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

NEWSLETTER | 28 APRIL 2014

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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
E: joanna.morley@eu.kwm.com
T: +44 (0)20 7111 2037

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.

FINANCE

Chinese banks report first quarter results

The Bank of China (BOC), the fourth-biggest lender in the country, posted a 13.9% annual growth in net profit to CNY45.4 billion in the first quarter as its net interest margin improved by 0.07 percentage points to 2.29% at the end of March. BOC saw its non-performing loans rise to CNY80.3 billion at the end of March from CNY73.2 billion at the end of last year, while its bad loan ratio edged up 0.02 percentage points during the period to 0.98%. BOC is the first among China’s top-five banks to release earnings for the first quarter.

The Agricultural Bank of China (ABC) posted an annual growth of 13.6% in net profit to CNY53.4 billion in the first quarter. Net interest income rose 15.5% over the same period of last year to CNY103.1 billion, while the net interest margin gained 18 basis points to 2.96%. The bank saw a 3.5% rise in net fee and commission income to CNY26.9 billion, taking up 19.7% of total operating income. Non-performing loans rose CNY4.2 billion in the period to CNY92 billion at the end of March, while the NPL ratio was flat at 1.22%.

China Construction Bank (CCB) posted a 10.4% growth in net profit for the first quarter to CNY65.8 billion. Net interest income rose 11.8% from a year ago to CNY103.2 billion, while the bank’s net interest margin rose from 2.74% by the end of last year to 2.81% last month. Net fee and commission income gained 11.2% to CNY32.1 billion over the same period, accounting for 22% of operating income. Non-performing loans increased by CNY5.5 billion to CNY90.8 billion, while the NPL ratio rose 0.03 percentage point to 1.02%.

- The People’s Bank of China (PBOC) cut the reserve requirement ratio (RRR) for county-level rural commercial banks by 2 percentage points and that of rural credit cooperative unions by 0.5 percentage points to help enhance financial support for rural development and guide credit flow to rural areas. The decision will not affect the overall liquidity in the banking system, the central bank said. After the adjustment, the RRR for most county-level rural commercial banks is 16% and that of rural credit cooperative unions 14%. Analysts estimate the cut will release around CNY50 billion to CNY150 billion to the market.
- The China Banking Regulatory Commission (CBRC) is drafting detailed rules governing the activities of peer-to-peer (P2P) lenders. Crowd funding or deposit taking are expected to be regulated. More than 1,000 P2P lending platforms operate in China. Under current laws, crowd funding operations that involve giving returns in bonus, interest or shares carry regulatory risks. In 2013, authorities discovered more than 3,700 cases of illegal fundraising, recouping CNY6.4 billion in losses.
- The China Insurance Regulatory Commission (CIRC) is loosening controls on mergers and acquisitions (M&As) among Chinese insurers to establish an exit mechanism that will allow weaker players to withdraw from the market. Easing M&A rules is part of the key reform of China's insurance industry, said Wang Guojun, Insurance Professor at the University of International Business and Economics. The CIRC announced new rules on April 4 that allow insurers to buy a stake in more than one peer, with effect from June 1. Existing rules ban insurers from buying stakes in more than one company that competes in the same market segment. The new M&A rules would also provide more room for foreign insurers to expand their presence.
- The Asia-Pacific region, and China in particular, is severely underinsured against natural disasters, which could result in losses big enough to wipe out gains from economic growth, says the Asian Development Bank (ADB). Over the past 20 years, Asia has borne half the estimated global economic cost of natural disasters, amounting to about USD53 billion each year. “In the wake of a disaster, the gap between total economic losses and insured losses can be so wide that it may outstrip governments' ability to act as insurer of last resort,” the ADB report said.
- The China Banking Regulatory Commission (CBRC) confirmed that Li Jianhua, 49, Director of the Non-bank Financial Institutions Supervision Department, who led the

opening and restructuring of the country's trust sector, had died from a heart attack.

