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

Juxing CBTC project - 2nd delegation – 10 September 2014 – Louvain-La-Neuve

CBTC – the Chinese-Belgium Technology Center, located in the Science Park of Louvain-La-Neuve – is the first large-scale High-Tech incubation center created by Chinese investors outside China. It is a platform aiming at serving Chinese companies entering the Belgian or European market in order to establish partnerships and to conduct R&D cooperation. It is also a gateway to help Belgian or European companies who have the intention to do business in China. The main investors for this CBTC project are WHIBI (Wuhan International Business Incubator), DongFeng Design Institute and HuaYong Investment. The company running this center is JuXing International Technology Investment. Since 2014, two office centers (3000 sqm) have been established and are ready to welcome all Chinese, Belgian or European companies.

The first delegation (May 2014) was a real success. Indeed three Chinese companies decided to set up a subsidiary in Juxing facilities. They are currently in the registration process. Upon this good news, Juxing will welcome its second group of professional visitors from China (from 10th - 12th September). This group consists of 15 companies, all headed by their CEOs or their General Managers. These companies are active in the fields of green technology, bio-engineering, ICT. Besides business and trading, the group members also have interests in establishing partnership cooperation and R&D center in Belgium, in Europe and in China.

The members of this high profile delegation will be presenting themselves and their company at the Aula Magna in Louvain-la-Neuve on the 10th of September (from 9 AM to 12 PM), followed by a networking lunch. Please feel welcome to come and meet them on this occasion! As seats are limited, advance registration is both free and essential. Please register through this link before the 31st of August.
https://docs.google.com/forms/d/1jdWfsrD1fnQbBgh6101LFIviZwEAgRzkUAOKi6I5wmM/viewform?c=0&w=1&usp=mail_form_link

In the following days after your registration and according to seats availability, you will receive a confirmation email including some useful and practical information regarding the event. In case of any questions, please contact Julie Patterson, Julie.patterson@jxiti.com
This event has been organized with the help of UCL and Louvain-la-Neuve Science Park.

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

Number of Japanese expats in China decreases

The number of Japanese people living in China for more than three months or permanently residing declined by 10.2% year-on-year from October 2012 to October 2013 to 135,000, according to the Japanese Foreign Ministry. In the same year-long period, the overall number of Japanese living overseas increased by 0.7% to a record high of 1.258 million. China is second on the list of countries with the largest numbers of Japanese expatriates. Heightening tension between China and Japan had raised concern among Japanese firms, financial institutions and students in China, who all fear that political uncertainties will bring a deteriorating working and living environment for Japanese people. Japanese businesses are likely to shift their production focus from China to countries in Southeast Asia. Chinese Foreign Minister Wang Yi and his Japanese counterpart, Fumio Kishida, held talks in Myanmar's capital on August 9, the first meeting of its kind in two years.

FINANCE

New bank lending drops more than expected in July

New bank lending in China plunged surprisingly in July to the lowest in nearly five years after an exceptionally strong growth in June. Banks in China extended CNY385.2 billion in new yuan loans in July, only a third of the amount in June and CNY314.5 billion less than in July last year, the People’s Bank of China (PBOC) said in a statement. Total social financing fell to a six-year low of CNY273.1 billion, one seventh of that in June and a third of that a year earlier. The outlook is positive as banks were lending between CNY30 billion and CNY50 billion per day in the first half of August, the PBOC said, at which pace August lending could again top CNY1 trillion. The PBOC said banks now are more cautious in extending loans and avoiding risky sectors after the bad loan ratio rose for 11 consecutive quarters. Economists are worried that risk aversion among financial institutions may further pressure the economy. “Beside seasonal volatility, we think the negative surprise in the loan data reflects the downside risks to growth, such as overcapacity and the housing downturn,” HSBC said.

Blueprint to develop insurance industry published

China aims to nearly double the proportion of insurance premiums in its gross domestic product (GDP) to 5% over six years to further develop the industry. The government will support insurance companies in developing innovative products in health insurance, pension plans, agricultural insurance and disaster insurance, as the Chinese government announced a blueprint on developing the insurance sector through 2020. It forecasts the insurance penetration ratio to rise to 5% by 2020 from around 3% last year, and average insurance spending per capital to rise to CNY3,500 from around CNY1,300 last year. The government has also put forward for the first time an initiative to set up a disaster insurance system. All levels of government departments from central to local are encouraged to help set up the system by drafting insurance policies covering natural disasters. A trial for disaster insurance has been approved for Shenzhen and an area in Yunnan province. There are currently no specific policies to cover houses and infrastructure destroyed by disasters such as an earthquake, typhoon or tsunami, the Shanghai Daily reports.

