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

NEWSLETTER | 5 MAY 2014

ACTIVITIES

The Future of EU/China Trade and Investment Relations – Monday 12 May 2014 – Brussels

15.00 - 18.00 - Conference, followed by a drinks reception
Together with the EU-China Business Association, King & Wood Mallesons is pleased to be hosting this conference, which will be joined by Minister Zhang Kening who is responsible for Economic & Commercial Affairs at the Mission of the People's Republic of China to the EU, and Mr Rupert Schlegelmilch, Director for Services and Investment, Intellectual Property and Public Procurement at the Directorate General for Trade of the European Commission and Chief Negotiator of the EU China Investment Agreement, as keynote speakers for this event.

Venue: The Stanhope, Rue du Commerce 9, B-1000 Brussels

Timetable
14.30 Registration and coffee
15.00 Conference commences
18.00 Drinks reception

Further Information: Joanna Morley
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Cross Cultural Communication – 13 May 2014 – Brussels

The Brussels Diplomatic Academy is organizing a workshop which will immerse you in intercultural communication exercises via real life anecdotes and role plays (a.o. based on the work of Paul Verluyten, Hofstede and other cross cultural experts). The workshop content will be adapted according to the participants' learning objectives. This training is of particular relevance to top and middle management, diplomats, national and international civil servants and government officials.

Date: 13 May 2014, from 14.00 h. to 18.00 h. at Pleinlaan 5, Karel Van Miert Building, 1050 Brussels.

Save 50% reduction via KMO Portefeuille (more information on www.kmo-portefeuille.be).

Download our training brochure.

For more information: bda@vub.ac.be.

17th China Chongqing International Investment and Global Sourcing Fair – 15 to 18 May 2014 – Chongqing

The 17th China Chongqing International Investment and Global Sourcing Fair will be held from May 15 to May 18 in Chongqing. This fair is the most important event in terms of the promotion of trade and investment in Chongqing, and a lot of activities will be held on the occasion of this event, such as three fairs related to outbound and inbound investment, global sourcing, and imported consumption goods, high level forums, and some matchmaking meetings. The Fair can help you to get to know the city of Chongqing better and to find business opportunities in Chongqing. For VIP guests, the local organizer will cover their fees for accommodation, meals, etc.

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

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

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

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

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

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

Themed “Low-Carbon Development: Quality-Based Urbanization”, the National Low-Carbon Day and the Forum will provide opportunities to understand China’s low-carbon development agenda and the new urbanization roadmap from both responsible policy makers at the central level and mayors at local levels, particular demands from local government leaders on their respective low-carbon development plans, and the opportunity to meet and establish contacts with the multitude of stakeholders in China’s billion dollar low-carbon development future.

Xie Zhenhua, Vice Chairman of National Development and Reform Commission (NDRC), who is responsible for China’s national low-carbon development plan, has confirmed his participation in both events.

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

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

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

China Europa – 16~18 September 2014 – Shenyang

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

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

PAST EVENTS

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

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

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

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

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

China Job Market – Gent – 1 April 2014

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

Ghent University Association with its four member institutions – Ghent University, University College Ghent, Artevelde University College Ghent and University College West-Flanders – has approximately 250 Chinese students. Chinese final-year Master students and young researchers (doctoral students and postdoctoral fellows) received a personal invitation to visit the Graduate Fair. The job market was also advertised through the Chinese interuniversity student council. The purpose of the Fair was to help final-year Master students and young researchers find a (first) job and make it easier for employers to network with these young professionals.

NOTICE

Sponsorship opportunities

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

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

PUBLICATIONS

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

See FCCC Members' Portraits on the FCCC website.

MEMBERS' NEWS

Results of the Sino Belgian Business Survey 2014

Moore Stephens has published the “Results of the Sino Belgian Business Survey 2014”, which can be downloaded here. Growth was the rule, rather than the exception for Belgian companies in China in 2013, as they reported the strongest growth in Moore Stephens' survey’s three years. The majority of respondents were winning big or losing big, with little room in between. This year, only 14% of respondents reported a decrease in sales, with 40% achieving better than 20% growth, while 2013 was already a year that topped expectations. Companies realized better margins through increased economies of scale, allowing them to realize operating efficiencies and improve bargaining power with suppliers. For three years in a row, increased salary costs continues to be the biggest concern for maintaining margins, but respondents were much more optimistic about productivity keeping pace with wage growth compared to 2013. Most respondents shared economists' view that China's economy will continue to slow in 2014, although they were not pessimistic. More than 50% of survey participants are looking forward to grow their top line by more than 20% in the next year, with sentiment on improved margins decidedly positive.

Moore Stephens collected data from 42 companies, with 13 having a non-Belgian parent company or beneficial owner. These 13 were not included in the presentation of the survey results. There was an increased response from companies active in consumer services. Much more than ever, Belgian companies seem to have moved past the “cheap China for export model” and are squarely targeting Chinese consumers. The average period of activity in China was 11 years. Three quarters of all Belgian investments into China reported using a Hong Kong vehicle in their corporate structure, but this might change as new policies are introduced and the China-Belgium direct tax agreement (DTA) comes into force.