- China's banking sector was warned bad loans are growing due to overdue borrowings at a time when economic growth is slowing, according to an analysis by PricewaterhouseCoopers (PwC). The top 10 listed Chinese banks had a bad-loan balance of CNY449.4 billion at the end of 2013, up 19.4% from the previous year. The average bad-loan ratio grew 0.06 of a percentage point to 0.99%.
- Hong Kong Exchanges and Clearing (HKEx) and the Hong Kong branch of China Minsheng Banking Corp signed a memorandum of understanding (MOU) which will allow the local bourse to promote its soon-to-be launched commodity products to the lender's clients. Minsheng is not yet a futures broker member of HKEx, but the bank is a major financier for many Chinese commodity players. The MOU would allow HKEx to access the bank's client base to promote new commodity contracts in aluminum, copper, zinc, and thermal coal.
- Chinese banks bought more foreign exchange than they sold in the first quarter as the inflow of foreign currencies continued although the surplus has fallen due to the yuan's depreciation. The banks' net purchase of foreign exchange hit USD159.2 billion in the first quarter, up 57% from the same period of last year. The surplus fell from USD73.3 billion in January to USD45.7 billion in February and then to USD40.2 billion in March.

FOREIGN INVESTMENT

U.S. firms reports strong results from China operations

Some of the biggest names in corporate America, including Coca-Cola, General Motors, United Technologies and McDonald's, reported strong results from their China operations, in some cases helping to offset weakness in the United States or Europe. Yum Brands, the fast food chain operator which owns KFC and gets more than half of its overall sales in China, reported first-quarter sales at restaurants in China rose 9%, rebounding after an avian flu outbreak and a food safety scare badly hurt sales last year. The encouraging results could soothe concerns on Wall Street that a cooling off of China's booming economy will drag down results of U.S. corporations operating in the region. Carmaking is one industry benefiting from Chinese demand. GM's first-quarter sales rose 12.6% in China.

Xian Janssen breaks ground on new plant

Xian Janssen Pharmaceutical on April 17 broke ground on a state-of-the-art manufacturing facility in Xian, capital of Shaanxi province. Construction is expected to be completed by 2016, with the plant scheduled to become operational in 2018. The new site covering 267,000 square meters will replace Janssen's existing facility in Xian to become the company's supply-chain innovation hub in Asia. The new plant will have a significantly greater capacity than the current Xian-based facilities. The new plant is expected to have a full capacity of 4 billion tablets and capsules, and up to 57 million tubes of creams a year when fully operational. Representatives at the groundbreaking ceremony included Cesar Rodriguez, President of Xian Janssen, Xian Mayor Dong Jun, Party Secretary of Xian's high-tech zone Zhao Hongzhuan and the zone's Administrative Director An Jianli. "Today we are breaking ground on a state-of-the-art facility that will continue Xian Janssen's 30-year history of delivering innovative and high-quality products to market," Xian Janssen President Rodriguez said at the groundbreaking ceremony. The pharmaceutical sector has been one of the leading industries in the Xian high-tech zone, with more than 340 enterprises developing and producing medicines. The companies generated a combined sales revenue of about CNY40 billion in 2013, growing 25% from the previous year, the China Daily reports.

- Qianhai, the new economic zone in Shenzhen that is seeking to turn itself into a mini-Manhattan on the Pearl River Delta by 2020, plans to ask for central government permission to lower entry barriers to attract enterprises from South-east Asia to invest in the zone. Qianhai is facing fierce competition from Shanghai and at least two other special economic zones in the Pearl River Delta – Hengqin in Zhuhai and Nanshan in Guangzhou – in the race to attract foreign investment. The penetration of foreign investment in the zone remains low. In the first quarter, 101 of the 1,360 newly registered companies in the zone, or less than 10%, were foreign companies.
- Haldor Topsoe, a Denmark-based manufacturer of catalytic products, signed an

agreement valued at USD163 million with the Tianjin Economic & Technological Development Area (TEDA) to build a plant in the zone. The contract was signed during the visit of Queen Margrethe II of Denmark to China. She was accompanied by the largest-ever Danish business delegation, composed of 161 companies. Haldor Topsoe said that it will be able to meet more than 25% of China's catalyst demand.

- Danish toy maker Lego Group plans to build its first Asian factory in Jiaxing in Zhejiang province. Shanghai, 120 kilometers from the new plant, will become Lego's central distribution center for Asia. The plant will have 1,500 employees when it is fully operational by 2017. It will be Lego's third-largest factory worldwide. China was Lego's fastest growing market last year, with a yearly increase of 50% in revenue.