- Tao Liming, former President of the Postal Savings Bank of China, has been accused of taking bribes and embezzling public funds. The bank has the country's largest network of banking outlets and is China's fifth-largest banking institution by client and deposit numbers. Tao became head of the bank in 2007.
- Zhang Dongsheng, former General Director of the National Development and Reform Commission's (NDRC) Finance Department, is being investigated in relation to corporate bonds issued in 2005. Fund managers from fixed-income departments of several financial institutions, including Citic Securities, Wanjia Asset Management and Guosen Securities were also detained and questioned by police. Bond traders said dozens of institutions had taken part in illegal bond trading in past years and the illegal income could amount to billions of yuan.
- Two men wanted in connection with 73 bank fraud cases recently surrendered and were returned to China from Cambodia after hiding abroad for 10 years. The two are among 18 suspects of major economic crimes who have been arrested and repatriated since a special operation was launched on July 22 to hunt down corrupt officials and criminal suspects hiding overseas. More than 150 economic fugitives are still at large in the United States.
- Chinese households increased the amount of savings diverted into wealth-management products (WMPs) to a record CNY12.7 trillion, up 24% year-on-year in the first half of the year, the China Banking Wealth Management Registration System said. The average annualized return was 5.2%, compared with 3% for benchmark one-year deposits. Trust companies' assets under management fell in June. WMPs typically require a minimum investment of CNY50,000, while trusts target wealthy clients with a minimum investment of CNY1 million.
- Cross-border yuan trade settlement in July fell to the lowest level since February even as the total value of imports and exports rose by 10.7% from a month earlier and 6.4% year-on-year. July's trade value settled in yuan fell to CNY498.4 billion, down 12% from a month earlier, according to the People's Bank of China (PBOC).
- Agricultural Bank of China (ABC) and Bank of China (BOC) have been cleared to raise up to USD29 billion worth of preferred stock in a sector-wide push to meet international capital-adequacy requirements (CARs) before a 2018 deadline. Other banks are also likely to seek approval to issue preferred stock.
- Transactions through bank cards in China in the second quarter were nearly flat from a year earlier while payment through electronic channels jumped 30% year-on-year, the People’s Bank of China (PBOC) said in a statement. The value of bank card transactions rose 6% year-on-year to CNY109.58 trillion in the second quarter, a sharp drop from a nearly 25% gain in the second quarter of last year. Mobile payment more than doubled year-on-year in the second quarter to CNY4.92 trillion. Payment overdue on credit cards for more than six months rose 14% quarter-on-quarter.
- Bank of China (BOC) reported its slowest profit growth since the first quarter of 2013 after bad loans rose to the highest level in more than five years and the lender set aside provisions for more soured debt. Net income rose about 8.5% to CNY44.4 billion in the three months ended June 30 from CNY40.9 billion a year earlier. Bank of China more than doubled provisions for potential bad debt to CNY12.7 billion in the second quarter from a year earlier. “The biggest concern for Bank of China is asset quality,” Chen Xingyu, Shanghai-based Analyst at Phillip Securities Research, said. BOC’s net income rose 11.2% to CNY89.7 billion in the first half.
- Standard Chartered, Shanghai Pudong Development Bank and China Merchants Bank have received approval to import gold. The move brings the number of firms allowed to import gold into China to 15. In September a new international bullion exchange will be launched in Shanghai that China hopes will become a price-discovery center. StanChart is only the third foreign bank to be allowed to import gold into China. ANZ and HSBC were granted import licenses late last year.
- China Minsheng Bank Chairman of the Board Dong Wenbiao resigned “due to other business arrangements”, the bank said in a regulatory filing with the Hong Kong stock exchange. Dong had been with the bank since 1996. Chinese media reported that he had set up a private investment company while holding his position at Minsheng.

- Two Chinese banks recently listed in Hong Kong posted high profit growth, as well as high impairment charges, for the first half of the year. Bank of Chongqing's net profit in the first six months of the year hit CNY1.66 billion, a year-on-year increase of 18.1%. Net profit at Harbin Bank soared by 25.8% to CNY2 billion.
- Growth in net profit at Bank of Communications (BoCom), China's fifth-largest bank, more than halved in the first half of the year from the same period last year as the bank mulls major shareholding reforms. The bank brought in CNY36.7 billion in net profit, an increase of 5.6% on the same period the year before. Loan impairments climbed 20% year-on-year, while the net interest margin slid to 2.39% from 2.56% the year before. BoCom also aims to become China's first listed lender to offer stock incentives to its management.

FOREIGN INVESTMENT

FDI drops in July, unrelated to anti-monopoly investigation

China's foreign direct investment (FDI) plummeted in July, but a Ministry of Commerce Spokesman denied the fall was related to an anti-monopoly investigation. Foreign investors channeled USD7.8 billion of funds into China last month, down 16.9% from a year earlier. "The decline in a single month can't be used to interpret a general trend," Spokesman Shen Danyang said. Shen said the anti-monopoly investigation, which began late last month and involved multinationals including Mercedes-Benz, Microsoft and Qualcomm, was not solely targeted at foreign companies. Shen said the majority of foreign companies were able to abide by Chinese laws and it was impossible for foreign companies to be "scared away" by the investigation. He added that the government would be closely monitoring the trend of global investment and would further open the market and provide better services for investors. In the first seven months, foreign direct investment (FDI) edged down 0.35% to USD71.1 billion with 13,247 new foreign ventures being established on the Chinese mainland. Investment from Japan dropped 45.4% during the January-July period, while investment by the United States, the European Union and the ASEAN countries dropped by 17.4%, 17.5% and 12.7% respectively. In comparison, funds from the UK jumped 61.2% during the period, and those from South Korea rose 34.6%. China's top 10 sources of foreign investment last month were, in order, Hong Kong, Taiwan, Singapore, South Korea, Japan, the United States, Germany, Britain, France and the Netherlands.