More than 85% of Belgian companies saw their revenues increase from 2012 to 2013 in China, with an astounding 39% of respondents reporting revenue growth of 20% or more. The revenue growth distribution has become less U-shaped than in past years. 46% of the respondents were able to improve their operating margins in 2013, with nearly the same number (43%) able to maintain similar margins and only 11% experiencing deteriorating margins in 2013. The typical respondent that was able to improve margins by more than 10% is a younger company generating most of its revenue on the Chinese market. Belgian companies indicate increased turnover and economies of scale as the most important positive driver for their operating margin in China. For the third year in a row, salary cost is identified as the most significant negative driver of operating margins, but decreased pricing power appears to have become increasingly significant for some companies as competition from domestic companies intensifies.

Looking to the future, Belgian companies continue to appear very optimistic on revenue growth targets for 2014. More than 55% of the respondents believe they will see top-line increases of over 20% in 2014, while only 4% expect to experience a decrease in revenue. Three out of four Belgian companies expect to increase operating margins in the year to come. Respondents expect that profitability will be mostly affected by revenue growth and not by cost savings. More than 60% of the respondents plan to make additional investments, while more than 30% indicated that China is their No 1 priority. More than 70% of the companies believe financing arrangements will be available in 2014, and almost half of the surveyed companies believe that the regulatory environment will improve. Respondents indicated managing sales volume as the most important concern in 2014.

EXPAT CORNER

Domestic service expo to be held

Expats looking to hire a domestic helper (ayi) can visit the first domestic service expo in Shanghai this month. The expo, organized by the Shanghai Women's Federation, will feature 100 domestic service agencies with 300 ayi consultants showcasing services and answering questions. Currently no domestic ayi agency specializes in solely helping foreign clients, said Zhou Jueming, Vice President of the Association of the Shanghai Family Service Trade. The event will be held on May 24 and 25 at 5369 Jiasong Road in Qingpu district.

FINANCE

ICBC and BoCom report slower profit growth

The Industrial and Commercial Bank of China (ICBC) and the Bank of Communications (BoCom) both posted slower growth in net profit in the first quarter. ICBC said that net profit rose 6.6% from a year earlier to CNY73.3 billion in the first three months, the weakest quarterly earnings growth in almost five years. Net interest income increased 8.5% to CNY115.8 billion while net fee and commission income rose 10.2% to CNY37.7 billion. During the first quarter, its non-performing loans (NPLs) rose by CNY6.9 billion to CNY110.6 billion. The NPL ratio rose 0.03 percentage points to 0.97%. Separately, ICBC said in a statement that it will buy 75.5% of Istanbul-based Tekstilbank for USD316 million.

Shanghai-based BoCom's net profit rose 5.6% year-on-year to CNY18.7 billion in the first quarter. Net interest margin shrank from 2.52% to 2.33% during the period while net interest income edged up 0.8% from a year earlier to CNY32.3 billion. Net fee and commission income rose 10.2% to CNY7.6 billion, accounting for 17% of net operating income. BoCom's NPLs rose from CNY34.3 billion to CNY36.1 billion while the bad loan ratio expanded 0.04 percentage points to 1.09%.

China Citic Bank's net profit grew 16.14% to CNY10.71 billion from a year ago. Net operating income surged 23.19% to more than CNY29.75 billion, with net interest income was up 11.17% to CNY22.14 billion. Its non-performing loans reached CNY23.58 billion, up 18.12% over the end of last year.

- Almost 70% of the banks in Shanghai had a business relationship with companies in the Shanghai pilot free trade zone (FTZ) at the end of March. There are 84 banks in the city, including lenders in the zone, that have started doing business with the companies registered there. Ten Chinese banks have branches and 20 overseas lenders have sub-branches in the FTZ. Lenders in the zone had combined outstanding loans of CNY65.4 billion at the end of March, while assets totaled CNY120.6 billion.
- Major banks have experienced significant increases in non-performing loans. China Construction Bank (CCB) had CNY90.81 billion in NPLs as of March 31, up CNY5.54 billion from the end of 2013. The NPL ratio climbed 0.03 percentage point to 1.02%. Bank of China (BOC) had an NPL balance of CNY80.32 billion, up CNY7.05 billion, and its NPL ratio rose 0.02 percentage point to 0.98%. Agricultural Bank of China's bad loan balance increased by CNY4.21 billion to CNY91.99 billion, while its NPL ratio held flat at 1.22%. China Minsheng Banking Corp, the nation's first privately-owned lender, had an NPL balance of CNY14.15 billion, up CNY749 million. Its NPL ratio went up 0.02 percentage points to 0.87%.
- Ping An Insurance posted 46.2% growth in first-quarter earnings fostered by a strong increase in premiums and improved income from its investments. Earnings at the insurer rose to CNY10.8 billion in the three months to March from CNY7.4 billion in the same period last year, the company said in a statement to the Shanghai Stock Exchange. Total written premiums in life insurance were up by 22.7% to CNY91.8 billion in the first quarter, while property and casualty premiums grew 27.9% to

CNY34.7 billion.