FOREIGN TRADE

Customs procedures at Shanghai FTZ improving

Seven pilot measures aimed at simplifying the customs clearance process and boosting trade in services will be expanded to the whole of the Shanghai pilot free trade zone next month. Seven more steps will be rolled out gradually before June 30 to further cut clearance costs and improve efficiency of the customs process. The measures include allowing goods to enter the zone before going through customs declaration procedures, enabling companies to transport goods within the FTZ with their own registered vehicles and allowing zone-based companies to offer maintenance services to overseas customers. FTZ enterprises will also be allowed to display bonded goods outside the zone and make payments of duty after the goods are sold. That will streamline the import process and bring down retail prices of products by 20% to 30%. A pilot program allowing bonded warehouses to provide delivery services for futures trading will be expanded to all FTZ areas and all products on the Shanghai Futures Exchange. Currently, only copper and aluminum at two warehouses at Yangshan port can be delivered against futures contracts. Land for industrial use in the zone will be allowed to be converted into land with comprehensive functions that can be used for industry, commercial properties and office buildings, the Shanghai Daily reports.

Much-anticipated operational rules for the FTZ are expected to come into force in the second half of 2014 and lay a legal foundation for further reform. Draft rules were submitted to the Shanghai People's Congress' monthly meeting, but no decision will be announced until the next meeting. The rules are expected to take effect on August 1. "The goal is to make companies in the FTZ feel no differences with anywhere else in the world," said Dai Haibo, Deputy Director of the FTZ Administration Committee.

IPR PROTECTION

Patent quality to be improved

China is moving to improve the quality and structure of its patents amid a drive to foster innovation-driven development, Shen Changyu, Director of the State Intellectual Property Office (SIPO) said. Compared with developed countries, China has fewer patents featuring originality and/or core value, Shen said. China has witnessed an increase in the number of patent applications in recent years. The government accepted nearly 2.38 million patent applications and authorized more than 1.31 million in 2013. The number of invention patent applications was 825,000 – up 26.3% year-on-year. It is the first time in five years that invention patent applications took up more than one third of the three types of applications, said Shen. The other two types are utility model and design patents. "The application structure was further improved in the first quarter of 2014, as nearly 40% of applications were invention patents," said Shen. To improve the quality of patents, SIPO is taking measures to tighten the authorization of low quality patents, increase the proportion of invention patents, and favor patents of high technical value and with more promising market prospects, said Shen. China has also strengthened legal protection of IP rights. Some 53,000 people suspected of IP rights infringement and involvement in fake goods were held by police in 2013. They were involved in about 59,000 cases with an estimated value of CNY40.6 billion. Courts accepted 88,583 civil cases and 2,886 administrative cases of IP rights infringement last year and closed 10,000 cases, according to SIPO figures.

China approves Beijing Treaty on Audiovisual Performances

The National People's Congress Standing Committee has approved the Beijing Treaty on

Audiovisual Performances, which protects performers' intellectual property rights. The treaty, which was signed by 48 member states of the World Intellectual Property Organization (WIPO) in Beijing in 2012, legally entitles performers to authorize or prohibit the reproduction and distribution of their audiovisual works and will enable them to share the proceeds of performances marketed internationally with their producers. The treaty will take effect after at least 30 member states submit approval documents to WIPO. China is the third member to do so, after Syria and Botswana. Accession to the treaty will significantly improve the protection of domestic performers' IP rights and economic benefits abroad. The treaty put under protection the performers' image, costume and body movements, as part of their audiovisual performances. This is a huge improvement over the previous WIPO Performances and Phonograms Treaty, which only protected performers' audio productions. Producers and artists welcomed China joining the treaty, the China Daily reports.