China's outbound direct investment (ODI) expanded 4% to USD52.5 billion in the January-July period, the first increase since February after the effect of a high comparative base had diminished, the Shanghai Daily reports. China's ODI will maintain a "quite fast, probably 10%" growth pace this year, Shen Danyang said. "It will be a new feature for China's outward direct investment to maintain a relatively robust growth and exceed the inflow of foreign direct investment in the near future." By the end of July 2014, China's accumulated ODI in non-financial sectors had reached USD578.2 billion. In the first seven months of this year, China's outward investment in the European Union surged 293.1% year-on-year, Japan by 160.9% and Russia by 91.1%. Spending in the Association of Southeast Asian Nations (ASEAN) rose 9.1% to USD2.89 billion and that in the United States increased 12.8% to USD2.82 billion in the same period.

Japanese auto part firms fined for monopolistic practices

NSK and NTN, two bearing manufacturers from Japan, became the first Japanese auto part firms to be fined for their monopolistic practices in China. Tokyo-based NSK has been fined CNY174.92 million for violating the Anti-Monopoly Law of China by the National Development and Reform Commission (NDRC). The fine is the biggest that China has imposed on auto companies so far under the Anti-Monopoly law, which allows for a fine of between 1% and 10% of the offender's total sales revenue in the previous year. NTN was ordered by the NDRC to pay CNY119.2 million for its monopoly practices. The NDRC has found 12 Japanese makers of auto parts and bearings guilty of monopolistic practices. 10 of them were fined a combined CNY1.24 billion. Hitachi and Nachi escaped financial punishment as they were the first to offer evidence of their illicit practices. Four BWM dealerships in Hubei province were fined a total of CNY1.62 million after being found guilty of price fraud. China's increased scrutiny of foreign companies' pricing strategy has forced Audi, Chrysler, BMW and Mercedes-Benz to cut prices for spare parts, after-sales services, or vehicles as a "proactive response" to the investigation. The probe has also been extended to the IT and telecom industries.

The European Commission plans no retaliation over China's probe of carmakers which resulted in fines and demands for price cuts. Audi, Mercedes-Benz and BMW were among the first companies named in a series of investigations launched earlier this month into foreign carmakers that have since snagged Chrysler from the United States and Japanese luxury marques Lexus and Infiniti. The European Union Chamber of Commerce has slammed the anti-monopoly investigation in a strongly worded statement issued in Beijing. “Competition law should not be used as an administrative instrument to harm targeted companies or serve other aims, such as administratively forcing price reductions,” said the Chamber, which represents 1,800 member companies in China. The Chinese authorities say they are not unfairly targeting foreign companies in a bid to protect domestic producers. The National Development and Reform Commission (NDRC) says it is investigating possible antitrust violations across the entire car industry.

- The revision of foreign investment laws is likely to be concluded in 2015, when the focus will shift to the supervision of investors and their conduct, Assistant Minister of Commerce Wang Shouwen told China Daily.

FOREIGN TRADE

Simplified clearance to be expanded outside FTZ

The General Administration of Customs (GAC) announced that measures initiated by the China (Shanghai) Pilot Free Trade Zone (FTZ) to simplify clearance procedures will be expanded to 51 special economic zones along the Yangtze river. They will also apply to special economic zones (SEZs) countrywide from September 3 and to areas beyond these zones from September 18. In April, Shanghai Customs launched 14 pilot measures to cut clearance costs and enhance efficiency of the customs process in the Shanghai pilot free trade zone (FTZ).

- Fruit and vegetable exporters in China expect to increase sales to Russia, which has banned such imports from the European Union and the United States in retaliation for Western economic sanctions imposed over the situation in Ukraine. A customs control zone was set up in Heilongjiang province last month, allowing direct exports of fruit and vegetables across the Russian border.
- China announced the expansion of a program for exporters to get a tax refund at departure ports, which should shorten their tax refund period. Starting on September 1, the pilot will be applied at eight ports□ Nanjing, Suzhou, Lianyungang, Qingdao, Wuhu, Jiujiang, Wuhan and Yueyang. The authorities initiated the pilot in August 2012 at the ports of Qingdao and Wuhan. Qualified exporters will get their refunds at the departure ports once their cargo departs from these ports and is shipped abroad via the Yangshan Port Bonded Area, part of the Shanghai Pilot Free Trade Zone.
- Total imports and exports in the January-July period increased by 2% to USD2.4 trillion, with exports climbing by 3% to USD1.28 trillion and imports by 1% to USD1.12 trillion. The government's annual trade growth target for 2014 is set at 7.5%.
- Four officials with Shanghai Customs are being investigated for possible corruption. The main suspect is Bian Zuyao, 61, former Vice Director of Shanghai Customs. Investigators seized more than CNY10 million cash in Bian’s home and found that Bian owned at least seven apartments. The case is handled by prosecutors in Zhengzhou, capital of Henan province.

HEALTH

Dengue fever spreading in Guangzhou

Dengue fever is spreading in Guangzhou, as the number of cases has surged rapidly over the past month. Since the first case was reported at the end of June, more than 400 cases had been reported, but no deaths have occurred so far. The figures are up considerably from a little more than 100 cases in the city last year, and fewer than 20 in 2012. The disease, carried by mosquitoes, is caused by the dengue virus. Symptoms include a skin rash similar to measles along with a headache and muscle and joint pains.