- A network of loan guarantees set up to improve companies' access to credit in a wealthy district of Hangzhou is creating new risks of default as some debts sour. A credit crunch is developing among steel and textile manufacturers in the Zhejiang city as the failure of some to repay loans pushes their burden on to healthier firms. The government ranks the city's Xiaoshan district as China's seventh-wealthiest, but one of the main drivers of its prosperity – small, private firms – is now a handicap.
- China's systemically-important banks may see their capital adequacy ratio fall to 10.5% in the event bad loans surge five-fold, according to a stress test by the central bank. The average capital adequacy ratio of the 17 banks, which account for 61% of China's banking assets, might drop to 10.5% from 11.98% at the end of last year should non-performing loans increase 400% in the worst-case scenario, the People's Bank of China (PBOC) said in its annual financial stability report. Industrial and Commercial Bank of China (ICBC) and its three closest rivals will face a capital shortfall of USD87 billion under the new rules by 2019, according to an estimate by Mizuho Securities Asia.
- The Shanghai free-trade zone (FTZ) opened last year is unlikely to be a major step towards making the yuan fully convertible and suitable as a Hong Kong dollar peg, John Greenwood, Chief Economist at Invesco Asset Management and the architect of Hong Kong's 30-year-old U.S. dollar peg said. He had previously said that the yuan needed “many years” to become fully convertible.
- China’s peer-to-peer (P2P) lending will soon face stricter regulations in an effort to clean up the business after a string of frauds and defaults. Han Hao, Director of the Ministry of Public Security’s Economic Crimes Unit, said P2P lending is a typical front for illegal fundraising. P2P lending platform Wangwangdai, which sold financial products on Baidu's website, seemingly disappeared this month with a huge amount of money raised from investors.

FOREIGN INVESTMENT

India seeking Chinese investment

Over the next five years, the Indian government has planned USD1 trillion of infrastructure investments and is seeking Chinese and Hong Kong investments to contribute, said Sanjeet Singh, Director of India's Ministry of Commerce and Industry. “The Chinese are extremely keen to participate in roads, power and telecom in India,” said Singh. Western Europe is the biggest investor in India with 40.5% of the total foreign direct investment (FDI) in India from 2007 to 2012, followed by the U.S. with 30.2%, while China accounted for only 4.1%, Singh said.

- The Walt Disney Co and the Shanghai Shendi Group are spending an additional USD800 million on their theme park resort in Shanghai to add more attractions before it opens at the end of 2015. The additional spending raises the investment total to about USD5.44 billion. Shendi has a 57% stake in the park, with Disney holding the remainder. Disney CEO Robert Iger said in a statement that he was impressed with China's economic growth and the significant increase in travel and tourism.
- China Investment Corp (CIC) is shifting its focus to agribusiness worldwide, and may soon target agricultural businesses from South American farms to Dutch dairies for investment. Since its founding in 2007, CIC has favored blue-chip stocks, fixed-income assets, and infrastructure and utilities businesses in the West. The sovereign wealth fund had become more interested in agriculture since being discouraged in other sectors, such as real estate and technology.

FOREIGN TRADE

Imports of technology equipment encouraged

China faces a tough situation in foreign trade and must work hard to reach its annual targets, said a statement released after an executive meeting of the Chinese government chaired by Premier Li Keqiang. The first measure that should be taken is to optimize the foreign trade structure, including encouraging imports of advanced technology equipment and key parts, the statement said. The second measure is to facilitate trade, including clearing intermediary services and fees. Fund-raising services, the processes of export tax rebates, and competition must all be improved. The meeting also stressed employment for college graduates. China will have 7.27 million new graduates this year, the most yet, and faces employment pressure. The meeting also stressed further protection of workers' basic rights and interests.

More than 1,000 foreign dairy producers registered

The General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) said that foreign dairy producers which have registered with the Chinese authorities can sell dairy products in the country if they meet Chinese rules and standards on sanitary conditions. The first batch of registered overseas dairy producers totaled 1,122 companies, including 41 baby formula makers. Twenty Belgian dairy companies also received a license. In 2013 Belgium exported dairy products worth €41 million to China, especially milk powder, butter and milk. Meanwhile, five New Zealand infant formula makers have been approved to export their products to China, New Zealand Primary Industries Minister Nathan Guy and Food Safety Minister Nikki Kaye said in a joint statement. "These manufacturers represent around 90% of our infant formula exports to China by volume," Guy said. Radio New Zealand reported the firms approved to continue exporting to China are Nutricia, Westland Cooperative Dairy Co, Canpac International, Dairy Goat Cooperative (NZ), and Fonterra. Exports of retail-ready infant formula represent 4% of New Zealand's dairy exports to China, or about NZD200 million per year.