- Prosecutors must investigate officials if they have aided a person or group to skirt intellectual property rights, the Supreme People's Procuratorate (SPP) announced. Zhang Bencai, Spokesman for the SPP, said officials often act as so-called protective umbrellas for IP violators and often help them escape legal punishment. National prosecutors investigated 30 law enforcement officials in 18 cases in 2012 and 2013 for concealing crimes related to the manufacturing of counterfeit goods. In 2013, national prosecutors accused 91 suspects of dereliction of duty in 54 IP cases.
- The 2014 China Intellectual Property Week was held last week to support the World IP Day on April 26. Last year, the State Intellectual Property Office (SIPO) handled 825,000 patent applications, topping the world. The number of international patent applications via the Patent Cooperation Treaty ranked third worldwide, with China moving up one place to replace Germany. The national trademark administration received 1.88 million trademark applications, ranking first globally for the 12th consecutive year. There were also more than 1.1 million copyright registrations for literature works and software. More than 2,500 applications were for new plant species, a record high.
- Shenzhen's companies, organizations and individuals filed 10,049 international patent applications through the Patent Cooperation Treaty last year, for the first time surpassing 10,000. It was an increase of 25% over 2012 and was nearly half of the total filed nationwide. For 10 consecutive years Shenzhen has ranked first among all major cities in China for international patents.
- The first specialized IP court may be set up in Guangdong province, with three cities – Guangzhou, Shenzhen and Zhuhai – having filed proposals to build the first court. Zheng E, President of the Guangdong High People's Court, said Guangdong had 306 judges who could handle IP cases.

MACRO-ECONOMY

China announces 80 major infrastructure projects

China announced 80 major public infrastructure projects to boost the economy and open it wider to private and overseas investors. The projects will cover railway and harbor construction, new infrastructure in information technology, major clean energy projects such as hydropower, wind power and photovoltaic power, as well as modernization projects in oil, gas and chemical industries. The projects and their total value are still to be specified. Economists say overseas investors are likely to benefit from the new infrastructure investment program along with domestic private-sector investors. The central government said private investment will be encouraged to enter fields that are "monopolistic in nature" or "used to be dominated by government investment and state-owned enterprises". In 2013, private-sector investment accounted for 63% of China's total capital investment. The government has also decided that oil and gas exploration, public utilities, water resources projects and airport construction will be the next sectors to open to private investment. Ding Jihua, Deputy Director of the Research and Consulting Department at the Beijing New Century Academy On Transnational Corporations, said foreign companies can take part in these monopolized industries in joint ventures or as a sole investor.

- A detailed report on the integration of Beijing, Tianjin and Hebei (abbreviated as Jing-Jin-Ji in Chinese) is expected to be published in June. The integration would make

Tianjin and Hebei autonomous “satellite” areas of Beijing, hosting hospitals, businesses and government offices relocated from Beijing. The National Development and Reform Commission (NDRC) is currently drafting the policies. In the next three years, Beijing plans to relocate 1,200 polluting factories.

- The HSBC Flash China Manufacturing Purchasing Managers’ Index (PMI) edged up to 48.3 in April from March’s final reading of 48. The latest figure reflected a fourth straight month of contraction. Qu Hongbin, Chief Economist for China at HSBC, said production activity seemed to stabilize in April. The component indices showed new orders rose to 47.7 in April from 46.5 a month earlier, while production increased to 48 from 47.2, although both were below the growth threshold of 50. New export orders fell to 49.3 from 51.3.
- China will strive to reach the “high-income club” under the World Bank's standard by 2020, Xu Lin, Director of the Department of Development Planning of the National Development and Reform Commission (NDRC), said. The World Bank classifies countries with a per capita gross national Income (GNI) of more than USD12,616 as high-income countries. China’s GNI was USD5,720 per capita in 2012. Except for a few small economies, only Japan and the four “Asian tigers” (South Korea, Taiwan, Hong Kong and Singapore) have made their way into the high-income club over the past 30 years.
- Shanghai’s economy in the first quarter grew 7% year-on-year to CNY531.3 billion, slowing from 7.6% in the previous three months. Industrial production rose just 4%, down from 6.6% for the same period of 2013 and well below the national figure of 8.7%. Shanghai’s automobile manufacturing maintained its robust growth at 15% in the quarter while production of biomedicine jumped 14.6%. However, the information technology and oil refinery sectors both reported declining output. The services sector expanded 8% in the period.
- Profits of industrial companies with annual business revenue above CNY20 million reached CNY1.3 trillion, up 10.1% in the first quarter. The National Bureau of Statistics (NBS) attributed the improvement to a rebound in profits in the telecommunication sector and the weak base in March 2013. In the first quarter, profits of private firms rose the fastest at 14.2%. Profits at state-owned industrial enterprises only increased 2.9% year-on-year.

