luziyao have also named trains after themselves. China has the world’s largest high-speed rail network. A one-year sponsorship of a bullet train could cost CNY12 million.

- Chinese aircraft buyers accounted for close to a third of the USD39 billion worth of orders Airbus got for its popular A320 aircraft at the Farnborough International Air Show. Hong Kong Aviation Capital, a Hong Kong-based aircraft leasing company held by HNA Group – parent of Hainan Airlines, Hong Kong Airlines and Hong Kong Express – and Tianjin Bohai Leasing, signed up to buy 70 A320neo family aircraft worth USD7.7 billion. BOC Aviation placed an order for 43 A320 planes. The deal is estimated to be worth more than USD4 billion.
- During President Xi Jinping's visit to Brazil, two Chinese companies signed agreements to buy 60 jets from Brazilian aerospace conglomerate Embraer. ICBC Financial Leasing Co made a confirmed order for 10 E-190 jetliners, and an identical optional order. HNA Group, the parent company of Hainan Airlines, China's fourth-largest carrier, will buy 40 E-190 jetliners worth about USD2.1 billion based on the plane's list price. Only 186 regional jets were in service in China at the end of 2013.
- China Eastern Airlines has tested China's first onboard wi-fi service on a Shanghai-Beijing flight. Passengers onboard could access Wi-Fi provided by a telecom satellite. Passengers were allowed to use their laptops and tablets to access the wi-fi service, but not their mobile phones. The carrier will expand the service on more domestic and international routes from September after it adds over 20 new Boeing 777 aircraft fitted with wi-fi. All Chinese airlines will be equipped with satellite communication systems by the end of 2016.
- The companies which operate Hong Kong trams are looking to expand on the mainland. French companies Transdev and RATP Development say they are in discussions with a few mainland Chinese cities to build modern tram systems which would fill the gap in their transport systems. The two companies launched a joint venture in Asia in 2009, and bought Hong Kong Tramways the same year. Shanghai planned to expand its tram system to 800 km by 2020. Other cities, such as Beijing and Zhuhai, are also considering building tram systems.
- Kunming, capital of Yunnan province, has become the 8th Chinese city to launch a 72 hour visa-free policy for transit passengers. Visitors from 37 European countries, six in the Americas, six in Asia and two in Oceania will benefit from the new policy. Last year, the city received 1.23 million international visitors who spent USD403 million.
- Air travelers in eastern China were hit by massive flight delays, due to bad weather and with capacity cut by up to two-thirds due to ongoing PLA military exercises. 23 airports, including those in Shanghai, Nanjing, Nanchang, Hefei, Zhengzhou and Wenzhou were affected. An orange alert indicates that between 50 and 90 flights would be cancelled or delayed for more than an hour.
- China is poised to displace the U.S. as the world's biggest business-travel market by 2016, aided by accelerating export growth and slowing inflation, according to the Global Business Travel Association. Since the Association began its study in 1998, the U.S. has been the world's largest business travel market, although it has not seen the fastest expansion. While spending in China increased an average 16% a year since 2000 to reach USD225 billion in 2013, in the U.S. it rose 1.1% annually to USD274 billion.

VIP VISITS

President Xi visited Latin America in July

In July, Chinese President Xi Jinping visited Brazil, Argentina, Venezuela and Cuba. In Brazil, he attended a BRICS Summit where an agreement was signed to set up a new international development bank. In Argentina, the China Development Bank (CDB) extended a loan of USD4.7 billion for the construction of two hydroelectric dams in Patagonia. China Gezhouba Group Corp and Argentina's Electroingenieria won contracts last year to build the dams, which will have a combined generating capacity of 1,740 megawatt (MW). The bank also agreed a USD2.1 billion loan to help finance a long-delayed railway project that will transport grain from Argentina's agricultural plains to its ports. Xi Jinping also visited China's second-largest oil supplier, Venezuela. In Cuba, Xi met former Cuban leader Fidel Castro. 29 bilateral agreements were signed during Xi's Cuban visit. China's Bank of Import and Export offered Cuba a CNY730 million loan for Santiago Port, while China Minmentals Corp will spend USD600 million buying Cuban nickel ore. China-Cuba trade grew 7.9% to USD1.88 billion last year.