- The Shanghai government said on March 31 that a total of 7,491 enterprises had been registered in the Shanghai free trade zone (FTZ) in the six months ending March 25. Of those, 628 are foreign companies with average registered capital of USD4.68 million.
- The Chinese Ministry of Foreign Affairs said it "resolutely opposes" U.S. sanctions after Washington laid charges against Chinese businessman Li Fangwei, accused of allegedly procuring missile parts for Iran. "We believe that what the United States has done will not help resolve the issue and will harm bilateral cooperation on counter proliferation," Foreign Ministry Spokesman Qin Gang said. Li said his metals company, LIMMT, had stopped selling to Iran once the U.S. began sanctioning the firm several years ago.
- China imposed anti-dumping and anti-subsidy duties on imports of polysilicon from the European Union, the latest move in a long-standing dispute over solar materials. Beginning on May 1 and lasting two years, anti-dumping duties of 42% will apply to German, Italian and Spanish companies, including Schmid Group, Joint Solar Silicon, MEMC Electronic Materials and Siliken Spain. The companies would also be subject to 1.2% anti-subsidy duties. The Ministry said it has spared Wacker Chemie from duties because of the firm's "price commitments."
- China is promoting the formation of a regional free-trade agreement as a U.S.-led pact – the Trans-Pacific Partnership (TPP) which does not include China – faces uncertainty. Wang Shouwen, Assistant Commerce Minister, said that discussions were under way to set up a working group that would explore the feasibility of an Asia-Pacific Free Trade Agreement (FTAAP). The concept of an FTAAP was first floated in 2006 at an APEC summit in Hanoi but was not further pursued. Regional trade ministers will meet later this month in Qingdao to prepare for the APEC summit in Beijing in November.

HEALTH

Progress made in MERS treatment

Hong Kong and mainland scientists have identified two antibodies that could be "promising candidates" to help develop a treatment for Middle East Respiratory Syndrome (MERS). The team, led by Tsinghua University researchers, is turning its experience from the severe acute respiratory syndrome (SARS) outbreak of 2003 to the new virus, which some fear could mutate and become even more deadly – although any cure for MERS remains years away. More than 300 cases of MERS have been diagnosed since it was identified two years ago, and 40% have been fatal.

- A breakthrough by Shanghai scientists offers the possibility of improved drugs to treat cardiovascular disease and blood-clotting conditions. A team from the Shanghai Institute of Materia Medica has decoded the structure of the P2Y12R protein, which is responsible for the formation of blood-clotting protein.

IPR PROTECTION

Enforcement most important issue

Enforcement remains the most important intellectual property issue in China, according to the annual "Social Satisfaction towards IP Protection" report. The survey found people were most dissatisfied with the severity of infringements, delay and inconvenience in accessing help, and inadequate damage compensation. The report also called for an increase of non-litigation resolution channels, including arbitration, to give more options to deal with IP disputes. Co-initiated by the national trade association of patents, trademarks and copyrights along with the China Mainland Marketing Research Co, the survey focused on the evaluation of legislation and policy protection, enforcement, management and services, and publicity and training. The social satisfaction towards IP protection in China was rated 64.96 last year, 1.27 percentage points higher than 63.69 in 2012, Xiao Luqing, Secretary General of the Patent Protection Association of China, said at a news conference. The index that scored the highest in the survey was legislation and policy protection. Effect evaluation was the weakest, indicating that more attention is needed to implement IP laws and policies. For the first time the survey organizers ranked satisfaction by province. Tibet, Qinghai, Ningxia and Hainan had an inadequate number of responses to be included but 27 other municipalities, provinces and autonomous regions were ranked. Tianjin topped the list and Shaanxi took second place followed by Heilongjiang in third. Shanghai came 21st, before Beijing in 25th and Guangdong in 26th. More economically developed regions have higher demand for IP and lower tolerance towards infringements, according to the report.

- China's revised Trademark Law, set to strengthen intellectual property protection and ensure a fair market for trademark holders, took effect on May 1. An amendment to the law raises the compensation ceiling for trademark infringement to CNY3 million, six times the previous limit. The new law mitigates trademark holders' responsibility in providing proof of infringement, saying alleged offenders shall provide their account books or other materials for investigation.

MACRO-ECONOMY

Half of China's CEOs confident in the future

Faith in China's economy is increasing and about half the country's chief executive officers (CEOs) are "very confident" in their company's prospects over the next 12 months, a survey showed. Globally, 33% of CEOs rank China as their top market for expansion in the period. PricewaterhouseCooper's 17th Annual Global CEO Survey polled 1,344 corporate heads in 68 countries from October through December, including 66 from the Chinese mainland. It showed that compared with the previous year, twice as many CEOs around the world believe the global economy will improve in the next 12 months. In China, 47% of CEOs are "very confident" about their company's growth prospects. Compared with global peers, they are the least likely to be looking at new geographic markets for growth – 5% compared to the global average of 14% – and are clearly focused on the domestic market. China CEOs' Sinocentric focus is spurred by many reasons: urbanization, transformation of state-owned enterprises (SOEs), an increasingly liberalized capital market, and the upgrade and evolution of traditional sectors, said Li Ming, PwC China advisory services leader in Central China. "A strong focus on the domestic market does not necessarily mean that China's enterprises are not interested in the overseas market," Li said. "On the one hand, the domestic market offers many appealing opportunities. On the other, many of China's enterprises are setting up dual headquarters – one in China and one outside China – to integrate resources and enhance management capabilities for future overseas opportunities." China's CEOs see their best prospects in new product or services innovations – 52% compared with the global average of 35%. Innovation is becoming the new growth driver for both individual companies and the country overall, and will contribute to China's enduring and sustainable development, PwC's Li said, as reported by the China Daily.