MERGERS & ACQUISITIONS

Fosun to acquire hospital operator Chindex International

Shanghai Fosun Pharmaceutical and its partners agreed to acquire hospital operator Chindex International for about USD433 million after raising their offer to counter another bidder. The group comprising Fosun Pharma, TPG Capital and Roberta Lipson, Chindex's Chief Executive, boosted its offer for the hospital operator to USD24 a share from USD19.50. Another bidder, which earlier offered USD23 a share, declined to bid further. Chindex runs the United Family Healthcare chain in cities including Beijing, Shanghai and Guangzhou. Chindex said the implied equity value of the deal was USD461 million. The deal was expected to close in the second half of the year.

PETROCHEMICALS

CNOOC’s oil and gas sales increase 6.9% thanks to Nexen

CNOOC posted a 6.9% year-on-year rise in unaudited oil and gas sales revenue to CNY59.15 billion for the year's first quarter. The growth was driven by the acquisition in February last year of Canada's Nexen, whose assets are mainly in Europe and North America. Total domestic first-quarter output was flat year-on-year at 67.1 million barrels of oil equivalent (BOE). Overseas output grew 55.9% to 41 million BOE. The average selling price of the firm's oil fell 5.1% to USD104.63 a barrel, while that of gas rose 9.3% to USD6.33 per thousand cubic feet thanks to pricing reform that resulted in higher domestic gas prices. CNOOC has seven major projects due to start production this year, with a total expected peak output of 227,000 BOE a day. All but two of the projects are wholly-owned. Its average output last year was 1.13 million barrels per day. The company spent CNY19.3 billion on new projects in the first quarter. Chief Financial Officer Zhong Hua said the full-year budget was unchanged at CNY120 billion.

Sinopec leads China's shale gas revolution

China Petroleum & Chemical (Sinopec)'s discovery of the Fuling field in Chongqing may have set a milestone for China's oil and gas industry's "shale gas revolution", but the industry's success in meeting the nation's 2020 production target and emulating the success of the United States is not guaranteed. It has not been proven that the initial drilling success could be replicated in a much wider area beyond the 200 square kilometer pilot zone, analysts said. "The Fuling shale is unquestionably the best shale discovery in China to date and arguably one of the best outside North America," said American brokerage Sanford C. Bernstein Senior Analyst Neil Beveridge in a report. "Fuling is relatively small and may not be representative of the Sichuan basin more broadly. China's shale revolution is still likely to be a long drawn out affair compared with the U.S." Sinopec expects production from Fuling to reach 5 billion cubic meters (BCM) annually by the end of next year and 10 BCM by 2017. The firm had targeted two BCM by 2015 two years ago. Rival PetroChina, whose 79 BCM of gas output last year accounted for two-thirds of national output, is aiming for 2.6 BCM of annual shale gas production in 2015. It has been conducting trial production mainly in Sichuan province. PetroChina plans to spend more than CNY10 billion on shale gas drilling this year alone, compared to CNY3 billion between 2010 and last year. Together, Sinopec and PetroChina should be able to surpass the 6.5 BCM shale gas output target set by Beijing for 2015, but meeting the government's 60 BCM and 100 BCM target for 2020 will be challenging.

REAL ESTATE

Property markets in smaller cities pose severe risks

According to Soufun, a private real estate statistics provider, housing prices rose 20% year-on-year in China's four top cities – Beijing, Shanghai, Guangzhou and Shenzhen – last month, but only by 7.7% in second-tier cities and 3.9% in third-tier smaller cities. In Beijing, Shanghai and Shenzhen, average housing prices exceeded CNY30,000 per sq m, while in third-tier cities, the average was a much lower CNY7,330 per sq m. Zhang Zhiwei, Economist at Nomura Securities Co in Hong Kong, said the property markets in the country's third- and fourth-tier cities faced severe risks, and will pose the greatest challenge to the Chinese economy over the next two years. The four top cities accounted for only 5% of housing under construction and sales in terms of square meters and 8% of housing investment in 2013, according to Nomura's calculations. The 24 second-tier cities accounted for 28% of housing under construction, 27% of housing sales and 35% of housing investment. The remainder, in third- and fourth-tier cities, comprised 67% of housing under construction, 69% of sales and 57% of housing investment, Nomura's data showed. "In China, the true risks of a sharp correction in the property market are not in Beijing or Shanghai but in third- and fourth-tier cities, which are not on investors' radar screens," said Zhang. Some analysts are expecting some policy easing, considering the property sector's influence on the overall economy. Zhu Haibin, Chief Economist in China at JPMorgan Chase & Co, said that in some cities where the housing market is nearing a slump, there may be selective easing in policies regarding purchasing restrictions or mortgage terms, the China Daily reports.