- China has barred pork imports from six U.S. processing plants and six cold storage facilities to enforce its ban on the use of the feed additive ractopamine. In 2013, U.S. pork exports to China totaled 312,138 tons, worth USD645.3 million. China is by far the world's largest pork producer and consumer.
- Shenzhen-based BGI has developed a field test kit that can quickly identify the Ebola virus. BGI, the world's largest genomics research institution, is using technical assistance from the People's Liberation Army's Academy of Military Medical Sciences to synthesize a liquid chemical solution that changes color if the unique nucleic acid of the Ebola viral strain is present. Test kits are being produced in Wuhan, Hubei province. A request for approval has been sent to the China Food and Drug Administration (FDA).
- Shenzhen has imposed the country's highest fine yet against improper labeling of genetically modified (GM) food, with offenders facing up to CNY100,000 in penalties. The harsh sanction is part of a new draft regulation on ecology and environmental protection and is set to take effect later this year.
- Safety certificates for the only home-grown experimental genetically modified staple food crops expired, with no sign that the Ministry of Agriculture will renew the documents. But advocates of the technology staged GM rice-tasting events in Beijing and 22 other cities across the mainland, with some expecting the government to give the nod for commercialization of one crop in five years. GM cotton and papaya are the only crops approved for commercial planting in China.
- Ketchup maker H.J. Heinz Co has recalled some infant food "AD Calcium Hi-Protein Cereal" in Zhejiang province after it was found to contain lead in excess of the allowable limit.

IPR PROTECTION

Shenzhen to set up first IP court

Shenzhen is looking to set up the first intellectual property court on the Chinese mainland to deal with the rapidly increasing number of cases concerning IP rights violations. The plans need final approval from the Supreme People's Court (SPC). "Courts in Shenzhen handle one-third of all IP-related cases in Guangdong province, and roughly one-tenth of the nation's total," Guo Xiaoming, President of the Shenzhen Patent Association said.

- The State Intellectual Property Office (SIPO) received 11,243 international patent applications through the Patent Cooperation Treaty (PCT) in the first six months of this year. The figure was up 20.5% from the same period last year. Among the applications 10,283 were filed by Chinese applicants, an increase of 23%. Foreign applications came from 20 countries. The United States took the lead with 482 applications, followed by Japan with 94.

MACRO-ECONOMY

Suning and Legend biggest private Chinese enterprises

Suning Commerce Group Co and Legend Holdings stand at No 1 and 2 on the top 500 of Chinese private enterprises in 2014 for a third consecutive year, the All-China Federation of Industry and Commerce (ACFIC) revealed. Shandong Weiqiao Pioneering Group Co, an enterprise that focuses on textiles, garments and dyeing services, took the third spot, replacing Huawei Technologies. Overall, manufacturing enterprises dominated the list. Operating revenue of the top enterprise came in at CNY279.8 billion. "Chinese private enterprises have made an increasingly larger contribution to the economy with a growing effort in innovation and investment," said Tan Lin, Secretary of the Federation's Economic Department. Sun Lijian, Vice Dean of the School of Economics at Fudan University in Shanghai, said that most of the enterprises made the list by their own independent innovation. They braced for competition in the marketplace. The government should help to break the monopolies, open up the market and encourage competition to let private enterprises speed up innovation, Sun said.

Private investment company set up

China set up its first national-level private investment company China Minsheng Investment, with total registered capital of CNY50 billion in Shanghai. The company, funded by 59 private Chinese companies, was approved by the Chinese government in April. Minsheng Investment will be engaged in equity investments, investment management, business consulting and providing financial advice, said Dong Wenbiao, Chairman of the company. “Minsheng Investment will firstly focus on the solar energy industry as well as establish a ship investment fund,” said Dong, former Chairman of China Minsheng Banking Corp. It also plans to build a complete industry chain to service the rapidly developing domestic business jet industry. The company also plans to enter new emerging industries like new energy, high technology and environmental protection. Dong said the 59 shareholders are all large private companies with combined total assets of nearly CNY1 trillion.