Provinces fall short of growth targets

With the exception of Beijing and Shanghai, all regions had set growth goals for the first quarter above 7.5%, with 30 out of 31 failing to meet them. The biggest shortfall was reported in Heilongjiang, where growth was 4.1% compared with an 8.5% target for the year. While the government has supported expansion with measures such as reserve-ratio cuts for rural banks, it has so far avoided broader stimulus measures. Six provinces missed their goals by more than 3 percentage points. In Hebei, where the government is cutting steel capacity, growth was 4.2%, compared with a target of 8%. The province surrounding Beijing is the country's biggest steelmaker, accounting for about 25% of national output last year. In Shanxi, a region hit by slumping coal prices and mine closures, an expansion of 5.5% compared with a full-year target of 9%. Heilongjiang, Hebei and Shanxi were “all provinces which suffer relatively severe overcapacity”, said Ding Shuang, Senior China Economist at Citigroup in Hong Kong. Anhui reported a 9.6% economic expansion in the first quarter, exceeding the goal of 9.5% for the year – the sole region to beat its target. Guangdong reported growth of 7.2%, compared with a target of 8.5%. The government would stabilize growth in the second half, including by speeding up economic changes to allow more private investment, former People’s Bank of China Adviser Li Daokui said.

Official PMI shows improvement

China’s manufacturing activity expanded at a faster pace in April, improving for the second month in a row. The official Purchasing Managers’ Index (PMI) rose to 50.4 from March’s 50.3, the China Federation of Logistics and Purchasing (CFLP) said. Component indexes showed new orders rising to 51.2, up 0.6 points from the previous month. New export orders, however, dropped to 49.1, down from 50.1 in March. Production, at 52.5, was also weaker than the 52.7 in March. The HSBC Flash China Manufacturing Purchasing Managers’ Index, weighted toward private and export-oriented firms, also saw a modest rebound in April. The Chinese government unveiled a set of measures over the past month, including lower reserve requirements for rural banks and speeding up railway construction, to support growth and employment after first-quarter gross domestic product (GDP) growth eased to 7.4%, the slowest in 18 months. The purchasing manufacturing index (PMI) for the services industry edged up to 54.8 last month, up marginally from 54.5 in March. The result showed services firms in China fared better than factories in April, but not by much. Business confidence in the services industry also stayed unchanged at 61.5.

- The International Monetary Fund (IMF) revised its forecast of China’s economic growth to 7.5% for this year and 7.3% in 2015 but it warned the slowdown in the country’s economy was “sharper than envisaged” despite the upward adjustment. The revision in both growth figures marked a rise of 0.3 percentage points from the previous forecast in October. China’s gross domestic product (GDP) grew 7.4% from a year earlier in the first quarter, the slowest in 18 months. But the Chinese Academy of Social Sciences (CASS) said GDP may grow 7.4% this year.
- Chinese Premier Li Keqiang discussed building an economic belt along the Yangtze river to underpin China’s sustainable economic development. He made the remarks during a visit to Chongqing. The Yangtze river traverses eastern, central and western regions, joining the coast with the inland, and will have unique strengths and huge potential, Li said. Three “blocks” in the Yangtze River Economic Belt are expected to be invigorated, including the delta, city clusters along the central course, and the Chengdu-Chongqing economic zone, according to Li. It could provide huge new development stimuli for more than 600 million people.
- China had the second-highest percentage of women chief executive officers in the world during the past decade after the United States and Canada together. Between 2004 and 2013, the U.S. and Canada boasted the highest percentage of female CEOs at 3.2%, followed by China’s 2.5%. Japan had the lowest rate of 0.8%, PricewaterhouseCoopers (PwC) said in a report. Many women chose to run their own businesses with a quarter of entrepreneurs being female in China. Half of the self-made female billionaires in the world are from China.
- Hong Kong ranked fourth in actual individual consumption per capita among 199 economies on a purchasing power parity (PPP) basis. The figure for the city was 87% of that in the U.S., which ranked second, the World Bank’s International Comparison Program found, based on 2011 data. Bermuda topped the list, and the Cayman Islands ranked third. The study also said that China has made a huge leap towards

overtaking the United States as the world's largest economy.