- Japan's Hitachi said it will provide the world's fastest elevators, traveling at up to 72 kilometers per hour, to the 111-story, 530-meter Guangzhou CTF Financial Center due due for completion in Guangzhou in 2016. The lifts will be able to travel from the first to 95th floor in 43 seconds. Hitachi will install a total of 95 elevators at the tower, including two of the superfast lifts. The center will be the tallest building in Guangzhou, but lower than China's current tallest building, the 632-m Shanghai Tower, and the 700-m Suzhou Zhongnan Center, which are under construction. China accounts for about 60% of global demand for elevators.
- There will be an oversupply of office space in China in the coming three years, with second-tier cities being hit first, industry analysts said. The supply of office space in second-tier cities will increase more than 350% from current levels, according to DTZ. But the impact may be softened as 44% of expected completions within the three-year period are likely to be postponed.
- New home sales in Shanghai fell 34.8% in the first quarter of this year from the same period in 2013 by volume to 2.01 million square meters and by value to CNY51.29 billion – down 29.3% – amid tighter credit and buyers' wait-and-see attitude. But luxury housing seemed to buck the trend, with 157,800 square meters of new houses costing above CNY50,000 per sq m sold, up from 105,900 sq m a year earlier. The average

price fell to CNY63,228 per sq m.

RETAIL

Beer sales only bright spot in alcoholic beverages market

Beer sales are now more profitable than wine or liquor sales, amid a government crackdown on luxury spending. He Yong, Secretary General of the Beer Branch of the China Alcoholic Drinks Association, told the 2014 China Beer Industry Annual Summit in Beijing that beer is the only part of the alcoholic beverage market that saw profits grow last year. Beer producers' profits were up 21.5% last year. Revenue in the beer industry reached CNY181.4 billion, up 9.3%. Output grew 4.6% to 50.62 million kiloliters. The most significant growth is taking place in the western regions, but the eastern and southern parts of the country are still the major beer consumption areas, accounting for 34.2% and 28.4%, respectively, of the national market. “Production and sales of the five major beer groups account for nearly 80% of the market,” He said. The five are Carlsberg China, China Resources Snow Breweries, Anheuser-Busch InBev, Tsingtao Brewery Co and Beijing Yanjing Beer Group Corp. Stephen Maher, CEO of Carlsberg China, said premium brands are the way to increase razor-thin profit margins. Within 10 years, premium beer products will account for 20% of the market in China, but generate 50% of the profits, the China Daily reports.

- Growth in retail sales is expected to be flat this year at 13%. China is unlikely to introduce broad consumption stimulus policies this year, said Zhao Ping, Deputy Director of the Chinese Academy of International Trade and Economic Cooperation under the Ministry of Commerce (MOFCOM). But she added that consumers will spend more to improve their living standard as incomes rise, and will also increase consumption as a result of modifications to the one-child policy.
- China remains No 1 in retail construction worldwide with over 50% of all developments, with eight of the top-10 cities building the biggest shopping centers, according to global property advisor CBRE. Globally, 39 million square meters of shopping centers are under construction, and more than half of all developments are taking place in China. Shanghai ranks first with 3.3 million square meters of shopping malls under construction, followed by Chengdu with 3.2 million sq m, Shenzhen with 2.7 million sq m and Tianjin with 2.5 million sq m.
- Metro Cash & Carry China said it will open two to three new stores in China by the end of this fiscal year in September. Metro has already opened seven stores of the 10 new outlets it plans to open in this fiscal year. The company has 76 stores in 53 Chinese cities. China is Metro Cash & Carry’s third-largest market by the number of stores, behind Germany and France. The company will focus on corporate clients who buy gifts for employees or customers as well as small business operators and restaurant owners, Jeroen de Groot, President of Metro Cash & Carry China, said. Metro will launch a food distribution center for caterers in Qingdao later this year.
- Walmart Stores has appointed Sean Clarke as CEO of Walmart China. Clarke's predecessor Greg Foran will head Walmart's Asia unit. The changes come as the world's largest retailer changes its China strategy toward quality from rapid expansion and quantity. Its strategy in the country brought annual sales growth of 24.5% last year and a place among the country's top-three retailers.
- Scottish whisky distillers reported sales in China plunging by more than a quarter last year. The latest sales figures from the Scottish Whisky Association show that 16.7 million bottles of Scotch were sold in China last year, a 27% drop from the 22.9 million bottles sold in 2012. Chinese drinkers spent GBP51 million on whisky last year, down 41% from 2012. In Hong Kong, sales fell 31% to GBP16 million.