- Industrial production increased 9% from a year earlier in July, down from the increase of 9.2% a month earlier. Retail sales jumped 12.2% last month, also 0.2 percentage points weaker than the pace in June. Fixed-asset investment (FAI) added 17% in the first seven months of this year. The data suggested China’s growth momentum has decelerated again despite accommodative policies. In the first half, China’s gross domestic product (GDP) grew 7.4%.
- The Agricultural Cultivation Bureau of the Ministry of Agriculture is integrating some of the 1,700 farms and 3,200 companies it oversees to build a stronger presence in sectors as diverse as seeds, dairy and rubber. The creation of modern agricultural corporations is aimed to address growing concerns about food security. The companies ares expected to become internationally competitive. The 10 largest local seed companies share only 10% of the domestic market and less than 1% globally.
- Liaoning province experienced its most severe drought in 63 years, affecting more than two million hectares of crops and leaving 136,000 people without water. The province received only 90 mm of rainfall in July, the least since 1951, when the average July rainfall is 165 mm. Liaoning produced over two million tons of grain in 2012, around 5% of the country’s output. China’s grain prices may rise this autumn as many of its largest grain-producing provinces are seeing cutbacks because of the droughts.
- China's power consumption slowed sharply in July. Electricity consumption, a broad measure of economic vitality, increased 3% year-on-year to 509.7 billion kilowatt-hours in July, slowing sharply from a 5.9% growth in June. The weak demand in July also brought the growth rate of power consumption in the first seven months down to 4.9%.
- Unreasonably high salaries for executives of major state-owned enterprises (SOEs) must be adjusted, President Xi Jinping said. The executives face pay cuts of up to 50%. Xi added that SOEs must make sure their salary level is proper, their salary structure reasonable, their salary management strict and efficiently supervised. He urged SOE executives to support the reform, which is linked with the Communist Party’s campaign against extravagance and other undesirable work styles.
- The central government has announced 35 new measures to develop the economy of the three northeastern provinces, which saw the slowest economic growth among China’s provincial areas in the first half of the year. The plan includes construction of eight rail lines and the building or expanding of 10 regional airports. SOEs are encouraged to sell part of their equities to private and foreign investors to build a mixed ownership system.
- China’s non-financial state-owned firms enjoyed faster earnings growth in the first seven months of the year. They made combined profits of CNY1.4 trillion, up 9.2% from a year ago, the Ministry of Finance said. Firms owned by the central government reported an annual 10.3% rise in profits, while companies owned by local governments saw their profits rising by 6.4%. Companies in the steel, transport and building materials industries raked in more profits, while margins in the coal and chemical sectors shrank. Firms in the non-ferrous metal sectors fared the worst, suffering losses.
- The HSBC Flash China Manufacturing Purchasing Managers’ Index (PMI) fell to a three-month low of 50.3 in August from the final reading of 51.7 in July. Qu Hongbin, Chief Economist for China at HSBC, said both domestic and external new orders rose

at slower rates, compared with the previous month. “The data suggest that the economic recovery is still continuing, but its momentum has slowed again,” Qu said. Chang Jian, Economist at Barclays, predicted two interest rate cuts in the second half to help ease the debt burden, support demand and mitigate financial risks.

- China produced 34.01 million tons of early rice in 2014, down 125,000 tons, or 0.4%, from a year earlier, the National Bureau of Statistics (NBS) said. China’s early rice planting area for this year covers 579.5 million hectares, 0.2% less than last year, with yield per hectare down 0.2% to 5.87 tons.

MERGERS & ACQUISITIONS

Fosun acquiring 20% stake in Ironshore

Shanghai-based Fosun International has stepped up its investment in the global insurance industry with the announcement that it is acquiring a 20% stake in Ironshore for about USD463.83 million. Ironshore provides broker-sourced commercial property and casualty coverage through platforms in countries including Australia, Canada and Singapore. Fosun Chairman Guo Guangchang said the deal would further expand the group’s insurance business.

- Swiss investment manager Partners Group Holding has agreed to buy a 75% stake in China-focused elevator guide rail maker Savera Group for around CNY2 billion. The buyout would be the asset manager’s first in China and would give it control of Spain-based Savera. The company generates 80% of revenue in China.
- Shanghai Baosteel Gases has formed a partnership with an affiliate of Warburg Pincus, a global private equity firm, to develop industrial gas projects. The partners will acquire the industrial gas assets of the Henan Jinkai Chemical Investment Holding Group for CNY3 billion. Baosteel Gases is a wholly-owned subsidiary of Baosteel Metal with interests in industrial, synthetic, and packaged gas.

PETROCHEMICALS

PetroChina reviewing its LNG strategy

PetroChina is reviewing its multi-billion-dollar push to produce liquefied natural gas (LNG) in place of diesel, shutting two loss making gas liquefaction plants operated by subsidiary Kunlun Energy. LNG is cleaner and nearly a third cheaper than diesel. Kunlun, a relative latecomer, emerged as a leader of the business, having spent billions of dollars on a dozen LNG plants, mainly in the country’s west and north, and building over 600 gas refueling stations. It also operates two multi-billion-dollar LNG import terminals on China’s east coast. But since the second half of 2013, Kunlun has seen utilization rates at some of its plants fall below 50%, amid a broad economic slowdown and as Beijing rolled out a gas price reform that pushed up prices of feed gas. An anti-corruption probe of top PetroChina executives, including Kunlun’s former Chairman Li Hualin, added to uncertainty about the company’s business strategy.

- Shares of distributors of natural gas fell after the central government announced it would raise gas prices from September 1. Investors are concerned the firms may have difficulty in passing on the higher cost to end-users. Non-residential gas prices would be raised by CNY0.40 per cubic meter (about 16%) at the city-gate level. Prices for residents and fertilizer makers will remain unchanged. The industrial sector typically accounts for about two-thirds of city gas distributors’ sales. By next year, gas prices will be largely in line with overseas free market prices.
- Hong Kong-listed Brightoil Petroleum has announced the finalization of its USD1 billion acquisition of oil blocks in Bohai Bay from Anadarko Petroleum, a New York-listed firm that specializes in oil exploration. Brightoil has bought a 40% stake in a 124 sq km offshore oil block, and a 29% stake in an 88 sq km block. The acquisition takes it into offshore oil production for the first time.