- China fought for a year to undermine new data showing it is poised to overtake the U.S. as the world's biggest economy in 2014 based on purchasing power, according to the Financial Times. The report, released last week by the International Comparison Program under the auspices of the World Bank, included a line stating that the "National Bureau of Statistics of China has expressed reservations about some aspects of the methodology". The main reason is that leaders do not want exposure to the international pressure that comes with being the world's largest economy, according to people familiar with Chinese official views on the matter.
- Premier Li Keqiang has said the government will steer clear of short-term stimulus measures to boost the economy. He added that pushing through deeper economic reforms was a wiser and more courageous approach than relying on government spending and borrowing to produce growth.

PETROCHEMICALS

COSL's earnings jump 17% in first quarter

China Oilfield Services (COSL), the nation's dominant oil and gas drilling services provider, posted a 17% rise in first-quarter net profit on the back of higher drilling volumes. Net profit was CNY1.41 billion, compared with CNY1.2 billion in the same period last year. The company made a net profit of CNY6.72 billion last year. Revenue rose 18% in the first quarter to CNY6.75 billion as the company ramped up drilling capacity. It added a new rig during the period, while four rigs commissioned last year also contributed to growth. The total operating days of its rigs rose 5.6% to 3,061. Operating profit grew 21% to CNY1.69 billion. Barclays' analysts said COSL had secured 90% of this year's orders, limiting its exposure to any softening of the market. Three of the four additional rigs to be deployed this year were high-specification jack-up rigs operating in the Middle East and Southeast Asia, which will boost the average drilling rate. CNOOC's plan to raise drilling and new oil and gas fields construction spending by 26% this year would bode well for COSL's revenue growth, the analysts added.

- China Petroleum & Chemical (Sinopec) posted a worse-than-expected 14.9% decline in first-quarter net profit. A CNY1.52 billion foreign exchange loss on the back of a weaker yuan, a 13.9% rise in depreciation expenses to CNY21.2 billion, and an 8.2% jump in staff costs were behind the profit fall to CNY14.12 billion. Oil and gas production operating profit fell 18.7% to CNY13.2 billion due to a 3.5% fall in average oil selling prices and higher production costs. Oil and gas output grew 8.8%. Gas selling prices jumped 18.9%. Oil refining profit surged 69.6% to CNY3.74 billion while that of fuel distribution slid 3.2% to CNY8.83 billion.
- Thousands of Daqing Oilfield workers and their families railed against parent company PetroChina's decision to change a policy that guaranteed jobs for all workers' children who graduate from university.

REAL ESTATE

Vanke's quarterly profit drops for the first time since 2002

China Vanke, the country's largest property developer by revenue, posted a decline in first-quarter profit compared with a year earlier, its first drop in quarterly profit since 2002. Net profit fell 5.23% to CNY1.53 billion, as revenue plummeted 32.16% to CNY9.5 billion. The Shenzhen-based company said it completed 984,000 square meters of buildings in the first quarter, just 6.6% of the real estate projects that it has planned for 2014. However, Vanke is expected to be able to still achieve the whole year's target. The developer attributed the weak revenue and profit to seasonable factors because the first quarter is typically a slow period as most of the property projects are completed and most sales are made in the second half of the year, especially the fourth quarter. The news came amid growing signs of cooling in China's property market following an excellent three or four years. In March, 14 out of 70 major Chinese cities reported home prices either declined or stagnated on a monthly basis, the Shanghai Daily reports.

Most recent graduates unable to secure housing

Soaring housing prices in Beijing have taken a heavy toll on the younger generation, forcing many to increasingly depend on their ageing parents for housing. Over 76% of employed college graduates under the age of 34 do not own their own house, with one in four of these living with their parents, according to a poll that surveyed more than 4,300 Beijing residents. The survey was part of the China Youth Development Report by the University of International Business and Economics in Beijing. Three-quarters of those who own their own homes relied on financial help from their parents when they purchased the properties. Of those helped financially by parents, one-quarter had their homes paid entirely by their parents, said the study. The findings of the study have shed light on how the post-1980 working generation struggles to find housing amid surging costs. Those who rent homes pay on average a little less than CNY2,000 in monthly rent, which is roughly 37% of their income – a "relatively heavy financial burden on daily life," the study concluded. One-third of urban female residents said that owning a house was a "must-have" for a happy life, implying that home ownership by a partner was an important factor when considering marriage.

Housing price increases slow further

Housing prices in China continued to climb for the 23rd straight month in April but at a slower pace, a report released by the China Index Academy showed. The average price of new homes in 100 cities rose by 0.1% from a month earlier to CNY11,013 per square meter. "The growth in home prices, both monthly and annually, has narrowed for the fourth straight month in April, with the number of cities registering price increases falling notably," the Academy said. "A couple of factors, including policy loosening in some cities and continuing tighter credit at commercial banks, further boosted a 'wait-and-see' sentiment among some home seekers resulting in quite sluggish sales across the country." Prices in 55 cities rose from a month ago, down by eight from March. Of these, 11 cities posted gains above 1%, down by one from March. In the 10 largest cities, the average price of a new home rose 0.39% to CNY19,640 per sq m last month, down from a 0.67% rise in March. Of the 10 cities, Nanjing saw the biggest monthly price rise of 0.7% and overtook Shanghai which was second with a monthly gain of 0.58%, Beijing followed next with a 0.52% monthly rise. Year-on-year, the price of new homes in the 100 cities jumped 9.06% in April, up for the 17th straight month. In Shanghai, the purchases of new homes, excluding government-funded affordable housing, fell 11.9% monthly to 761,300 sq m in April, or an annual drop of 15.5%, Shanghai Uwin Real Estate Information Services Co said. The average cost of the new homes fell 3.3% from March to CNY25,917 per sq m, the Shanghai Daily reports.