SCIENCE & TECHNOLOGY

Ten foreigners praised for contributions to China’s education

Ten foreigners received recognition as Foreign Experts with Exceptional Contributions to China's Education, including Pedro Nueno, President of the China Europe International Business School (CEIBS). The 10 were selected by International Talent Exchange magazine and the China Society for Research on International Professional Personnel Exchange and Development from among 60 foreign experts in culture and education. “Many Chinese companies are now managed like any European or U.S. company or even better. I think contributing to this is a positive thing", Nueno said.

STOCK MARKETS

Shares of listed units of China Resources drop

Shares of the five Hong Kong-listed units of China Resources Holdings tumbled, as investors reacted to news that former Chairman Song Lin had been sacked and is being investigated for corruption. China Resources Power (CRP), the largest of the five by market capitalization, saw the biggest fall. The other four are retail-to-brewing conglomerate China Resources Enterprises (CRE), developer China Resources Land, natural gas distributor China Resources Gas, and China Resources Cement. In July, two journalists accused Song of being the mastermind behind CRP's alleged overpayment for a basket of coal mining-related assets from Shanxi Jinye Coal Group, owned by tycoon Zhang Xinming, which resulted in losses for the state and minority shareholders. The overpayment was said to amount to several billion yuan. Song was replaced on April 18, a day after the Communist Party's Central Commission for Discipline Inspection (CCDI) said it was investigating Song for suspected serious party discipline and law violations.

China Resources Holdings (CRH) has appointed Fu Yuning as Chairman to replace Song Lin, who is under investigation for corruption. Fu was formerly Executive Chairman of China Merchants Group, a major shareholder of China Merchants Bank. The swift appointment by Beijing was seen as a move to shore up confidence in CRH. CRH CEO Wu Ding and Wang Hongkun, Executive Director of China Resources Land, are also under investigation.

China Resources, formerly known as Liow & Co, was established in Hong Kong in 1938 by Yang Lianan, with the backing of former Premier Zhou Enlai and Chen Yun – two of the Communist Party's eight elders. Its original purpose was to use funds raised from the public to procure material to support Chinese resistance to the Japanese in the second world war. The company was renamed China Resources in 1948. In 1952, it became the principal agent for China's foreign trade through Hong Kong, and organized the first Canton Fair in 1957. It was under the control of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) until 1999, when it was put under the direct administration of the central government. The firm gradually expanded into manufacturing and invested in the retailing, property, power generation and infrastructure sectors in the 1980s and 1990s. Its first listed company, retailing-to-brewing conglomerate China Resources Enterprise, was among the first mainland firms to float on the Hong Kong bourse in 1992. Today, the holding company has more than 2,300 companies, with some 420,000 employees. It has five Hong Kong-listed units and six mainland-listed units. China Resources was ranked by American magazine Forbes as 187th among the world's largest 500 firms last year.