REAL ESTATE

Growth of real estate investment slows

The growth of China's real estate investment continued to slow in July, latest data from the National Bureau of Statistics (NBS) showed. Property investment rose 13.7% year-on-year in the first seven months to CNY5.04 trillion, 0.4 percentage points down from the first half of this year. The investment in residential properties, which accounted for 68.2% of the total, rose 13.3% year-on-year, compared with a 13.7% growth for the first six months of 2014. The slower growth accompanied a faster fall in area and volume of property sales. In the first seven months, 564.8 million square meters were sold, down 7.6% year-on-year. The drop was 1.6 percentage points steeper than the decline seen in the first half of the year. Property sales volume fell 8.2% on year during this period, compared with a drop of 6.7% in the January-June period. China's property sector has been cooling since the start of the year, with the growth of key indicators such as property investment slowing for six straight months.

Vanke's profit growth slows, area sold and sales revenue increase

China Vanke posted slower profit growth in the first half of 2014 compared with robust gains in the same period of last year. Net profits edged up 5.55% year-on-year to CNY4.81 billion in the first six months. The growth was sharply down from a 22% increase in net profits in the first half of 2013. Vanke said first-half real estate sales across China had cooled from last year but still grew steadily compared with the figures of 2012. The company achieved 14.6% growth in total building area sold in the first half, as well as a 20.6% increase in sales revenue. Small apartments accounted for as much as 92% of the commodity housing it sold in the first six months. Beijing Capital Land saw its total building area sold in the first half rise only 1.1% from a year earlier. Many experts have ruled out the possibility of a "hard landing" for China's property sector. They predicted the sector would recover in the fourth quarter as banks become more lenient on issuing loans amid sufficient credit supply. China Vanke noted the government's fine-tuning on the once-sizzling property market has become more targeted and market-oriented, the Shanghai Daily reports.

Home prices rise in only two cities month-on-month

A month-on-month rise in home prices was registered in just two cities in July, a national survey showed. The number of Chinese cities where prices fell from a month earlier rose to 64 in July from 55 in June, according to the National Bureau of Statistics (NBS), which tracks housing prices in 70 major cities. Prices were flat in four cities, down from seven in June. While 65 cities continued to record price gains on a year-on-year basis, all of them saw slower growth. The national housing price fell an average of 0.9% month-on-month in July, the third straight monthly drop since June 2012. Nationwide, Hangzhou again led decliners as home prices in the capital of Zhejiang province shed 2.5% from June. Xiamen in Fujian province and Dali in Yunnan province were the only two cities where home prices grew monthly by 0.2% and 0.1%, respectively. In Shanghai, Beijing, Guangzhou and Shenzhen, new home prices in July fell 1.4%, 1.3%, 1.3% and 0.6%, respectively, from June. On an annual basis, home prices rose in 65 of the 70 cities in July, down by four from June. Prices fell in Wenzhou and Hangzhou in Zhejiang province and Shaoguan in Guangdong province from a year earlier while the remaining two cities saw flat prices.

- China's top-five banks and city commercial banks denied they have eased controls on home loans in Shanghai. Lenders require a 30% down payment and lend at the benchmark rate for first-home buyers. Second-home buyers need a 70% down payment and pay 10% more on the benchmark rate.
- The chill in the property market has cooled developers' interest in acquiring new sites, pushing local governments' land sales revenue down sharply. According to brokerage Centaline Property Agency's market research, 20 major developers have spent CNY182.5 billion so far this year to purchase sites, down 38% year-on-year. "Worsening property sales have undercut the willingness of developers to buy land. Their focus now is on raising cash from the sales of what they've already built. Few are in the mood to buy more land," said Zhang Dawei, Director of the market research team.
- The Ministry of Land and Resources has finalized the framework for a property registration bureau, which would allow the government to know who owns which real

estate. The system will make it easier to levy property taxes in order to curb speculation in the housing market. The Bureau of Real Estate Registration will be in charge of making and supervising regulations on land management and property registration, coordinating dispute resolution with relevant departments and issuing certificates for the use of forests, islands and grassland.

- Real estate lending totaled CNY16.2 trillion as of June 30, up 19.2% from a year earlier. Of the total, individual mortgages were up 18.4% at CNY10.74 trillion, while property development loans increased 23.7% to CNY4.04 trillion. Lending for affordable housing development hit CNY969.4 billion on June 30, up 47.3% year-on-year. Six banks cut mortgage rates for first-time buyers in August.
- Soho China’s net profit rose by double digits in the first half of this year amid solid revenue growth. Its net earnings surged 29% year-on-year to CNY2.7 billion during the first six months on an 83% jump in turnover to CNY4.75 billion. “Market demand for prime office buildings in Beijing and Shanghai remained robust during the first half of 2014, with core areas of the two cities experiencing constant under-supply of prime-located offices,” Hong Kong-listed Soho China said in a statement. The firm’s core net profit, excluding gains on investment properties, soared 128% to CNY1.2 billion.