- Bans on non-residents buying property will be lifted in Nanning, Guangxi. More cities are likely to loosen restrictions as cash-strapped local governments are eager for revenue from land auctions and sales taxes to finance projects, experts said. Changes may be seen in smaller cities while major cities such as Beijing and Shanghai will have to keep their restrictions. "Regional divergence could be more obvious this year," said Li Enping, Associate Professor at the Institute for Urban and Environmental Studies under the Chinese Academy of Social Sciences (CASS).

RETAIL

Liquor producers suffer losses

China's leading liquor producers continue to feel the effects of the ongoing austerity and anti-corruption campaigns. Baijiu maker Shui Jing Fang Group, acquired in 2006 by London-based Diageo, saw a loss of CNY85 million in the first three months of 2014 and is forecast to report a net loss this year. Its first-quarter results showed the liquor maker's revenue reaching CNY74 million, down 77% from the same period in the prior year. Its CNY85 million net profit reflected a 175% drop. Last year, the company's revenue fell by 70% to CNY486 million, and it reported a net loss of CNY154 million. Last year was the first loss Shui Jing Fang posted since being acquired by Diageo. Medium- and high-end products make up about 90% of its portfolio. Wuliangye Group, another top baijiu brand, reported its first-quarter net profits were down by 27.8% to CNY2.61 billion on revenue of CNY6.71 billion, down 22.5%, the first decline of the first quarter since 2003. Jiugui Liquor Co recorded revenue of CNY81.3 million, down 58.94%. Its net profits declined 83.92% to CNY1.62 million. Kweichow Moutai Co, the flagship brand in the industry, saw slight growth at 2.96% in terms of net profits, but it still was its lowest growth in net profits in the first quarter since going public in 2001. Overall liquor industry revenue has fallen since the latter part of 2012, when the government initiated a national campaign to curb extravagant spending on gifts and banqueting among officials. Profits last year at 2,535 major distillers totaled CNY106.2 billion, up only 0.17% year-on-year. 10% of them lost money, according to the China Alcoholic Drinks Association, as reported by the China Daily.

- Illinois-based food company Mondelez International is exploring new ways to reach customers in third- and fourth-tier cities in China to combat slowing growth in the market. Despite weak growth in the biscuit or cookie market in the nation last year – which some say was affected by the government's austerity campaign as well as the economic slowdown – Wang Haiyan, Mondelez's Asia Pacific and China biscuit category leader, said China holds immense potential as a market. China's average consumption of cookies is currently one-fifth or one-fourth of that of developed countries, indicating much room for market development. Mondelez's brands include Oreos and Cadbury.
- Value Retail, one of Europe's biggest discount outlet chains, will open its first luxury outlet in Suzhou, Jiangsu province, this month, with another five under discussion and construction. The outlet chain will boast more than 100 luxury brands in its first phase, with more to come after its grand opening in October. The merchandise will be sold at a 40% to 50% discount off regular retail prices, Desiree Bollier, CEO of Value Retail said.
- CVC Capital Partners Sicav-FIS became the majority shareholder of South Beauty Investment Co, a medium and high-end restaurant chain in China. Expansion to more cities is planned. South Beauty's Founder Zhang Lan remains an owner and as Chairwoman will oversee the company's strategic direction. At the end of October, South Beauty had 80 directly-operated restaurants in 24 Chinese cities. Profit growth at China's top 100 restaurants has been the worst in decades, according to the China Cuisine Association. More than 20 of them have lost money, and profit growth slowed by more than 63%.
- U.S. cosmetics firm Nu Skin Enterprises urged the Chinese government to fine-tune its rules governing direct selling as it pledged to strengthen supervision and training of sales staff. The company, which was fined by authorities for illegal sales practices, makes and sells anti-ageing and weight-loss products. It has teamed up with U.S. firms such as Amway, Herbalife and Mary Kay to lobby Beijing to revise the rules on direct sales.
- Shanghai’s retail sales expanded 10.7% from a year earlier during the three-day Labor Day holiday, faster than the 5.5% rise during the Spring Festival, thanks to good weather and retailers’ aggressive marketing, the Shanghai Commission of Commerce said. Consumers spent CNY3.29 billion.