- At the beginning of April, 168 companies were waiting to float new shares on the Shanghai stock exchange, compared with 507 applicants lining up to list in Shenzhen. The China Securities Regulatory Commission (CSRC) is now encouraging those planning to list in Shenzhen to change their listing venue to Shanghai.
- Most companies whose applications for initial public offerings (IPOs) are being evaluated will make their preliminary disclosures by the end of June, a Spokesman for the China Securities Regulatory Commission (CSRC) said. The disclosures, which explain the size and purpose of an issue, will be posted on the CSRC website. 606 companies were in line for approval as of April 17. In March, the Commission said that it will allow candidates to choose freely between the Shanghai and Shenzhen stock exchange for a listing.
- 41 retired senior government officials serving as independent directors at China's top listed firms have found themselves under the spotlight after the People's Daily newspaper questioned whether they had carried out their responsibilities to protect small investors. Millions of minority shareholders have shunned the stock market amid deep disappointment with heavy losses from equity investments. About 7.4 million retail investors have exited the stock market since 2010. According to Xinhua, 8.5% of the independent directors at all China-listed firms, or 642 people, were government officials at the end of 2012.
- WH Group, formerly known as Shuanghui International Holdings, announced it will reduce and postpone its Hong Kong initial public offering (IPO), possibly until the

middle of May according to analysts, who added that the issue, which had been expected to be the largest so far this year in Hong Kong, might be cut in half. Under the new plan, the group is to raise HKD10.14 billion to HKD14.82 billion, compared with the original target range of HKD29.24 billion to HKD41.12 billion. The IPO proceeds are intended to cover debt the company took on to buy Smithfield Foods, the largest pork processor and exporter in the United States.

TRAVEL

Government personnel required to buy discounted air tickets

The Ministry of Finance and the Civil Aviation Administration of China (CAAC) plan to prohibit personnel on government business to use full-fare tickets, a move which could put more pressure on the country's major airlines, as the profit margin on full-fare tickets is important to their bottom line. Government personnel traveling abroad must also use Chinese airlines. The government's frugality campaign has already significantly reduced air travel by government personnel. The three major airlines all reported major declines in net profits in their annual reports for 2013. Air China, the flag carrier of China, saw a 32.41% year-on-year reduction in its net profit in 2013. It is the third consecutive year that the carrier has reported reduced profits. China Eastern Airlines reported a 25.12% reduction in net profits in 2013, while China Southern Airlines saw a reduction of 27.89%, according to their annual reports. Air travel by government personnel on official business could exceed CNY3 billion, according to the CAAC. Li Xiaojin, Professor at the Civil Aviation University of China in Tianjin, said business travel by air, including government travel, is still estimated to take up more than half of all air travel. "That is why the effect cannot be overlooked," he said. On top of that, major airlines reported a drop in profits in the first quarter of this year due to the appreciation of the yuan.

- Shandong Airlines, one of China's smaller carriers, said it has agreed to buy 50 passenger planes from U.S. manufacturer Boeing for USD4.6 billion. The company signed a deal to purchase 16 Boeing 737-800s and 34 Boeing 737 MAX planes. Deliveries will start in 2016. Shandong Airlines aims to increase its fleet to more than 140 aircraft by the end of 2020, roughly doubling the current number. It already operates 67 Boeing 737 planes.

ONE-LINE NEWS

- The Supreme People's Procuratorate (SPP) is investigating Guo Youming, former Vice Governor of Hubei, on bribery charges. The Communist Party's Central Commission for Discipline Inspection (CCDI) announced that Guo was expelled from the Party for "serious disciplinary violations", including abusing his power to seek benefits and receiving "a huge amount" of money or gifts for himself, his family members or other relatives.
- New Zealand reported its highest net influx of immigrants in 11 years, reaching 31,900 in the year to March. China was the nation's biggest source of long-term arrivals at 6,200. Half of all Chinese immigrants used the investor scheme.
- Most of the 40,000 shoe factory workers who staged one of China's biggest strikes at the Dongguan factory of Hong Kong-listed Yue Yuen Industrial Holdings have returned to work after the company agreed to some of their core demands. The company is a manufacturer of footwear for Nike, Adidas and other international leisure brands.
- The Supreme People's Procuratorate (SPP) plans to get tougher on people who give bribes, and not just focus on those who take them. Xu Jinhui, Director of the Anti-corruption Bureau said that offering bribes was a major cause of corruption and the government could only curb graft by cracking down hard on the practice. Punishments for those convicted of giving bribes will be toughened.

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

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