RETAIL

China one of Ikea’s top 10 markets

Sweden's Inter Ikea Systems, the world's largest retailer of home furnishings, said China became one of its top 10 markets by revenue for the first time in the current fiscal year. “In the coming years, Ikea will maintain the expansion speed of opening at least three stores a year, as we did in the past several years, so that we will see China become one of our top five markets before 2020, for sure,” Zhu Changlai, Ikea's Retail Manager for China said. Stores in China are the fastest-growing in the world for the group. Zhu said that Ikea's family membership increased by 13% in the first 11 months of fiscal 2014 to 9.5 million in China, and visits to its websites jumped by 16%. CEO Peter Agnefjall said that Ikea expected revenue from China to more than double by 2020, based on the CNY6.3 billion it generated in fiscal 2013. Ikea now has only 15 stores in 12 cities in China, a small number for a group that operates more than 350 stores in 44 countries. “We will see a new store opening its doors to local consumers in Wuhan, Hubei province, in September, and two others in Xian, Shaanxi province, and Hangzhou, Zhejiang province, in 2015,” said Zhu. “By 2020, Ikea plans to have 34 stores in China.” Despite rapid revenue growth in the country, the average prices of Ikea products in China have been cut by about 20% in the past five years, the China Daily reports.

- China's second-largest sportswear brand, Li Ning, saw its first-half loss soar 218.5% year-on-year to CNY586 million – versus a loss of CNY184 million a year ago – and admits that a painstaking turnaround initiated two years ago will take much longer than expected to implement. The brand founded by Olympic gymnast Li Ning, who won three gold medals at the 1984 Los Angeles games, has been working on a transformation from a wholesale model to a direct retail one and redesigning its products.
- China’s largest online alcohol retailer Jiuxian announced it had received a CNY300 million equity investment from several major state-run banks. China Merchants Bank, Minsheng Bank, Shanghai Pudong Development Bank and Jinzhou Bank all contributed to the Beijing-based retailer’s sixth round of financing. Jiuxian has raised almost CNY1 billion in financing since 2011.
- China Petroleum and Chemical Corp (Sinopec) has signed a strategic cooperation agreement with online supermarket Yhd. The companies will jointly purchase certain items, with Sinopec using Yhd's global supply chain to cut costs and the e-commerce company using Sinopec's gas stations as pickup locations for customers. Sinopec owns 23,000 Easy-Joy convenience stores, which are affiliated with its gas stations. These outlets will offer Yhd's customers a place to pick up orders placed online. Yhd will also create a channel on its website for Sinopec products.

SCIENCE & TECHNOLOGY

CAS to employ more foreign researchers

The Chinese Academy of Sciences (CAS) will beef up the number of foreign researchers it attracts, as part of a move to promote internationalization for the next five years. Foreign researchers will account for 3% of the total, up from 1% currently. The Academy now has 56,000 researchers, excluding post-doctorate and visiting scholars. The Academy launched a program called the CAS President's International Fellowship Initiative to enhance internationalization by hiring more foreign researchers in August. The Academy aims to attract four types of international researchers: distinguished scientists who are well-recognized in their academic fields; visiting scientists holding tenured positions with well-known international universities, research institutions or enterprises; post-doctoral researchers with excellent performances; and PhD students. One hundred post-doctoral researchers will receive an annual funding of CNY200,000 apiece to conduct collaborative research for one to two years with CAS, the China Daily reports.

- New technology developed by a team of scientists at the Harbin Institute of Technology's Complex Flow and Heat Transfer Lab has moved a step closer to creating a supersonic submarine that could travel from Shanghai to San Francisco in less than two hours. The team of scientists believe it is now able to create the complicated air bubble required for rapid underwater travel. A technology called supercavitation involves enveloping a submerged vessel inside an air bubble to avoid problems caused by water drag. In theory, a supercavitating vessel could reach the speed of sound underwater, or about 5,800 km/h.
- Duke Kunshan University (DKU), a joint venture in higher education between China and the United States, welcomed its first students on August 20. The university in Kunshan, Jiangsu province, was established by Duke University of Durham, North Carolina, and Wuhan University in Hubei province. DKU's master's programs in global health, medical physics and management studies have attracted 42 graduate students from 11 countries.

STOCK MARKETS

CSRC ends review of 129 IPO candidates

The China Securities Regulatory Commission (CSRC) has terminated the review of 129 companies applying for initial public offerings (IPOs) out of 628 companies in line for approval on August 7. Of the 129 companies, online game operator Beijing Kylin Culture Co ranked first in terms of the number of investors with 13 PE and VC institutions, followed by Dalian Wanda Commercial Properties Co and Chongqing Qinchuan Industry (Group) Co, each with 11 PE and VC institutions.

TRAVEL

China to develop mega-resort in Antigua and Barbuda

Chinese investors are to plunge more than USD1 billion into developing Antigua and Barbuda’s first mega-resort Singulari, creating 1,000 jobs. Construction on the mammoth 647-hectare multi-hotel, residential and commercial project is slated to begin early next year. Spanning 364 hectares of land in the north of Antigua and 283 hectares on tiny islands, it will include several luxury hotels, hundreds of private homes, a school, hospital, marinas, golf courses, an entertainment district, horse racing track and the Caribbean’s biggest casino. Beijing-based Yida International Investment Group and its global partners will over the next 10 years create an additional USD2 billion of gross domestic product (GDP) and economic value to Antigua, a Yida Spokesman said. Antiguan Prime Minister Gaston Browne signed an agreement with the developers on June 13, one day after taking office. Browne declared his intention to transform the country, suffering crippling national debt and unemployment, into an economic powerhouse.