SCIENCE & TECHNOLOGY

CUHK (Shenzhen) recruiting students

The Chinese University of Hong Kong, Shenzhen, received approval from the Guangdong provincial government to open its doors to students. The new university is a joint venture between the Chinese University of Hong Kong (CUHK) and Shenzhen University and is located in Shenzhen. It will be one of the few universities in China to adopt an international-based curriculum. CUHK (Shenzhen) is currently looking to recruit 300 students for undergraduate majors in marketing, international business and economics this year. The university expects to eventually have a student body of at least 11,000.

STOCK MARKETS

WH Group shelving Hong Kong IPO

WH Group said it is shelving its multibillion-dollar Hong Kong initial public offering (IPO) as investor demand sags amid rocky financial markets. The company said it is abandoning the plan to sell shares because of “deteriorating market conditions and recent excessive market volatility.” WH Group became the world’s biggest pork company after buying Smithfield Foods of the U.S. last year and the decision to abandon the share sale complicates its efforts to pay off loans used to complete that purchase. The Chinese company, which changed its name from Shuanghui International, had initially planned to raise up to USD5.3 billion from an IPO in

Hong Kong. The company later slashed the offer size by two-thirds. This was a result, fund managers and bankers said, of WH Group and its owners seeking too high a price, hiring too many underwriters as well as negative publicity over sky-high executive compensation. WH Group had hired a record number of 29 underwriters for the deal. WH Group blamed cancellation of the IPO on miscommunication between the banks. Orders were secured for fewer than a third of the USD1.9 billion worth of shares that were eventually being put up for sale, according to market sources.

Bank of Beijing plans Hong Kong IPO

The Bank of Beijing plans to raise up to CNY30 billion in Hong Kong to replenish capital as new rules are phased in. Yan Bingzhu, Chairman of the bank, confirmed the plan although the stock sale is still pending regulatory approval. It could be the biggest stock sale in Hong Kong since AIA Group's offering in October 2010. The bank plans to launch the sale this year, said Yang Shujian, Secretary to the Board of Directors. "According to the new capital rules, our capital adequacy ratio is 10.9%, slightly above the 10.5% threshold. So the need for capital replenishment is pressing," Yang said. The stock sale is set to raise the bank's capital adequacy ratio by 3 percentage points and to meet future development needs in the next five years. Separately, Shanghai Pudong Development Bank (SPDB) said in a filing to the Shanghai bourse that it plans to raise no more than CNY30 billion through preferred stock. Its net profit surged 20.3% annually in the first quarter to CNY10.7 billion.

- The China Securities Regulatory Commission (CSRC) started reviewing IPO applications on April 30, after it had stopped reviews in October 2012 to remake rules and strengthen regulations. The stock market dropped on the news. Financial website Hexun.com said investors fear that new IPOs would dilute the market by redirecting investor attention and money away from existing listed companies. A new round of IPOs is expected to begin at the end of May.

TRAVEL

ARJ21-700 regional jet completes test flights

The ARJ21-700, China's domestically-made regional jet, has completed test flights in frozen weather in North America and flew over several countries in Europe and Asia ahead of its first commercial flight next year. "The regional jet has flown a total of 30,000 kilometers over 18 airports in 10 countries, flying through various bad weather conditions including a snowstorm and strong winds," the Commercial Aircraft Corp of China (CAC) said.

- Suzhou, a major city in Jiangsu province near Shanghai, has issued an official ban on all private-sector taxi booking apps, including Alibaba's Kuaidi Dache and Tencent's Didi Dache. Suzhou's taxi companies have been instructed to only use and accept customers via government-approved apps developed by the city's Passenger Transport Traffic Management Department.
- China's railway authorities recorded an all-time-high of 37 million train journeys made by Chinese travelers during the Labor Day holiday, up 16% from last year. In contrast with the large number of visitors to tourist sites on the mainland, Hong Kong saw a 15% drop of tourists visiting the city during the holiday this year.
- This year, Chinese nationals will spend CNY635 billion overseas, a threefold increase since 2008. By 2024, this number will top CNY1.77 trillion, according to the World Tourism Council.

ONE-LINE NEWS

- All parole and early-release hearings involving officials imprisoned on graft charges must be open to the public, the Supreme People's Court (SPC) has ruled. The move is designed to prevent "judicial corruption" in such cases, the court said, adding that the problem of guilty people bribing judges in order to secure reduced sentences or release on parole had become "quite acute". The ruling applies to all cases involving corrupt officials and those involved in organized or financial crime.

- The State Grid Corporation of China has been told to prepare 1,000 workspaces for state inspectors to conduct an accountability audit of company Chairman Liu Zhenya. It will be one of the largest audits ever carried out of a state-owned enterprise (SOE) and will last at least until October.
- Chinese Premier Li Keqiang set off on a four-country tour of Africa, including visits to Ethiopia, Nigeria, Angola and Kenya. His wife Cheng Hong is accompanying him for the first time on a state visit. Last year, China-Africa trade reached USD210 billion, with more than 2,500 Chinese companies operating on the continent.

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This newsletter is realized with the support of Flanders Investment & Trade.

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