- Chinese Foreign Minister Wang Yi held an informal meeting with his Japanese counterpart Fumio Kishida for the first time since Japanese Prime Minister Shinzo Abe returned to power in 2012. The meeting took place on the sidelines of the ASEAN Regional Forum in Myanmar. Analysts said there was now a greater chance of a summit between President Xi Jinping and Abe during the Asia-Pacific Economic Cooperation (APEC) meeting in Beijing in November.
- President Xi Jinping met with the UN Secretary General Ban Ki-moon, International Olympic Committee President Thomas Bach and seven countries' leaders over the weekend in Nanjing, Jiangsu province, while attending the opening ceremony of the second summer Youth Olympic Games.

ONE-LINE NEWS

- More than 25,000 people were investigated in the first six months of the year as part of a nationwide crackdown on corruption. Of the cases pursued, almost 85% involved bribes in excess of CNY50,000 or embezzlement of CNY100,000 or more, the Supreme People’s Procuratorate said. The number of “major cases” probed was 13.7% higher than in the first half of last year. The number of officials, of county level or above, investigated in the period rose 32% from the first six months of 2013 to 1,680.
- More than 850 government officials in Guangdong have been forced out of their jobs as part of a crackdown on officials whose spouses and children have emigrated abroad. An investigation by the provincial government identified 2,190 “naked officials” and 866 of them have been removed from their posts. Naked officials will not be considered for promotion, as they are viewed as flight risks.
- The Communist Party's Central Commission for Discipline Inspection (CCDI) has announced that Zhou Yongkang, a former Member of the Politburo Standing Committee, is under investigation for “serious discipline violations”. He is the highest-ranking state leader to be investigated for corruption.
- The Chinese government has approved a major restructuring of China Everbright Group that will turn it from a wholly state-owned enterprise into a joint-stock company. The Ministry of Finance and state-controlled Central Huijin Investment would still hold majority stakes. The group had CNY2.6 trillion in assets as of last year.
- A top school for butlers opened its first overseas branch in China in July. The International Butler Academy, based in the Netherlands, said its new school in Chengdu, Sichuan province, would cater to the “huge increase” in the super-rich, many of whom yearn for royalty-standard service. The school is a joint venture between the Academy and Chengdu-based Langji Real Estate Co.
- Yao Mugen, former Vice Governor of Jiangxi province, is under investigation for alleged bribe-taking, the Supreme People’s Procuratorate said. As Director of the provincial Development and Reform Commission for 16 years, he approved projects and amassed wealth and assets disproportionate to his income.
- Chinese judicial authorities have asked Interpol to issue a notice for the arrest of Liao Rongna, a Chinese businessman suspected of raising billions of yuan illegally and who has fled the country. Liao, 58, is Chairman of Zhengling Group, a private auto and machine manufacturer based in Guangxi.
- Wang Zongnan, former Chairman of Bright Food Group, China's second-largest food company, has been arrested for corruption. He is the first high-level official to be investigated in Shanghai since the Communist Party sent anti-graft inspectors there late last month. Before resigning as Chairman of Bright Food in November citing health problems, Wang was a top executive in several state-owned companies in Shanghai. He is the former General Manager of the Shanghai Friendship Group and former President of Lianhua, China's biggest supermarket chain.
- Dr Yuan Jiajun, 52, former Commander of the Shenzhou manned space project, has been appointed Vice Governor of Zhejiang province. Yuan is the second so-called “Space Governor” in public office, after senior rocket scientist Zhang Qingwei became Governor of Hebei two years ago.

INTERESTING ARTICLES

Beijing Global Strategy Consulting newsletter

Gilbert Van Kerckhove, Founder and Director of Beijing Global Strategy Consulting and author of the book “Toxic Capitalism”, has started offering a monthly newsletter on his blog. The first two issues are available for download in PDF format:
Real estate report
2014: China at the crossroads

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- Large enterprises: €650

Contact:
Flanders-China Chamber of Commerce
Lammerstraat 18, B-9000 Gent
Tel.: +32 9 266 14 60/61 – Fax: +32 9 266 14 41
E-mail: info@flanders-china.be
Website: www.flanders-china.be

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The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com . Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.