Cruise companies chose Shanghai as a base

Royal Caribbean, the world’s second-biggest cruise company, plans to base its newest ship –

the USD935 million Quantum of the Seas – in Shanghai. Cruise operators have traditionally sent older vessels to developing countries but surging growth in China means it is a market operators can no longer ignore. Carnival, the world's No 1 cruise company, will become the first global cruise operator to have four ships based in China when it deploys its Costa Serena to Shanghai in April. Carnival expects to carry 500,000 Chinese cruise passengers in 2015, up from 350,000 this year. "We believe China is going to someday represent more than half of all cruise guests", Carnival Chief Executive Arnold Donald said. The Asian Cruise Association estimated last year that the overall Asian market, which totaled 1.3 million passengers in 2012, could nearly triple to 3.8 million in 2020, including 1.6 million from China. Carnival is even more optimistic, predicting it will grow to seven million by 2020 or about a fifth of the global market. "For the next five to 10 years, greater China including Hong Kong will play a critical role to the global cruise industry's development," said Liu Zinan, Royal Caribbean Cruises' Managing Director for China.

- ICBC Financial Leasing, China's biggest domestic aircraft lessor, aims to deliver more than 300 planes to customers by the end of 2016, nearly double current levels. "Local companies have been expanding quickly and the growth potential is huge," said Mark Jiang, Managing Director of aviation finance at ICBC Financial. ICBC Financial currently owns and manages 384 planes, up from 60 three years ago. Chinese lessors now handled 80% of all new domestic leasing business, up from almost zero five years ago.
- Avic Aircraft, part of Aviation Industry Corp of China (AVIC), reported a net loss after extraordinary items of CNY136.8 billion for the first half, compared with a profit of CNY57.2 billion in the same period last year. The Xian-based company is the manufacturer of Modern Ark regional jets and a supplier for Commercial Aircraft Corp of China's bigger C919, whose completion is two years behind schedule. It also makes military planes and aluminum products. Avic Aircraft blamed the poor results on the delivery schedule of its products.
- Bank of China's aircraft leasing subsidiary, BOC Aviation, reported first-half net profit of USD163 million, unchanged from the same period last year. The Singapore-based company's total assets rose to USD10.8 billion from USD10.2 billion at the end of last year, with its fleet size boosted to 251. The company took delivery of 37 new aircraft and sold 12 owned and managed ones in the period. Last month it ordered 43 A320 planes from Airbus at the Farnborough International Airshow, to be delivered in the next five years.
- Shanghai has the worst rush hour traffic jams of any major city in China, according to Beijing-based AutoNavi, China's biggest online mapping service provider. The worst jams were recorded on Monday and Thursday mornings, and Friday evenings. After Shanghai, China's most congested cities were Hangzhou, Beijing, Chongqing and Shenzhen.
- Beijing received 2.36 million overseas visitors from January to July, a drop of 5.9% compared with the same period last year. The China Tourism Academy said Chinese tourists spent USD47 billion more overseas than foreign visitors spent in China in the first half of the year. This means China has the largest tourism trade deficit of any country.
- China aims to double domestic spending on tourism by 2020 to CNY5.5 trillion by offering financial and other support to develop the sector. Tourism companies would be encouraged to list on the stock market. The plan also aims for Chinese citizens to take an average of 4.5 holidays a year, up from an average of 2.5 for 2013.
- Chinese Premier Li Keqiang wants to see more private investors involved in railways. Railways stabilize economic growth, enhance social harmony and will help urbanization, said Li during an inspection of the China Railway Corp (CRC). "Railways paid for solely by the government and managed by administrative order must become a thing of the past," said the Premier, encouraging the CRC to seek innovative sources of new investment.

VIP VISITS

President Xi Jinping visits Mongolia

President Xi Jinping proposed an expansion of bilateral trade with Mongolia to USD10 billion a year by 2020 as he arrived for a two-day visit aimed at deepening economic ties between the neighbors. China also agreed to give Mongolia access to ports in its north and northeast. Xi met President Tsakhia Elbegdorj and Prime Minister Altankhuyag Norov in Ulan Bator and delivered a speech at the Great Hural, Mongolia's parliament. Xi's arrival marks the first Chinese presidential visit in 11 years to Mongolia. The two countries signed 26 agreements to cooperate further in areas such as economics, energy, mining and finance. Bilateral trade has soared to USD6 billion in 2013 from just USD324 million in 2002 and makes up more than half of Mongolia's total foreign trade. China is the biggest investor in Mongolia, and also the largest market for its coal and copper. China already buys more than 90% of Mongolia's exports, mainly of coal and copper, and 49% of foreign enterprises registered in Mongolia are Chinese. Mongolia's economy grew 5.3% in the first six months, slowing from 11.7% in 2013. "I think the most important deal we can get out of this visit is a rail transit agreement," said Bontoi Munkhdul, Chief Executive of the Ulan Bator-based Cover Mongolia consultancy. "Allowing rail access to seaports in China would allow us to export our commodities to other sea-borne Asian nations such as Japan or South Korea." The Mongolian government has already agreed to form a joint venture with Shenhua Group to build a rail link to help deliver Mongolian coal across its southern border, the Shanghai Daily reports. Presidents Xi and Elbegdorj also signed a joint declaration to upgrade bilateral ties to a comprehensive strategic partnership. China will support Mongolia to join the Asia-Pacific Economic Cooperation (APEC) forum.

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